

FINANCIAL PERFORMANCE ANALYSIS: A CASE STUDY OF BSNL

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Abstract :

Finance is the life blood for any organization and is always being disregarded in financial decision making since it involves investment and financing in short-term obligation. The telecom industry has contributed to the all round growth of the economy and there is no gainsaying the contribution of the public sector role. BSNL in the Telecom industry is inevitable as "co-existence" of both private and public is the spirit of Indian political economy. Ratio analysis is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various ratios for helping in making decision. In view of the above, the present paper is an attempt to analyze the financial performance of BSNL a largest public sector company has been providing telecom services. The study was considered nine years data (2002-03 to 2010-11) for measuring the financial position of the firm. The study concluded that the liquidity position was strong thereby reflecting the ability of the companies to pay short-term obligations on due dates.

Keywords: Financial decision making, Ratio analysis, profitability, operational efficiency.

Introduction

Financial performance analysis is the process of determining the operating and financial characteristics of a company from its accounting and financial statements. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analyst attempts to measure the firm's liquidity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value. When we look into the level of financial performance, generally analysis is concerned with two sets of performance measures. One based on capital market valuation of a firm and the other set based on accounting measures of profitability and financial performance. Our method is to approach the issue from a stakeholder's point of

view. Stakeholders in BSNL are: Government of India, Customers, Regulatory agencies, Suppliers and the General Public. The traditional way of defining Stakeholders also does not seem to hold valid for BSNL because the objectives of the Government (as the only investor) is far beyond the short-term goals of financial returns of value maximization.

With the opening up of the Telecommunications sector in India, the consumers as a stakeholder acquires a different meaning, and it becomes the focus of all marketing and innovation of all operators in the sector. The same could be said by the suppliers and the peripheral equipment vendors. We can then argue that the most important stakeholders in BSNL are in fact its own employees. Our attempt is made then tries to focus on an assessment of the company's performance that views financial performance from the perspective of the employees. At the same time we wish to point out that it cannot offer a complete perspective because employees have much more at stake than just financial issues before them.

Brief Profile of BSNL

The Company took over the business of providing telecom services and network management throughout the country except the metro cities of Delhi and Mumbai from Department of Telecom Services and Telecom Operations w.e.f. 01.10.2000 pursuant to an MoU signed between the BSNL and Government of India. BSNL is a public sector company under the sec.617 of the Companies Act, 1956. The entire share capital both equity and preference is held by the Government of India. Being GoI holding 100% equity share capital, BSNL is an unlisted company. Its paid up value of equity share capital is Rs.5000 crores and Rs.7500 crores preference share capital. The vision of the BSNL is to become the largest telecom service provider in South East Asia. Its Mission is to provide world class state of art technology telecom services on demand at affordable price and to provide world class telecom infrastructure to develop country's economy.

Literature Review

Finance is the life blood for any organization and is always being disregarded in financial decision making since it involves investment and financing in short-term period. Further, also act as a restrain in financial performance, since it does not contribute to return on equity. A well designed and implemented financial management is expected to contribute positively to the creation of a firm's value (Padachi, 2006). Dilemma in financial management is to achieve desired trade off between liquidity, solvency and profitability (Lazaridis et al., 2007). Management of working capital in terms of liquidity and profitability management are essential for sound financial recital as it has a direct impact on profitability of the company (Rajesh and Ramana Reddy, 2011). The crucial part in managing working capital is required maintaining its liquidity in day-to-day operation to ensure its smooth running and meets its obligation (Eljelly, 2004). Ultimate goal of profitability can be achieved by efficient use of resources. It is concerned with maximization of shareholders or owners wealth (Panwala, 2009). It can be attained through financial performance analysis. Financial performance means firm's overall financial health over a given period of time.

