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Commerce

FINANCIAL PERFORMANCE OF BSNL -PRE AND POST VOLUNTARY RETIREMENT SCHEME (VRS) 2019: A COMPARATIVE STUDY

KEY WORDS: BSNL, VRS, Balance sheet, Profit and Loss account, reduction

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ABSTRACT

Financial statements are prepared primary for decision making. Both excessive as well as inadequate finance position are not suitable from the business point of view. Financial analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of the balance sheet and profit and loss account. Bharat Sanchar Nigam Limited (BSNL) is a central public sector undertaking headquartered in New Delhi, India. BSNL has been in losses for more than a decade with employee benefits eating 60% of its revenue. BSNL being a strategic public sector enterprise was in need of an immediate revival package from the government to survive and as part of the revival package approved by the Union cabinet in 2019 Voluntary Retirement Scheme (VRS) was implemented in BSNL which drastically reduced the salary bill to about 50%. A drastic improvement was seen with the declining trend of losses observed followed by BSNL showing EBIDTA positive in FY 2021-22.

INTRODUCTION

The financial requirements of a business must be sufficient to meet its long-term and short-term commitments. Proper functioning of any organization or business entity needs proper financial management and Finance is the heart of the concern. The term "Financial Statements" as used in modern business, refers to the two reflecting the assets, liabilities and capital as on a particular date and income statement or profit and loss statement, showing the results achieved during a certain period which are prepared at the end of the accounting year for a business enterprise.

Bharat Sanchar Nigam Limited (BSNL) is a central public sector undertaking under the ownership of Department of Telecommunications, Ministry of Communications, Government of India. It provides mobile voice and internet services through its nationwide telecommunications network across India.

BSNL's revenues for FY15 stood at Rs 28,645 crore, which rose to Rs 32,918 crore in FY16 and then fell to Rs 31,532 crore in FY17. The revenues further fell to Rs 25,070 crore in FY18 and Rs 19,308 crore in FY19. During the year 2020-21, the Company incurred a loss of Rs. 7441.12 Crores as against the Previous year's Rs. 15499.53 Crores. While the Income from Services is Rs. 17451.80 Crores as against the previous year's income of Rs. 17886.09 Crores, the Other Income is Rs. 1143 Crores (Previous Year Rs. 1020.47 Crores). BSNL has turned EBITA positive during this Financial Year 2020-21 to Rs. 1177 Crores. BSNL being a strategic public sector enterprise was in need of an immediate revival package from the government to survive in such a tough financial condition of the firm. Accordingly the revival package was announced by the Government of India on 23rd October 2019 for both the state run telecom companies i.e. BSNL and MTNL. The package includes raising of Rs 15,000 crore sovereign bonds to meet the immediate capital requirement of both companies, 4G spectrum allocation worth Rs 20,140 crore, Rs 29,937 crore for voluntary retirement scheme covering 50% of their employees.

Need For Study

BSNL has recorded losses since 2009-10. This may be attributed partly to the emergence of strong private players but a significant part of the company's revenue of about 60% is utilized for paying wages bill. As a part of revival package

approved by the Union cabinet in 2019 Voluntary Retirement Scheme was implemented in BSNL which drastically reduced the salary bill to about 50%.

The improvement in the financial performance of BSNL after it was allowed to raise long term sovereign guarantee bonds to restructure the existing debt needs and to partly meet CAPEX, OPEX requirements needs to be thoroughly studied.

There is a need to study how BSNL is working effectively to maintain its revenue and cut down other costs with the overall objective of improving financial performance and be a market leader in the highly competitive telecom industry.

Objectives Of The Study

- I. To make a comparative study and analysis of Financial Statements of BSNL from 2018-19 (pre VRS) to 2021-22 (post VRS)
- II. To study the improvement in the financial performance of BSNL after the revival package
- III. To know the liquidity position of the Company in order to highlight the ability of the company to meet its obligations and to find out the profitability position of the Company.

Research Methodology

The study will be primary based on the secondary and tertiary sources of data collected from the published annual reports of the BHARAT SANCHAR NIGAM LIMITED (BSNL) which shall have been suitably rearranged, classified and tabulated according to the requirements of the study.

Besides, some data shall have been collected from the articles published in various business newspapers, journals, and books on the financial services. Some information shall be browsed from the internet from the related websites.

The data collected will be analyzed and presented using tables, schedules, pie charts, graphs and bar diagrams etc.

Analysis Of Financial Performance Of BSNL Pre And Post VRS

Profit and loss Account depicts the income statement signifying the Position Statement of a company. Therefore, the Profit & loss account for both pre VRS (FY 2018-19) and post VRS (FY 2019-20, FY 2020-21 and FY 2021-22) are analysed to have a better understanding of the changes that happened after the implementation of VRS 2019 in BSNL.

