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A Study on Financial Performance Analysis of Bharti Airtel Limited

Dr.S.Vijayalakshmi 1, Sowndarya.K 2 and Sowndharya.K 3

1Assistant Professor and Head, Department of B.Com (PA), PSGR Krishnammal College for women, Coimbatore

2&3 Final year students of B.Com (PA), Department of B.Com (PA), PSGR Krishnammal College for women, Coimbatore

ABSTRACT : *Financial performance is done to evaluate capability, stability and profitability of the company. Financial analysis helps investors to appraise whether they should invest in a particular company or not. The main objective of this study is to know the short term and long term financial position of the company and to know the profit level of the company. It is analyzed using short term, long term and profitability ratios for the period 2011- 2016, based on the secondary data that is balance sheet and profit/loss account. The company has to stabilize its income without much increase in operating expenses.*

KEYWORD : Financial analysis, Ratio analysis, Stability and Profitability.

I. INTRODUCTION

Bharti Enterprises is an Indian business conglomerate headquartered in New Delhi, India. It was founded in 1976 by Sunil Bharti Mittal and it operates in 18 countries across Asia and Africa. Bharti Enterprises owns businesses spanning across telecommunications, agri business, financial services and manufacturing. From the humble beginnings in the Indian telecom industry in 1986; Airtel has its roots in Bharti Telecom Limited. Founded in 1986 by Sunil Bharti Mittal, the company was the first in India to offer push button telephones, when the rest of the country was still using rotary phones.

II. COMPANY PROFILE

Airtel is a name that connects India with millions of people all over the world with millions of people in India. The company's modest journey from a regional operator limited to the city of Delhi to second largest mobile operator in the Asia Pacific region is nothing short of inspiring. Bharti Airtel, incorporated on July 7, 1995 is the flagship company of Bharti Enterprises. The Bharti Group, has a diverse business portfolio and has created global brands in the telecommunication sector.

III. STATEMENT OF THE PROBLEM

Telecommunication sector plays a vital role in today's economy. The present study focuses on the Bharti Airtel Company's financial performance and the profitability level of the company for a period of five year using various tools.

IV. SCOPE OF THE STUDY

The main aim of the study is to analyze the financial position of the company using financial tool like ratio analysis. This is mainly done in order to find the financial soundness of the company. In general the study focuses on the financial position of the company.

V. OBJECTIVE OF THE STUDY

- To know the short term and long term financial position of the company.
- To know the profit level of the company

VI. TOOLS USED

- Ratio analysis

VII. LIMITATION OF THE STUDY

- The study period is limited to five year only.
- The study is based on secondary data collected from websites
- The information is accessible on company's websites.
- Very limited researches have been done due to the availability of data is limited

VIII. REVIEW OF LITERATURE

Indrajith Mallick (2009) studied the allocation of liquidity in the inter-bank money market. This paper focuses on an ex post trading problem in inter banks money market. "An over counter" inter-bank market is modelled in this paper. Relationship banking leads to private proprietary information that causes bargaining failure in such markets with positive probability. Both independent and interdependent bargaining games are studied. It is shown under the allocation is not constrained efficient under bargaining games without monetary intervention. Monetary intervention shown to dominate variety of informational and bargaining assumptions. The literature on monetary policy design is thus extended in the present paper by providing a micro- rationale for central bank intervention and by characterizing the solution of state contingent market making in liquidity.

Selvakumar and kathiravan (2009) studied the profitability performance of public sector banks in India. Banking system is an important constituent of the overall economic system. It plays an important role in mobilizing the nations savings and in channelizing them into high investment priorities and better utilization of available resources. Banking , if equated with money lending ,is perhaps as old as the civilization itself. However, modern banking is something really different from mere lending. It is far more sophisticated and complicated. In a developing economy, the role of bank is more formative and purposeful than in the developed one. In a developing country, where the banking habits of the people not developed, the task of creating and spreading the banking habits and of mobilising the country's resources becomes a challenging one. Banks plays a crucial role because they act as a bridge between those who require finance and those who have finance.