Measuring the financial performance is vital for the triumph of an enterprise. Financial performance analysis is an appraisal of the feasibility, solidity and fertility of a business, sub-business or mission. Altman and Eberhart (1994) reported the use of neural network in identification of distressed business by the Italian central bank. Using over 1,000 sampled firms with 10 financial ratios as independent variables, they found that the classification of neural networks was very close to that achieved by discriminate analysis. They concluded that the neural network is not a clearly dominant mathematical technique compared to traditional statistical techniques. Gepp and Kumar (2008) incorporated the time "bias" factor into the classic business failure prediction model. Using Altman (1968) and Ohlson's (1980) models to a matched sample of failed and non-failed firms from 1980's, they found that the predictive accuracy of Altman's model declined when applied against the 1980's data. The findings explained the importance of incorporating the time factor in the traditional failure prediction models.

Amalendu, Somnath and Roy (2011) in their article titled "Financial Performance Analysis" weaknesses of the Indian public sector pharmaceutical enterprises by properly establishing

relationships between the items of the balance sheet and profit and loss account. The study covers two public sector drug and pharmaceutical enterprises listed on BSE. The study has been undertaken for the period of twelve years from 1997-98 to 2008-09 and the necessary data have been obtained from CMIE database. Financial stability of both the selected companies has showed a downward trend and consequently the financial stability of selected pharmaceutical companies has been decreasing at an intense rate. Campbell (2008) constructed a multivariate prediction model that estimates the probability of bankruptcy reorganization for closely held firms. Six variables were used in developing the hypotheses and five were significant in distinguishing closely held firms that reorganize from those that liquidate. The five factors were firm size, asset profitability, the number of secured creditors, the presence of free assets, and the number of under-secured secured creditors. The prediction model correctly classified 78.5% of the sampled firms. This model is used as a decision aid when forming an expert opinion regarding a debtor's likelihood of rehabilitation.

Significance of The Study

In the era of globalization, liberalization and privatization the challenges faced by the public sector telecom operators in India is unique. The challenges are multi faceted and are related to marketing, finance, human resources management etc. The profits are under severe pressure. The telecom industry has contributed to the all round growth of the economy and the there is no gainsaying the contribution of the public sector role. BSNL in the Telecom industry is inevitable as "coexistence" of both private and public is the spirit of Indian political economy. Hence, the continued viability of BSNL is of strategic concern for the Government and industry. Ratio analysis is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various ratios for helping in making decision. It also helps in understanding of financial strength and weaknesses of a firm. The analysis helps company to assess its position, which is to be introduced and standardised for this organisation which is looking ahead and the ratios calculated for a number of years work as a guide for the future. The financial strength and weakness of firm are communicated in a more easy and understandable manner by the use of ratio analysis. Ratio analysis in turn helps in making effective control of the business. Financial analysis as a tool which

helps in evaluating the company's liquidity conditions, profitability, capital structure and operational efficiency in order to maintain its sustainability in the market.

Objectives of the Study :

Objectives of the study are to realize the following:

1. To analyse the financial performance of the company using the ratio's with special reference to BSNL;
2. To examine the liquidity capacity based on acid test and current ratio with certain presumptions applicable;
3. To determine the efficiency and performance of the company's management as reflected in financial reports of BSNL; and
4. To make the best use of its strengths and take suitable corrective actions to check the weaknesses.

Research Methodology :

In this study of sample company named BSNL has been taken for analysis of financial position in general and liquidity in specific. Present study is based on secondary data i.e. published annual reports of the company. These financial data is classified, tabulated and edited as per the requirement of the profitability analysis of the company. This study has covered 9 years' data from 2002-03 to 2010-11 for analysis of financial position of BSNL. The financial and liquidity position of BSNL have been analyzed by the financial techniques of ratio Analysis. The collected data have been analyzed with the help of the all the major relevant financial ratios such as: (i) Current Ratio; (ii) Liquidity Ratio; (iii) NP Ratio; (iv) Operating Profit Ratio; (v) EPS; (vi) P/E Ratio; (vii) Dividend payout Ratio; (viii) RoI; (ix) Debt-Equity Ratio; (x) Fixed Assets to Net worth Ratio; (xi) Current Assets to Net worth Ratio; (xii) FA turnover Ratio; (xiii) WC turnover Ratio; (xiv) Debtors turnover Ratio; and (xv) Creditors turnover Ratio analysis from stake holder's point of view. The ability of an organization to analyze its financial position is essential for improving its competitive position in the marketplace. Through a careful analysis of its financial performance, the organization can identify opportunities to improve performance of the department, unit or organizational level. In this context researcher has undertaken to assess the financial performance of BSNL as a case study to understand how management of finance plays a crucial role in the growth and development of the public sector company.

