



ANALYSIS OF FINANCIAL PATTERN OF SELECTED TELECOMMUNICATION COMPANIES IN INDIA

Dr. V. Devaki

MBA., M.Com, M.Phil, Ph.D, Assistant Professor, Dept of Commerce, Bishop Ambrose College, Coimbatore

ABSTRACT

This study paper attempts to provide an overview of the capital structure (deployment of funds in the form of owners' equity and borrowed / loan fund) of 3 private telecom access service provider companies. The information has been gathered from their annual accounts and other information furnished for three years from 2016-17 to 2018-19. The aim of this study is to provide insight into the components of capital structure of the service providers, financing pattern, indebtedness and profitability of aforementioned telecom companies in India.

KEYWORDS : Components of capital structure, Financing pattern, Indebtedness and profitability

INTRODUCTION

The Indian telecom sector has registered a phenomenal growth during the last decade or so and has emerged as a fastest growing sector of the economy. There is stiff competition in the access service segment mainly due to a large number of telecom service providers (8 to 10) in each Licensed Service Area (LSA). The tariff forbearance regulatory regime has allowed the telecom service providers to innovate so far as tariffs are concerned. Low tariffs have also contributed to the explosive growth in the number of subscribers by the making the telecom services affordable.

Additionally, in the recent past, there has been an uptake in data usage among subscribers indicating transformation in subscribers' usage pattern. The share of data revenue rose to 22% in quarter ended March 2016 as compared to 12% in quarter ended December 2013. In the 3 years ended on March 2015, average annual growth in gross revenue was 8.2% while that of subscribers during the same year was 5.7%.

Capital structure represents the funding of a business entity and comprises funds raised through equity and preference shares, bonds, debentures, term loans from banks/financial institutions etc. In other words, capital structure reflects the equity and debt obligations of an entity that it uses for financing its assets or operations. These 3 service provider companies represent 82% of revenue of Indian telecom service sector, 91% of debt and 85% of share capital in 2017-18.

STATEMENT OF THE PROBLEM

The capital structure decision can affect the value of the firm either by changing the expected earnings of the firm, but it can affect the earnings of the shareholders for the development of new project, expansion, tax benefits, profitability and efficiency of the companies. Most of the Telecom companies can utilised the revenues and resource for this purpose it will affect the components of capital structure of the company. The purpose of this study is how to know the impact of components of capital based on company benefits and also consider survival and retain the growth of Telecom companies.

OBJECTIVES OF THE STUDY

- To analyse the components of capital structure of Telecom companies.
- To study the comparative balance sheet of Airtel, Vodafone and Tata Teleservices
- To provide suggestion for improvement to Airtel, Vodafone and Tata Teleservices

SCOPE AND LIMITATIONS OF THE STUDY

The scope of the study includes the balance sheet, income statement and other financial statements of the Airtel, Vodafone and Tata teleservices from financial year 2016 to 2019. In the financial statements, importance has been given to the components of capital structure of Airtel, Vodafone and Tata teleservices and also the debt in the capital structure has been analysed. The cash flow of Airtel, Vodafone and Tata teleservices and its surplus and shortage of funds is also a subject of analysis

REVIEW OF LITERATURE

Pratapsinh Chauhan (2012) examines the shareholder's value

creation in the Indian petroleum industry. The study aims to analyze the performance of the company we have divided petroleum into public sector firm and private sector firms. EVA has been found to have significant correlation with OP, NOPAT, EPS, Market Capitalization and MVA figures of firms of both the sectors. **Asha Sharma (2013)**, her study explores that the value creation strategy of Infosys by analyzing whether the EVA better represents the market value of company in comparison to conventional performance measures. EVA is now recognized as an important tool of performance measurement and management all over the world, particularly in advance economies by adopting it as corporate strategy. **Angayarkanni and Anand Shankar Raja. M (2014)** studied capital structure and measuring its impact of EVA; a case study of the Bimetal Bearing Limited. The study concludes that Bimetal bearings Ltd have utilized the debt-equity capital to the satisfactory level during the study period. The company has used more equity capital than the debt capital, instead the firm can increase the debt content which may reduce the weighted average cost of capital and increase the value of the firm.

METHODOLOGY SOURCES OF DATA

The study is confined to only the Telecom companies in India. As many as 3 Telecom companies were selected for the study on the basis of the following criteria. The companies' shares were actively traded in NSE. All 3 companies are listed in National stock exchanges of India. Companies which were started before 2016-2017 and had been functioning till the end of the study period. Complete data available for ten years from 2016 to 2017 and their accounting year starting from 1st April to 31st March.

Company Profile Airtel

Airtel is considered the best telecom companies in India with a subscriber base of more than 270 million all over the country. Airtel, the no 1 telecom company in India also has the largest network coverage in the country. This top telecom brands in India was founded in 1995 by Sunil Mittal and this best telecom sector company in India has its headquarters in New Delhi, India. This top 10 telecom companies in India was estimated to have a revenue of around \$15 billion in 2017 with more than 25,000 employees serving this biggest telecom company in India.

