



## A STUDY OF GROWTH AND PERFORMANCE ANALYSIS OF BHARTI AIRTEL LTD

**Dr.S.Vijayalakshmi**

Assistant Professor and Head, Department of B.Com (PA), PSGR Krishnammal College for women, Coimbatore

**Swarnamalia.M**

Final year students of B.Com (PA), Department of B.Com (PA), PSGR Krishnammal College for women, Coimbatore

**Sruthi veni.S**

Final year students of B.Com (PA), Department of B.Com (PA), PSGR Krishnammal College for women, Coimbatore

### ABSTRACT

In the modern oriented economy finance is one of the basic foundations of all kinds of all activities. Financial statements are the outcome of summarizing process of accounting. The objective of the present study is to analyze the growth and performance of the company and assess the trend of share price for a period of five years from 2011 to 2016. To fulfil the objectives of this study trend analysis, common size income statement and common size balance sheet has been used. Finally, the suggestions are offered to improve the financial performance of the company.

**KEYWORDS** : Trend analysis, Common size income statement and common size balance sheet

### INTRODUCTION

Finance is regarded as the life blood of a business enterprises. In the modern oriented economy finance is one of the basic foundations of all kinds of all activities. Financial statement are the outcome of summarizing process of accounting. The present study tries to provide an in-depth analysis on financial statements for five years from 1st April 2011- 31st March 2016. The present study aims to analyze the financial performance analysis of **BHARTI AIRTEL LIMITED**. AIRTEL was started in the year 7 July 1995. The headquarters is situated in New Delhi. It was founded by Sunil Bharti Mittal. The Bharti Airtel served under the area of India, Sri Lanka and 17 countries across Africa and Bangladesh. Bharti Airtel provides GSM, 3G and 4G LTE mobile services, fixed line broadband and voice services depending upon the country of operation. It is the largest mobile network operator in India and the third largest in the world with 365 million subscribers. In this company there are 32,437 members and 24,868 employees are worked in the year Mar 2015.

### STATEMENT OF THE PROBLEM

One of the major reasons that causes the rise and fall in the profit of Airtel is no proper analysis of the financial position of the company. The profit position of the Bharti Airtel Ltd is fluctuating from year to year. Bharti Airtel Ltd using various strategists to improve the profit to the maximum possible extent. This study addresses to improve the growth and performance of the Bharti Airtel Ltd

### SCOPE OF THE STUDY

The study is based on the accounting information of Bharti Airtel Ltd. The study covers the period of 2011-2016 for analyzing the financial statement such as income statement and balance sheet of the company. The scope of study involves the combination of various financial analysis. This study covers the analyze of trend of share price and financial performance analysis. It also helps to analyze the financial statements and help to apply the resources of the company properly for development of the company to bring overall growth

### OBJECTIVES OF THE STUDY

- To assess the trend in share prices of the company
- To study the growth and performance of the company

### TOOLS USED FOR THE STUDY

The analysis and interpretation of financial statements is used to determine the financial position of the company. The tools adopted for this study is Trend analysis and Common size income statement and Common size balance sheet.

### LITERATURE REVIEW

- Rajasekar and Aravanan (2011)** studied the financial performance analysis of major ports in India. The main objective of this paper is to analyse the financial performance of Tuticorin port trust (TPT). In order to analyze the financial performance ratio analysis and trend analysis were used. The findings of the study revealed that the norms of various ratios in the context not be obtained.
- Chellasamy and Ponsabariraj (2013)** studied the profitability and trend analysis of select retail companies in India. The Indian retail business is being driven by yearly net profit, operational efficiency, changing lifestyles, and favourable demographic patterns. The retail sector is an important contributor to the development of our economy. The study aims to analyze the profitability position, overall operating indicator, and trend analysis of selected retail companies in India considering the time period from 2002-03 to 2011-12.

### RESEARCH METHODOLOGY

The source of the data is predominantly from Secondary data

### PERIOD OF THE STUDY

This study covers a period of five years i.e 1<sup>st</sup> April 2011 to 31st Mar 2016

### ANALYSIS AND INTERPRETATION

#### OBJECTIVE-1

- To assess the trend of share prices of the company

#### TREND ANALYSIS

A trend analysis is a method of analysis that allows traders to predict what will happen with a stock in the future. Trend analysis is based on historical data about the stock's performance given the overall trends of the market and particular indicators within the market. In project management, trend analysis is a mathematical technique that uses historical results to predict future outcome. This is achieved by tracking variances in cost and schedule performance. In this context, it is a project management quality control tool.