Results and Discussion :

In this section, an attempt has been made to measure the financial position of the company i.e., BSNL over a period of nine years i.e., from 2002-03 to 2010-11. For the purpose analyzing financial performance it is used the ratio analysis as tool and all most all the major and relevant ratios have been employed to find out the profitability and liquidity position of the company. It is also calculated an averages for all the years and for all the ratios employed. For measuring financial position and financial efficiency, appropriate level of financial performance indicators are required with whom comparison can be made. Generally liquid ratio, debt-equity ratio, interest coverage ratio, inventory turnover ratio, ROI and debt to net worth ratio are highly useful in determining financial position and the financial stability or otherwise of such management.

1. ANALYSIS OF CURRENT RATIO

It is a measure of general liquidity and is most widely used to make the analysis for short term financial position of a firm. Current ratio may be defined as the relationship between current assets and current liabilities. This ratio is also known as "working capital ratio". It is calculated by dividing the total of the current assets by total of the current liabilities as shown in the following table for the study period i.e., 2002-03 to 2010-11. Table 1 presents the analysis of current ratio from the view point of Stakeholders. Current ratio should be around 1.5:1, which means current assets are more than current liabilities. In case of BSNL its current ratio during the past 9 years is good and on par with industry standards. The average current ratio of BSNL is 2.15:1. BSNL has the ability to manage its current liabilities without liquidating any of its long term assets. Looking at the profitability ratios, it can be concluded that there is no immediate payments crisis developing and the company can confidently meet its short term obligations.

2. ANALYSIS OF LIQUIDITY RATIO

Liquid ratio is also termed as "quick ratio". It is the ratio of liquid assets to current liabilities. The true liquidity refers to the ability of a firm to pay its short term obligations as and when they become due. The two components of liquid ratio are liquid assets and liquid liabilities. In other words they are current assets minus inventories (stock). Inventories cannot be termed as liquid assets because it cannot be converted into cash immediately without a loss of value. The same table 1 depicts the liquidity ratio analysis for

the year 2002-03 to 2010-11. General ideal ratio of liquidity is 1:1, in this regard high liquidity during the past. In the year 2010-11 the ratio is 1.02:1 which is considered to be ideal ratio of liquidity. However, the average liquidity of the BSNL during the past is 1.99:1 which is considered higher liquidity in the industry. Over the years the company has built up a strong ethics of liquidity and its highly liquid components of current assets have been more than the illiquid items. This gives confidence to both the insiders who deal with the company on day-to-day basis and the vendors and suppliers.

3. ANALYSIS OF NET PROFIT RATIO

Net profit ratio is the ratio of net profit (after taxes) to sales. It is expressed as percentage. The net profits are obtained after deducting income-tax. Net Profit ratio is used to measure the overall profitability and hence it is very useful to proprietors. The ratio is very useful as if the net profit is not sufficient, the firm shall not be able to achieve a satisfactory return on its investment. This ratio also indicates the firm's capacity to face adverse economic conditions such as price competition, low demand, etc. Obviously, higher the ratio the better is the profitability. But while interpreting the ratio it should be kept in mind that the performance of profits also be seen in relation to investments or capital of the firm and not only in relation to sales. From the table-1 it is seen the net profit ratio analysis of BSNL which is having growth in profitability up to 2004-05 (28.22%) and started declining from 2005-06 and reached to negative level by 2010-11. Decline in the total revenue figure over the past led to negative profit after tax. Revenue fall is due to various reasons like fall of voice call charges to near Zero level, unrestricted entry in to the telecom sector in India, falling landline connections, lack of marketing skills to render service to the customers. The average net profit of BSNL is 8.4%. The profitability position has been strongly maintained over the years despite disruptive market forces. It is only during the last two years that it has declined somewhat. It can be seen that the net worth of the company has not been affected substantially due to this, and the long terms average is good.

