



A Comparative Study of Profitability Analysis of Selected Mobile Service Providers

KEYWORDS

Profitability Analysis, Mobile Service Providers

Nilesh J. Lakhtaria

Assistant Lecturer. A.J.P.B Arts & Commerce College, Mothala -kanakpur road, At&Po -Kanakpur
Taluka-Abdasa-Kutch-370650

ABSTRACT At present Airtel, Airtel, BSNL Emirates Telecommunications Corporation (formerly SWAN Telecom) Idea Cellular Ltd, Loop Mobile India (Formerly BPL Mobile) MTNL, MTS India, Ping Mobile Reliance Communications, S Tel, Spice Telecom, Tata DoCoMo, etc. These various mobile service providers are working in India. The profitability ratios are calculated to measure the operating efficiency of business unit. Owner of the business and Creditors are also interested in the profitability Investors want to get reasonable return on their investments. This is only possible if the company is having satisfactory profit. Here an attempt is made to evaluate the profitability analysis with reference to various ratios. Of three Mobile Service Providers from the above list. This research give us result of profitability with reference to study period from 2007-08 to 2011-12.

Introduction

Profitability refers to the capacity of earning profit. In financial language it may be referred as "earning capacity" which means what is the capability of a company to earn profit in the current year and future. In this sense, profitability is usually defined as the ability of a given investment to earn a return of its use, concept of profitability is a rather relative than an absolute one. As such if we check the figures of profit of a company we can't come to any conclusion that whether the profit is good enough or not. Hence the profitability is a relative concept. Here an attempt is made to look in this concept for three mobile service providers of India.

Mobile Phone Industry in India

The first mobile phone was launched in India on 5 August 1995. The first mobile handset production made by Micromax First Mobile service provider was Modi Groups in 1995 and started in Kolkata, somewhere it was signed that mobile service provider was launched in 1994. With a subscriber base of more than 680 million, the Mobile telecommunications industry in India is the second largest in the world and it was thrown open to private players in the 1990s. Competition has caused prices to drop and calls across India are one of the cheapest in the world. In September 2004, the number of mobile phone connections crossed the number of fixed-line connections and presently dwarfs the wire line segment by a ratio of around 20:1. The mobile subscriber base has grown by a factor of over a hundred and thirty, from 5 million subscribers in 2001 to over 680 million subscribers as of Sep 2010. Some of the major service providers are, Airtel, Idea, Tata, Airtel, Vodafone etc...

Review of Literature

Few studies were conducted in this context as mentioned below.

Dr. Bhayani (2004) has conducted study on working capital and profitability of Cement Industry and found that profitability is highly influenced by working capital Majumdar (1995) evaluated relative performance difference between the government owned joint sector and private sector of Indian Industry Joshi (1994) has attempted to estimate the real rate of return to investment in the public and private sector.

Objective of the study

The prime objective of the study is to evaluate the profitability analysis of the selected Mobile service providers of India

Methodology of the study

Source of the data

The study is based on the secondary data which is taken from the financial statements of Bharti Airtel, Tata communications and Idea Cellular Ltd for the study from 2008-09 to 2011-12 to find out the profitability of mobile service providers. For more information different journals, News papers and related Websites are also taken in consideration as and when required for the study.

Hypothesis of the study

- The size of profitability Trend value of PBDT to Sales Ratio is Uniform
- The size of profitability Trend value of PAT to Sales Ratio is Uniform
- The size of profitability Trend value of PAT to Shareholders Fund Ratio is Uniform
- The size of profitability Trend value of PAT to Total Assets Ratio is Uniform

Techniques of Analysis

For the analysis of data various ratios relating to Profitability is calculated. Moreover the simple statistical measures like mean and ANOVA Test is also applied for testing the hypothesis. For that SS=Sum Of squares, D.F=Degree Of Freedom, MSS=Mean Sum of Squares, Fcal=Calculated Value of F, and Ft=critical value of F ratio at 5% level, are found out and mentioned in the table for drawing conclusion.

Net Operating Profit Ratio/PBDT to Sales

This ratio measures the efficiency of operations of the company. This ratio is designed to focus attention on the net profit margin arising from the business operation before depreciation and tax is deducted. This convention is to express (PBDT) Profit before dep and tax (PBDT as a percentage of sales

Net Operating Profit Ratio = PBDT/Sales \times 100

Table-1 PBDT to Sales

Year	Airtel	Tata	Idea
2008	40.00	23.57	28.03
2009	33.83.	30.07	21.82
2010	41.56	26.71	21.08
2011	35.10.	20.65	18.23
2012	30.97	23.69	17.57
Total	181.46	124.70	106.73
Mean	36.29	24.94	21.34
Combined mean	27.52		

From table1 it is revealed that as per the company average 27.52; only Airtel is maintaining this ratio while Tata and Idea lower than it. The highest value is 41.56 in Airtel and the lowest value is 17.57 in Idea during the study period

Table -2 One Way ANOVA result of selected Units

Sources of Variance	S.S	D.F	MSS	F cal	Ftab at 5%
BSS	608.80	2	304.4	18.54	3.88
ESS	196.99	12	16.41		
TSS	805.79				

The table-2 shows that Fcal is 18.54 > Ftab

is 3.88. It indicates that there is significant difference in the net operating profit to sales ratio in the units undertaken for the study for the period of the study.