**TABLE 1 TREND ANALYSIS OF SHARE PRICE (on quarterly basis)**

YEAR	AMOUNT (Rs)	TREND (%)
2011-2012	370	100
2012-2013	307	83
2013-2014	314	85
2014-2015	364	98
2015-2016	362	98

[Source : Money control]

TABLE 2 COMMON SIZE INCOME STATEMENT

<b>2011-2012</b>	= 386.073 + 365.463 + 370.005 / 3 = 1121.541 / 3 = 373.847	= 426.854 + 394.64+ 370.256 / 3 = 1191.75 / 3 = 397.25	= 383.281+ 377.307 + 355.787 / 3 = 1096.375 / 3 = 365.428	= 357.33 + 342.005 + 329.764 / 3 = 1029.099 / 3 = 343.033	= 373.847 + 397.25 + 365.428 + 343.033 = 1479.588/4 =370
<b>2012-2013</b>	= 303.863 + 295.833 + 298.673 / 3 = 898.369 / 3 = 299.456	= 293.923+ 241.53 + 260.355 / 3 = 795.808 / 3 = 265.269	= 264.335+ 331.428 + 311.424 / 3 = 907.287 / 3 = 302.429	= 333.64 + 318.059+ 268.848 / 3 = 920.547 / 3 = 360.849	=299.456+265.269+30 2.429+360.849 =1228.003/4 =307
<b>2013-2014</b>	= 313.34 +296.4+ 287.376 / 3 = 897.116 / 3 = 299.038	= 340.138 + 294.428 + 313.856 / 3= 948.422 / 3 = 316.140	= 359.615+ 322.682+ 325.887 / 3 = 1008.184 / 3 = 336.061	= 310.798 + 283.53 +314.497 / 3 =908.825 / 3 =302.941	= 299.038 + 316.140 + 336.061 + 302.941 = 1254.18/4 =314
<b>2014-2015</b>	= 323.126+ 339.25+332.248 / 3 = 994.624 / 3 = 331.54	= 367.455 + 336.19+ 400.412 / 3 = 1134.057 / 3 = 378.019	= 394.519 + 378.324 + 349.5 / 3 = 1122.343 / 3 = 374.114	= 369.211 + 352.076+ 390.161 / 3 = 1111.448	= 331.54 + 378.019 + 374.114 + 1111.448 = 1454.155/4 =364
<b>2015-2016</b>	= 378.027+ 421.263+ 415.914 / 3 = 1215.204 / 3 = 405.068	= 414.626 + 353.106 + 336.671 / 3 = 1104.403 / 3 = 368.134	= 347.378+ 333.184+338.563 / 3 = 1019.125 / 3 = 339.708	= 288.561 +315.504 + 349.52 / 3 =1003.585 / 3 = 334.528	= 405.068 + 368.134 + 339.708 + 334.52 = 1447.438/4 =362

(Source: Money control)

The trend that has been depicted above analyze the share prices for five year in quarterly basis keeping 2011-12 as the base year, in the year 2014-16 the trend percentage is highest with 98% and lowest in the year 2012-2013 with 83% . This trend shows that the company's share price has a constant increase depicting a positive effect for its shares in the market

**OBJECTIVE -2**

- To study the growth and performance of the company

Common size income statement is an income statement in which each account is expressed as a percentage of the value of sales. This type of financial statement can be used to allow for easy analysis between companies or between time periods of a company. Common size income statement analysis allows an analyst to determine how the various components of the income statement affect a company's profit.

TABLE 2 COMMON SIZE INCOME STATEMENT  
(Rs In Crores)

PARTICULARS	2011-12 (Rs)	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %
Revenue	7,14,508	100	100	100	100	100
Cost of revenue	1,57,598	22.05	-	44.98	43.84	22.12
<b>GROSS PROFIT</b>	<b>5,56,910</b>	<b>77.95</b>	<b>100</b>	<b>55.02</b>	<b>56.16</b>	<b>77.88</b>
Operating Expense						
Sales, general, administration	2,85,178	39.91	-	17.26	16.89	5.71
Other operating expenses	1,68,840	23.63	88.38	28.72	25.25	59.83
<b>Total operating expenses</b>	<b>4,54,018</b>	<b>63.54</b>	<b>88.38</b>	<b>45.98</b>	<b>42.14</b>	<b>65.54</b>

Operating Income	1,02,892	14.40	11.62	9.04	14.02	12.34
Interest expenses	(40,828)	(5.17)	-	-	(4.02)	(5.69)
Other income	3,199	0.43	5.42	0.14	1.65	3.93
<b>Income before tax</b>	<b>65,183</b>	<b>9.12</b>	<b>6.20</b>	<b>9.18</b>	<b>11.65</b>	<b>10.58</b>
Provision for IT	(22,602)	(3.16)	(3.38)	(5.65)	(5.87)	(5.18)
Other Income	13	0.0018	-	-	-	-
Net Income from contingencies	42,594	5.96	2.82	3.53	5.78	5.40
Others	(13)	(0.0018)	0.010	(0.28)	(0.14)	(0.96)
Net Income	42,581	5.95	2.83	3.25	5.64	4.44
Preference div	(13)	(0.0018)				
<b>Net Income Available</b>	<b>42,594</b>	<b>5.96</b>	<b>2.83</b>	<b>3.25</b>	<b>5.64</b>	<b>4.44</b>