4. ANALYSIS OF OPERATING PROFIT RATIO

Table 1 shows the percentage of profit earned on every rupee of revenue earned. The relationship between the profits before Interest, taxes to total revenue. During the past 9 years period the average operating profit is 9.61%. The Operating sales shows

gradual increase from 2002-03 to 2005-06 and gradual decrease there from. During the study period the mean deviation with respect to Operating sales is even. The operating profit ratio is volatile in most of the years. The high growth years were due to the introduction of mobile services and consumer euphoria that followed. BSNL has been unable to maintain this trajectory because of capacity constraints in the emerging segment. But this appears to be temporary as the Telecom sector itself is fast changing from "voice to data and beyond", where the company with its considerable muscle power in long distance backhaul network infrastructure can foray into Broadband services.

5. ANALYSIS OF EARNINGS PER SHARE

EPS are generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio. An important aspect of EPS that's often ignored is the capital that is required to generate the earnings (net income) in the calculation. Two companies could generate the same EPS number, but one could do so with less equity (investment) - that company would be more efficient at using its capital to generate income and, all other things being equal would be a "better" company. Formula for calculating EPS = Profits available to Equity Shareholders/No.of Equity Shares. BSNL is having its paid up capital of Rs.5000 crore divided in 500 crore equity shares of Rs.10/- each. It is evident from the table-1 that an average EPS in BSNL is Rs.5.79 during the past 9 years which means the owners are earning not less than 50% of their investment in equity during all the years so far. This indicates its potential so far and future is to be designed accordingly. Governments returns on investment in telecom consists not only of the actual financial but also the social and developmental linkages that it involves. Considered in this perspective the long term returns are good. However with impending wave of reforms in this sector the shortfalls during the last two years might be a temporary dip.

6. ANALYSIS OF PRICE EARNINGS RATIO

P/E ratio is the relationship between market price per equity share and EPS. The ratio is calculated to make an estimate of appreciation in the value of a share of a company and is widely used by investors to decide whether or not to buy shares in a particular company. It helps the investor in deciding whether to buy or not to buy the shares of a particular company at a particular market price. Generally, higher the P/E ratio the better it is. If the P/E ratio falls, the

management should look into the causes that have resulted into the fall of this ratio. $P/E \text{ Ratio} = \text{Market price per equity share} / \text{EPS}$. In case of BSNL as it is not listed company the market price per share is assumed as Rs.100/- per every equity share of Rs.10/- each. According to table-6, an average P/E ratio of BSNL is Rs.15.33. It means that to earn a rupee, 15.33 rupees need to be invested. Normally it is considered high side by the potential investors. The author feels that an issue ESOP to the employees at par at this juncture may be successful.

7. ANALYSIS OF DIVIDEND PAYOUT RATIO

DP ratio is calculated to find the extent to which EPS have been used for paying dividend and to know what portion of earnings has been retained in the business. It is an important ratio because ploughing back of profits enables a company to grow and pay more dividends in future. $DP \text{ Ratio} = \text{Dividend per Equity Share} / \text{Earnings per Share}$. Dividend payout ratio in the initial years is high where the earnings of the company are good. Since 2008-09 its profits reached Zero level and no dividend is paid till 2010-11. Unless the company gets profits in the future the point of payment of dividend may not arise. The average dividend payout ratio of BSNL is Rs.12.40. Retained Earnings are very high percentage of nearly 88% for BSNL, which augurs well for the future of the company as shown in table-1.