IX. DATA ANALYSIS AND INTERPRETATION

RATIO ANALYSIS

Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency. The trend of these ratios over time is studied to check whether they are improving or deteriorating.Ratio Analysis is a form of Financial Statement Analysis that is used to obtain a quick indication of a firm's financial performance in several key areas. The ratios are categorized as Short-term Ratios, Long Term Ratios (Debt Management Ratios), Profitability Ratios.

Ratios Used

- **Short term Ratios**
- **Long term Ratios**
- **Profitability Ratio**

SHORT TERM RATIOS

CURRENT RATIO

Current ratio may be as the relation betweencurrent assets and current liabilities it is the most common ratio for measuring liquidity.

LIQUID RATIOS

Liquid ratio measure a company's ability to pay debt obligations and its margin of safety.

TABLE1

Year	Current Ratio Rs.	Current Liabilities Rs.	Current Ratio %	Liquid Ratio %
2011-12	23,078.60	16,764.70	1.38	1.38
2012-13	15,470.50	20,575.20	0.74	0.74
2013-14	22,557.80	22,953.40	0.98	0.98
2014-15	20,795.50	27,898.20	0.74	0.74
2015-16	23,300.80	35,0591.90	0.66	0.66

CURRENT AND LIQUID RATIO (in Crores)

(Source: Secondary Data)

The table above illustrates that the liquidity position of the company is at its maximum in the year 2011-12 depicting a positive sign to pay of its debts. But for the current period the percentage of pay–off is low as compared to the standard norm which is 2% showing a negative sign for paying off its debts.

ABSOLUTE LIQUIDITY RATIO

Absolute liquidity ratio includes cash, bank, and marketable securities. This ratio obtained by dividing cash, bank and marketable securities by current liabilities.

Absolute liquidity ratio = Cash + bank +marketable securities/ Current liabilities

Year	Absolute Liquid Assets Rs.	Current Liabilities Rs.	Absolute Liquid Ratio %
2011-12	14,686.1	16,764.7	0.87
2012-13	4,099	20,757.4	0.19
2013-14	13,529.5	22,953.4	0.59
2014-15	16,225.5	27,898.20	0.58
2015-16	17,650.2	35,091.90	0.50

TABLE 2

ABSOLUTE LIQUID RATIO (in crores)

(Source: Secondary Data)

The above table and diagram shows the absolute ratio for the study period 2012-11 to 2016-15. There is a fluctuation in the absolute liquid ratio. It was 0.87 in the year 2012-11. In 2013-12 it is 0.19 and 2014-13 it was 0.59. It was 0.58 in 2015-14 and it increases to 0.50 in the year 2016-15.

DEBTOR'S TURNOVER RATIO

The receivables turnover ratio is an activity ratio measuring how efficiently a firm uses its assets.

Debtors Turnover Ratio= Net Credit Sales/ Average Accounts Receivables.

TABLE 3

Year	Credit Sales Rs.	Average A/c's Receivable Rs.	Debtors Turnover Ratio %
2011-12	60300.20	3552	16.98
2012-13	59496.40	2738.25	20.27
2013-14	49918.50	2206.15	22.63
2014-15	45350.90	2190.65	20.70
2015-16	41603.08	1798.20	23.14

DEBTORS TURNOVER RATIO (in crores)

(Source: Secondary Data)

The above table shows that the debtor's turnover ratio during the study period is lower during the year 2012-11 with 16.98 and increases to 20.27 in 2013-12 and it has been fluctuating during the last three years. And finally increases in the year 2016-15 indicating a positive change in receivable accounts. This indicates a profit increases in the company.

LONG TERM RATIOS

PROPRIETARY FUND RATIO

Proprietary ratio also known as equity ratio or net worth to total assets or total assets or shareholder equity to total equity.