(Source: India Notes)

The gross profit is in increasing trend from 2012 to 2013 and has been decreased in the years 2013 and has been decreased in the years 2014 and 2015. This is due to the fluctuating cost of revenue from year to year. The operating expenses are fluctuating. As operating income depends on the gross profit and operating expenses, the percentage of operating income is fluctuating from 2012 to 2016. The income before taxes is fluctuating from 2012 to 2015 but slightly increased in the year 2015. Interest expenses and the operating income is fluctuating. Finally net income percentage is highest in the year 2015 and lowest in the year 2013. Hence the net income is showing an increasing trend from 2014 to 2015. The profitability of the company is not good

**COMMON SIZE BALANCE SHEET**

A common size balance sheet is a balance sheet that displays both the numeric value and relative percentage for total assets, total liabilities and equity accounts. Common size balance sheets are used by internal and external analysts and are not a reporting

requirement of Generally Accepted Accounting Principles.

**TABLE-3 COMMON SIZE BALANCE SHEET (Rs In Crores)**

PARTICULARS	2011-12	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %
FIXED ASSETS						
Gross block	63,885.40	100	107	98	94	106
(-)Revaluation reserve	2.10					
(-)Accumulated depreciation	23,444.60	36	43	45	40	35
<b>NET BLOCK</b>	<b>40,438.70</b>	<b>64</b>	<b>64</b>	<b>53</b>	<b>54</b>	<b>71</b>
Capital work in progress	4,466.50	7.02	1.53	1.65	9	2.95
Investment	12,337.80	19.4	42	46	44	33
<b>Net current assets</b>						
Current assets, loans and advances	23,078.60	36	23	30	21	18
(-)Current liabilities and provisions	16,764.70	26	31	30	28	27
<b>TOTAL NET CURRENT ASSETS</b>	<b>6,313.90</b>	<b>10</b>	<b>(8)</b>	<b>(1)</b>	<b>(7)</b>	<b>(9)</b>
Miscellaneous expenses						
<b>TOTAL</b>	<b>63,556.90</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Equity share capital	1,898.80	3	3	3	2	3
Reserve and Surplus	47,528.70	75	78	86	77	64
Secured loans	(1,169.10)	(2)	(2)	(2.4)	(1)	0.001
Unsecured loans	15,298.50	24	21	14	22	33
<b>TOTAL</b>	<b>63,556.90</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

(Source: India Notes)

Total net block for the year 2012 is 64% that has been decreased to 53 % and again increased to 54% in the year 2015 and 2016 depicting positive trend in the total assets. Capital work in progress for the year 2012 is 7.02% which has decreased to 2% in the year 2013 and 2014 and increased to 9% in the year 2015 and 2016 depicting a positive trend to that of the assets. In spite of the increase in trend of the assets it hasn't increased with that of the previous year 2012 and 2013 showing a low profit percent to the company. The total debt percent for the year 2012 is 22% and has decreased to 11.6% in the year 2014 and again increased in the year 2016 to 22% depicting a increase in liabilities showing a result of negative trend in the profit of the company. This trend is due to the increase in unsecured loans of the company.

#### FINDINGS

- The trend percentage of share prices is increasing in the year 2014-2015 and 2015-2016 with 98% and lowest in the year 2012-2013 with 83%. The share prices is in a fluctuating trend.
- The net income is highest in the year 2011-12 with 5.96% and lowest in the year 2013-2014 with 2.83%. The income statement is in a fluctuating trend because there is no cost of revenue for 2013 and depicting a negative asset of interest from 2011-2016.
- The net block is highest in the year 2016 is 71.4% and lowest in the year 2013-2014 with 53%. The net current assets are depicting a negative aspect from 2013 to 2016. The company should increase its current assets.

#### SUGGESTIONS

- The company should take necessary steps to increase net profit
- The company should improve sales without the increasing of fixed assets.

- The company should increase net assets to reduce the fear full position in the share market.

#### CONCLUSION

The study reveals that the financial performance is not fair. It has been not maintaining good financial performance and further it can improve if the company concentrates on its operating , administrative and selling expenses and by reducing expenses. The company could not meet its short-term obligations and entire requirements because there is a fluctuation in sales and gross profit the company . This may represent the company tries to reduce the impact of deductions of fixed assets.

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