8. ANALYSIS OF RETURN ON INVESTMENT

It is the ratio of net profit to share holder's investment. It is the relationship between net profit (after interest and tax) and share holder's/proprietor's fund. This ratio establishes the profitability from the share holders' point of view. The ratio is generally calculated in percentage. $\text{Return on share holder's investment} = \text{Profit after Tax} / \text{Equity} \times 100$. The ROI is highest in the year 2004-05. The return figure is positive up to 2008-09 later it becomes negative. The average ROI is 4.45% which is less than the average inflation rate of Indian economy during the period of study given in table-1. Here again this ratio might not be adequate to represent the expected returns from investments in a public sector company. Social economic factors also need to be given due weight age.

9. ANALYSIS OF DEBT-EQUITY RATIO

Debt to equity ratio indicates the proportionate claims of owners and the outsiders against the firm's assets. The purpose is to get an idea of the cushion available to outsiders on the liquidation of the firm. However, the interpretation of the ratio depends upon

the financial and business policy of the company (BSNL). The owners want to do the business with maximum of outsider's funds in order to take lesser risk of their investment and to increase their EPS by paying a lower fixed rate of interest to outsiders. The outsider's creditors on the other hand, want that shareholders (owners) should invest and risk their share of proportionate investments. A ratio of 1:1 is usually considered to be satisfactory ratio although there cannot be rule of thumb or standard norm for all types of businesses. Theoretically if the owner's interests are greater than that of creditors, the financial position is highly solvent. In analyzing the long-term financial position it enjoys the same importance as the current ratio in the analysis of the short-term financial position. In this regard BSNL is having very good ratio as its debts to equity on an average is 0.2:1 as indicated in the table 1 below. This appears to be a good financial management by the company because of the volatility in the early years of competition and entry of private players into the market. A high borrowing level would have been difficult to service due to the uncertainty in the returns.

10. ANALYSIS OF FIXED ASSETS TO NET WORTH

Fixed assets to net worth ratio establish the relationship between fixed assets and shareholders funds. The purpose of this ratio is to indicate the percentage of the owner's funds invested in fixed assets. It also indicates the extent to which shareholder's funds are sunk into the fixed assets. Generally, the purchase of fixed assets should be financed by shareholder's equity including reserves, surpluses and retained earnings. If the ratio is less than 1, it implies that owner's funds are more than fixed assets and a part of the working capital is provided by the shareholders. When the ratio is more than the 1, it implies that owner's funds are not sufficient to finance the fixed assets and the firm has to depend upon outsiders to finance the fixed assets. Table-1 presents an average percentage of its own funds as the ratio is 0.89 during the study period are financing its fixed assets out and the balance of own funds to the tune of 0.11 are used for working capital also. Hence, the stakeholders in this regard appreciate the composition of financing the assets. This is a happy situation from the employee point of view, because the real assets created by the company purely out of internal accruals and surpluses, will bring in considerable appreciation in the market value of these assets. Thereby the company will be

in a good position to tide over any extreme, though unlikely, situation at a future date.

11: ANALYSIS OF CURRENT ASSETS TO NET WORTH

Current assets to net worth ratio establish the relationship between current assets and shareholders funds. The purpose of this ratio is to indicate the percentage of the owner's funds invested in current assets. In this regard BSNL is having its current assets as an average is 0.52 percent of its net worth. Hence the stakeholder is perhaps happy with the optimum composition of its existing net worth.

12. ANALYSIS OF FIXED ASSETS TURNOVER RATIO

Fixed assets turnover ratio is also known as sales to fixed assets ratio. This ratio measures the efficiency and profit earning capacity of the concern. Higher the ratio, greater is the intensive utilization of fixed assets. Lower ratio means under-utilization of fixed assets. FA Turnover Ratio = Total Revenue/ Total Fixed Assets. According to table- 1, the average Fixed Assets turnover ratio in BSNL is just 0.53 which means the assets are not used even to the value of 1 time. The under utilization of fixed assets is clear. The management of BSNL should find ways and means to use the existing asset base to its fullest value.