Vodafone India

Vodafone is one of the best telecom companies in India and is part of the Vodafone UK group which is the second largest telecom company in the world. This top 10 telecom companies in India was founded in 1994 with a merger between Hutchison and Essar groups. This is one of the best telecom companies in India is headquartered at Mumbai, India and is regarded as one of the top 10 mobile networks in India with high-quality service and bandwidth. This leading telecom brands in India has a subscriber base of more than 200 million customers and had an annual revenue of around 6.6 billion in 2017.

Tata Teleservices

Tata Teleservices is a leading telecom brand in India and has more than 60 million consumers for its top 10 mobile networks in India. This top telecom sector companies in India was founded by Ratan Tata in 1996

and is headquartered at Mumbai, India. This mobile network companies in India also offers landline and broadband services across many parts of the country. Tata Teleservices has an annual revenue of around \$490 million and has more than 2,000 retail outlets across the country.

Analysis And Interpretation

Table 4.1 Company Wise-equity Share Capital

S.No	Company Name	Mean
1	Airtel	46.64
2	Vodafone	55.66
3	Tata Teleservice	19.54
4	Total	40.61

Note: Mean value in percentage

Equity share capital of selected Telecom companies shown in Table 4.1. It can be inferred from the table that the average Equity share capital ranges between 19.54 percent and 55.66 percent. The lowest average Equity share capital is found in Tata Teleservice and the highest average Equity share capital is found in Airtel. The overall mean value of Equity share capital of Telecom companies is 40.61 percent. Airtel and Vodafone which are greater than the overall mean. For the remaining one companies Tata Teleservice mean values are lower than the overall mean. Hence it is inferred that the equity share capital of two companies namely Airtel and Vodafone indicates major source of finance and high dependence on internally generated funds.

Chart 4.1 Equity Share Capital

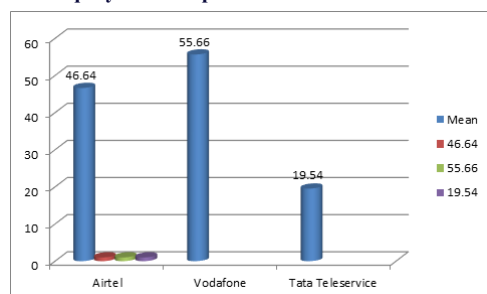


Table 4.2 Year Wise-equity Share Capital

YEAR	Mean
2016-17	25.19
2017-18	27.7
2018-19	42.29
OVERALL	31.72

Note: Mean value in percentage

The year wise Equity share capital analysis is shown in the table 4.2. It is observed from the table that the year to year average Equity share capital has ranged between 25.19 percent and 42.29 percent during the study period. The average Equity share capital is lowest in the year 2016-17. The average Equity share capital is highest in the year 2018-19. The overall mean value of Equity share capital for the study period is 31.72 percent. During the study period the average Equity share capital in the years 2018-19 are greater than the overall mean. The average Equity share capital in the remaining years 2016-17, 2017-18 is lower than the overall mean. It is inferred that the Equity share capital in the one year indicates high utilisation of owners equity than the other years.

Chart 4.2 Equity Share Capital

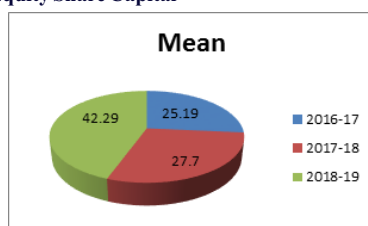


Table 4.3 Company Wise-total Debt

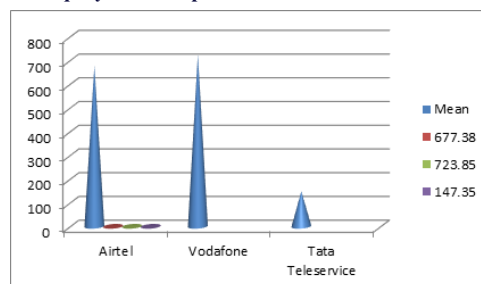
S.No	Company Name	Mean
1	Airtel	677.38

2	Vodafone	723.85
3	Tata Teleservice	147.35
4	Total	516.19

Note: Mean value in percentage

Long term Debt of selected Telecom companies shown in Table 4.3. It can be inferred from the table that the average Total Debt ranges between 147.35 percent and 723.85 percent. The lowest average Total Debt is found in Tata Teleservice and the highest average Total Debt is found in Airtel. The overall mean value of Total Debt of Telecom companies is 516.19 percent. Only two companies namely Airtel and Vodafone which are greater than the overall mean. For the only one companies mean values are lower than the overall mean. Hence it is inferred that the Total debt of two companies namely Airtel and Vodafone contributes the major source of debt finance in the capital structure.

Chart 4.3 Equity Share Capital



CONCLUSION

Capital structure reveals that three Telecom companies indicate high dependence of internally generated funds. Equity and shareholders reserves contribute the major source of finance in all the three Telecom companies. The equity share capital of two companies namely Airtel and Vodafone indicates major source of finance and high dependence on internally generated funds. Total debt of two companies namely Airtel and Vodafone contributes the major source of debt finance in the capital structure. It also indicates that the capital structures were consciously increasing the solvency position of the company and were sensitive to its change in a positive way. So, the company capital structure is resulting into maintain a good solvency position. The result confirms the theory that if the company capital structure will increase its research and development activities.

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