Table 1: Comparative P&L Statement Of BSNL From The FY 2018-19 To 2021-22

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Absolute Change in FY 2019-20	Absolute Change in FY 2020-21	Absolute Change in FY 2021-22	Percentage change in 2019-20	Percentage Change in 2020-21	Percentage Change in 2021-22
Revenue										
Revenue from operations	17,76,106	17,88,609	17,45,211	16,81,126	12,503	-30,895	-94,980	0.70	-1.74	-5.35
Other income	1,55,961	1,02,047	1,19,379	2,24,337	-53,914	-36,582	68,376	-34.57	-23.46	43.84
Total revenue (I)	19,32,067	18,90,656	18,64,590	19,05,463	-41,411	-67,477	-26,604	-2.14	-3.49	-1.38
Expenses										
License and spectrum fee	1,28,534	1,61,632	1,25,761	1,44,142	33,098	-2,773	15,608	25.8	-2.2	12.1
Employee Benefit Expenses	14,31,590	13,59,678	6,67,916	7,16,867	-71,912	-7,63,674	-7,14,723	-5.0	-53.3	-49.9
Other expenses	12,06,003	10,57,274	9,53,218	9,50,084	-1,48,729	-2,52,785	-2,55,919	-12.3	-21.0	-21.2
Expenditure (Excluding Interest and depreciation) (II)	27,66,127	25,78,584	17,46,895	18,11,093	-1,87,543	-10,19,232	-9,55,034	-6.8	-36.8	-34.5
Profit before interest, depreciation and tax (EBIDTA) (I-II)	-8,34,060	-6,87,928	1,17,695	94,370						
Finance costs	78,166	1,99,110	2,56,707	2,61,729	1,20,944	1,78,541	1,83,563	154.7	228.4	234.8
Depreciation and amortisation expense	5,78,198	6,62,914	6,05,100	5,30,804	84,716	26,902	-47,394	14.7	4.7	-8.2
Total expenses (III)	34,22,491	34,40,608	26,08,702	26,03,626	18,117	-8,13,789	-8,18,865	0.53	-23.78	-23.93
Loss for the Year (I-III)	-14,90,424	-15,49,952	-7,44,112	-6,98,163	-59,528	7,46,312	7,92,261	3.99	-50.07	-53.16

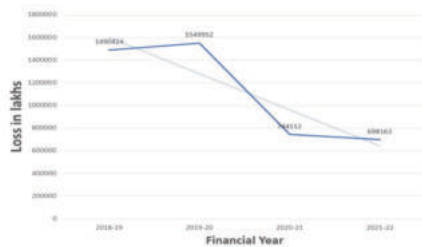


Fig 1: Losses Incurred Showing A Declining Trend

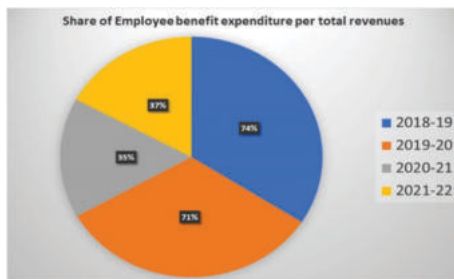


Fig 2: Share Of Employee Benefits Drastically Reduced After VRS 2019



Fig 3: BSNL Showing EBIDTA Positive In FY 2020-21 And FY 2021-22

Findings And Interpretation

Comparative profit and loss account statement of BSNL reveals that total revenue of BSNL fell by 2.14 % and 3.49% during the FY 2019-20 and 2020-21. However the revenue increased slightly during the FY 2021-22 indicating better performance. It is also seen from the same that total expenses are reduced by 23.93% by FY 2021-22 after getting the revival package and the implementation of VRS 2019. Further the analysis of P&L Account infers that total loss has been reduced by 53.16% in the FY 2021-22 in comparison to FY 2018-19 owing to the austerity measures taken up by the BSNL management and also due to the sharp reduction in expenses. The positive aspect for BSNL here was a sharp cut in Employee Related Expenses up to 53% by the end of FY 2020-21 which otherwise consumed 60% of the total revenue in the previous years. Moreover a key take away point is the becoming of EBIDTA positive by BSNL during the FY 2020-21 and FY 2021-22. This is a significant achievement as BSNL was in continuous losses for a very long time.

CONCLUSIONS AND SUGGESTIONS

BSNL which held the reins of the telecom sector once is facing a very tough competition from the giants like Bharti-Airtel, Reliance,Vodafone, etc. From the analyses done above it is observed that BSNL has shown many positive changes in its overall financial position after getting the revival package from the Government of India and also due to the implementation of VRS 2019. The expenses of BSNL have reduced drastically due to VRS Scheme under the revival package as employees related expenses have been reduced by more than 50% and at the same time the revenue has declined by little percent due to which the overall losses has been reduced by almost 50%. Further a promising note shown by BSNL is the positive EBIDTA achieved during the FY 2020-21 and FY 2021-22. This is a significant development for a company which was in a loss for a long duration of time. Thus, the present analysis has shown that the Revival Package provided by Government of India to BSNL had positive results after a long time of significant failure and will have more

positive results if the company continues to make profits in the long run. To capitalise on the ongoing positive trend the BSNL management must immediately implement the Asset Monetisation scheme of its vast resources which is also part of revival package to ensure adequate inflow of cash to maintain the financial requirement of the company. The company should also immediately introduce 4G in the mobile market to compete with private operators whose networks are already 4G ready.

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