13. ANALYSIS OF WORKING CAPITAL TURNOVER RATIO

WC turnover ratio indicates the velocity of the utilization of net working capital. WC Turnover Ratio = Cost of Sales/Net Working Capital. This ratio represents the number of times the working capital is turnover in the course of year. This ratio is volatile with respect to BSNL is concerned 2003-04 and 2009-10 it is having optimum ratio i.e. 5.01 and 4.84 times respectively. However, an average working capital turnover ratio shown in minus values i.e., 0.32 which is inadequate for meeting day-to-day operation of the company whether it is public sector or private sector organization.

14. ANALYSIS OF DEBTORS TURNOVER RATIO

Debtor's turnover ratio of BSNL indicates the velocity of debt collection of a firm. In simple words it indicates the number of times average debtors (receivable) are turned over during a year. As per the table 1 the average is 6.83 times in a financial year which is considered good for a company with annual turnover ranging from 30,000 crore to 40,000 crore.

15. ANALYSIS OF CREDITORS TURNOVER RATIO

This ratio is similar to the debtor's turnover ratio. It compares creditors with the total credit purchases. It signifies the credit period enjoyed by the firm in paying creditors. Accounts payable include both sundry creditors and bills payable. Same as debtor's turnover ratio, creditor's turnover ratio can be calculated in two forms, creditors' turnover ratio and average payment period. Creditors Turnover Ratio = Credit Purchase / Average Trade Creditors. The average payment period ratio of the BSNL during study period represents the number of days by the firm to pay its creditors. A high creditor's turnover ratio or a lower credit period ratio signifies that the creditors are being paid promptly. This situation enhances the credit worthiness of the company. However a very favorable ratio to this effect also shows that the business is not taking the full advantage of credit facilities allowed by the creditors. When compared to the debtors' turnover ratio, creditors' turnover ratio is 3 times lower which can be positive side of working capital management in BSNL.

Table-1 Summary of Financial Performance Analysis for the period of 2002-03 to 2010-11

Table 2

FINDINGS AND RECOMMENDATIONS

1. During the study period both current and liquidity ratio's found the results on par with industry standards. As a result of this BSNL has proved an ability to manage its current liability without liquidating any of its long-term assets. However, it is suggested that the company has to improve upon its current and liquidity position further,
2. Profitability positions except ROI, the BSNL's profitability position have been strongly maintained over the years despite disruption market forces. It is suggested to improve the profitability position from the existing level because the profits are the measure of overall efficiency of a firm, the higher the profits, the more efficient is the business considered or vice -a- versa.
3. An average ROI of the company is less than the average inflation rate of Indian economy and might not be adequate to meet the expected returns by the shareholders. To retain the investors with the company, the BSNL has to satisfy them by giving higher the ROI.
4. BSNL owners are earning (EPS) not less than fifty percent of their investment on equity. It indicates its potential so far and future is to be

designed accordingly.

5. Debt-equity ratio of BSNL appears to be good financial management by the company despite of heavy competition and entry of private players in the market.
6. As far as fixed assets management is concerned, the company has very positive situation to face any extreme, though unlikely, situation at a future date. However, under utilization of fixed assets is clear in case of fixed assets turnover ratio. Hence, the management should find ways and means to use the existing asset base to its fullest value.
7. Working capital turnover ratio of BSNL over the study period found inadequate.
8. Debtors and creditors turnover ratios considered being good for the company and which enhances its credit worthiness.
9. Dividend payout ratio of BSNL found satisfactory and retained earnings are very high (88%) which augurs well for the future of the company.

Limitations of the Study

The study suffers from certain limitations:

- ❖ The study covers only 9 years' period i.e. 2002-03 to 2010-11 for the financial analysis of the BSNL. The data collected is might not be true representation of the reports. This is a major limitation of the research.
- ❖ The secondary data used in this study have been taken from published annual reports only. As per the requirement and necessity some data have been grouped and sub grouped.
- ❖ For making analysis of financial position of BSNL, only ratio analysis techniques of Financial Management are used.