Net Profit Margin Ratio

This ratio shows the relationship between net profits to sales. The net profit is overall measures of a firm's ability to turn each rupee of sales into profit. It indicates the efficiency with which a business is managed.

Table-3

Net Profit Margin

Ratio =PAT/Salesx100

Year	Airtel	Tata	Idea
2008	24.23	9.27	15.54
2009	22.74	13.76	10.15
2010	26.47	15.01	8.89
2011	20.29	4.50	5.50
2012	13.77	4.18	2.99
Total	107.5	46.72	47.57
Mean	21.5	9.34	9.51
Combined mean	13.45		

From table 3 it is revealed that as per the company average 13.45 only Airtel is maintains this ratio while in Tata and Idea it is low. Idea shows the downward trend. The highest value is 26.47 in Airtel and the lowest value is 2.99 in Idea during the study period.

Table-4 One Way ANOVA result of selected Units

Sources of Variance	S.S	D.F	MSS	F cal	Ftab at 5%
BSS	486.09	2	243.04	9.97	3.88
ESS	292.40	12	24.36		
TSS	778.49				

The table-4 shows that Fcal is 9.97 > Ftab is 3.88. It indicates that there is significant difference in the net profit margin ratio in the units undertaken for the study for the period of the study.

Profit after Tax (PAT) to Shareholder's Fund Ratio

This ratio is a very effective measure of the profitability of any firm. This ratio measures the return on the total equity of shareholder (Net Worth). This ratio is one of the important relationship in financial statement analysis.

Table-5

PAT to Shareholder's Fund Ratio

=PAT/ Shareholder'sfundx100

Year	Airtel	Tata	Idea
2008	30.84	4.65	29.45
2009	28.01	7.58	8.86
2010	25.65	6.36	9.19

2011	17.49	2.31	6.84
2012	11.59	2.40	4.45
Total	113.58	23.30	58.79
Mean	22.71	4.66	11.75
Combined mean	13.04		

From Table-5 It is revealed that as per the company average 13.04; only Airtel is maintaining this. While in Tata and Idea it is low. Idea shows the downward trend. The highest value is 30.84 in Airtel and the lowest value is 2.31 in Tata during the study period

Table-6 One Way ANOVA result of selected Units

Sources of Variance	S.S	D.F	MSS	F cal	Ftab at 5%
BSS	165.38	2	82.69	1.45	3.88
ESS	681.32	12	56.77		
TSS	846.70				

The table-6 shows that Fcal is 1.45 < Ftab is 3.88. It indicates that there is no significant difference in the PAT to Shareholder's fund ratio in the units undertaken for the study for the period of the study

Profit after Tax to Total Asset Ratio

This ratio is computed to know the productivity of the total assets. This ratio indicates the efficiency of utilization of assets in generating revenue.

Table-7

PAT to Total Assets Ratio

=PAT/Total Assetsx100

Year	Airtel	Tata	Idea
2008	23.28	4.15	10.38
2009	21.90	5.65	5.30
2010	22.56	4.87	5.85
2011	13.77	1.76	3.69
2012	9.02	2.11	2.49
Total	90.53	18.54	27.71
Mean	18.10	3.70	5.54
Combined mean	9.11		

From Table-7 It is revealed that as per the company average 9.11; only Airtel is maintaining this. While in Tata and Idea it is low. Idea shows the downward trend. The highest value is 23.28 in Airtel and the lowest value is 1.76; in Tata during the study period

Table-8 One Way ANOVA result of selected Units

Source of Variance	S.S	D.F	MSS	F cal	Ftab at 5%
BSS	614.16	2	307.08	17.75	3.88
ESS	207.68	12	17.30		
TSS	821.84				

The table-8 shows that Fcal is 17.75 > Ftab is 3.88. It indicates that there is significant difference in the PAT to Total Assets ratio in the units undertaken for the study for the period of the study.

Conclusion;

From the above tables it can be concluded that only Airtel shows the better performance having above value of all combined average ratio .but Tata and Idea could not reach even at that level at point of time during the study period. It also indicates the downward trend of profitability in study period.

REFERENCE

KothariCR Research Methodology, Second edition ,1990 | Bhalla V K ,Financial Management and Policy, Anmol publication, New Delhi 2001 | Gupta R L, Financial Statement Analysis, Sultan chand &sons New Delhi 1998 | Chaudhary S B,Analysis of Company Financial Statements, Asia publishing House,Mumbai,1964 | Management Trend, A Journal of Saurashtra University, Rajkot | Websites | www.moneycontrol.com | www.captiline.com | www.indiatimes.com