Conclusion :

From the study of the financial performance of the BSNL it is concluded that the liquidity position was strong thereby reflecting the ability of the companies to pay short-term obligations on due dates. Long-term solvency in case of BSNL is lower which shows that companies relied more on external funds in terms of long-term borrowings thereby providing a lower degree of protection to the creditors. Financial stability ratios in the vein of debt to net worth ratio in case of BSNL have showed a downward trend and consequently the financial stability has been decreasing at an intense rate. The Indian Telecom industry will witness an increase in the market share. The sector is poised not only to take new challenge but to sustain the growth momentum of the past

decade. Financial analysts often assess the firm's liquidity, solvency, efficiency, profitability, operating efficiency and financial stability in both short-term and long-term. Ratio analysis provides relative measures of the company's performance and can indicate clues to the underlying financial position.

A study of this kind, though cannot fully espouse the Employees point of view as it is based on only accounting figures, throws sufficient light to conclude that the financial strength which BSNL has built up over the years will stand in good stead during the period of transition which it is facing presently. The present situation is more due to the impact of external environmental forces of the sector as a whole and not fully its own making. The stakeholders as defined at the beginning of this paper have reason to believe that the company is on sound footing as far as key parameters of performance is measured and grouped. However, the continued profitability and ability to accumulate surpluses will depend on the direction which the company takes particularly with regard to cost control measures, elimination of wasteful operating expenses and the strategy changes in product mix. A deliberate movement towards innovative projects that successfully deliver value to today's subscribers especially applications related to Data and E-commerce etc will be necessary. Productivity of capital as measured by return on assets depends on the attitude and culture of the organization. Employees as stakeholders need to appreciate that in a highly technical and capital intensive industry like Telecom, current performance parameters are a pointer to this basic input that ultimately determines their aspirations as a stakeholder group.

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Table-1 Summary of Financial Performance Analysis for the period of 2002-03 to 2010-11

Sl. No.	Financial Ratio / Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Average
1	Current Ratio	0.78	1.33	2.65	2.79	3.22	3.34	2.79	1.29	1.20	2.15
2	Liquidity Ratio	0.64	1.21	2.49	2.62	3.08	3.15	2.57	1.17	1.02	1.99
3	Net Profit Ratio (%)	5.58	17.62	28.22	22.25	19.65	7.91	1.61	-5.69	-21.50	8.40
4	Operating Profit Ratio (%)	10.27	26.52	21.95	21.02	20.53	11.70	3.55	-6.86	-22.16	9.61
5	Earnings Per share (Rs.)	2.89	11.95	18.83	15.28	14.03	4.44	1.15	-3.65	-12.77	5.79
6	P.E. Ratio (Rs.100)	34.60	8.37	5.31	6.54	7.13	22.52	86.96	-27.40	-7.83	15.13
7	Dividend Payout Ratio (%)	17.31	4.71	11.54	13.14	15.05	49.84	0.00	0.00	0.00	12.40
8	Return on Investment (%)	2.58	9.48	13.99	11.07	8.98	3.41	0.65	-2.11	-7.97	4.45
9	Debt Equity Ratio	0.42	0.27	0.23	0.20	0.16	0.14	0.13	0.11	0.13	0.20
10	Fixed Assets to Net worth	1.29	1.09	0.91	0.79	0.70	0.65	0.67	0.92	0.96	0.89
11	Current Assets to Net worth	0.29	0.44	0.53	0.57	0.62	0.66	0.65	0.64	0.33	0.52
12	Fixed Assets Turnover Ratio	0.36	0.49	0.54	0.63	0.66	0.66	0.60	0.40	0.39	0.53
13	WC Turnover Ratio	-5.81	5.01	2.19	1.64	1.24	1.10	1.12	4.84	-14.17	-0.32
14	Debtors Turnover Ratio	8.79	8.52	5.44	6.38	6.37	6.96	7.59	6.75	4.69	6.83
15	Creditors Turnover Ratio	1.50	2.27	2.48	2.43	2.38	2.19	1.73	0.75	1.35	1.90

Source: BSNL Annual Reports

Table 2