Proprietary ratio = proprietor's fund / total asset

TABLE 4

Year	Shareholder's Fund Rs.	Total Assets Rs.	Proprietary Ratio %
2011-12	47,718.50	16193.7	0.59
2012-13	54,144.20	126421.6	0.66
2013-14	66725.90	98202	0.67
2014-15	78,270.80	81881.8	0.48
2015-16	84,445.70	80321.5	0.52

PROPRIETARY RATIO (in Crores)

(Source: Secondary Data)

In the year 2014-13, proprietary ratio is 0.67 which is high indicating a better long term solvency position of the company. If owners' funds are more than the fixed assets, it means that a part of owners' funds is invested in the current assets also. Again in the year 2016-15 it is 0.52 which is low indicating greater risk to the creditors. If the owners' funds are less than fixed assets, then that means a part of fixed assets is financed by the creditors either long term or short term. This shows that the company has to increase the owner's fund so as to minimize the risk.

DEBT EQUITY RATIO

It is a ratio used to measure the company's financial leverage, calculated by dividing a company's total liabilities by its stock holder's equity

Debt equity ratio = outsiders fund / shareholder's funds

TABLE 5

Year	Outsider's Fund Rs.	Shareholder's Fund Rs.	Equity Ratio %
2011-12	15,301.4	51,328.40	0.29
2012-13	14,218.30	56,045	0.25
2013-14	10,365.40	68726.70	0.15
2014-15	21,569.90	80,271.60	0.26
2015-16	45,743.50	86,445.50	0.52

DEBT EQUITY RATIO (in Crores)

(Source: Secondary Data)

The standard norm for debt equity ratio is 1:1.The table 4.1.8 depicts the relation between the outsiders fund and shareholder's fund. The ratio is relatively high during 2016-15 with 0.52:1 an high debt equity indicates that the claim of outsiders are greater than those of owners, may not be considered by the creditors because it gives a lesser margin of safety for them at the time of liquidation of the firm. And low during the year 2014-13 with 0.15:1 is considered as favorable from the long term creditor's point of view because a high proportion of owner's fund provides large margin of safety to them.

PROFITABILITY RATIOS

GROSS PROFIT RATIO

Gross profit ratiois a profitability ratio that shows the relationship between gross profit and total net sales revenue.

Gross profit ratio= Gross profit/ sales

NET PROFIT RATIO

Net profit margin provides clues to the company's pricing policies, cost structure and production efficiency.

Net profit ratio = net profit / sales

OPERATING PEOFIT RATIO

The operating ratio shows the efficiency of a company's management.

Operating profit ratio= operating profit/sales

TABLE 6

Year	Gross Profit	Net Profit	Sales	Operating Profit	Gross Profit Ratio	Net Profit Ratio	Operating Ratio
2011-12	128722	75465	416038	142684	30.93	13.77	34.29
2012-13	132815	132005	453509	149338	29.29	11.23	32.93
2013-14	156087	66002	499185	171522	3.26	13.22	34.36
2014-15	232150	50963	554964	246241	41.83	23.78	44.37
2015-16	195829	75465	603002	238218	32.47	12.59	39.50

PROFITABILITY RATIO (in Crores)

(Source: Secondary Data)

The overall profitability ratios indicates that the company has to decrease its operating expenses in order to increase its profit margin. The gross profit of the company is fluctuating in the study period proving that the sales during the period is not stable. Due to the fluctuation in the sales the net profit is also fluctuating.

EARNINGS PER SHARE

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock.Earnings per share serves as an indicator of a company's profitability. One could do so with less equity (investment) - that would be more efficient at using its capital to generate income and, all other things being equal, would be a "better" company.

TABLE 7

Year	Net Profit Rs.	Equity Shares Rs.	Earnings/Share %
2011-12	57,300	3,797.53	15.09
2012-13	50,963	3,797.53	13.42
2013-14	66002	3997.40	16.51
2014-15	13,200	3,997.40	33.02
2015-16	75,465	3,997.40	18.88

EARNINGS PER SHARE (in crores)

(Source: Secondary Data)

On comparing the five year the equity value has increased from 377.53 to 3997.40 with an increase from 16.51 to 33.02 indicating a negative usage of capital. This depicts that the company's profit is again being affected.

DIVIDEND PAYOUT RATIO

The dividend payout ratio is the amount of dividends paid to stockholders relative to the amount of total net income of a company

TABLE 8

DIVIDEND PAYOUT RATIO (in Crores)

Year	Dividend Rs.	EPS Rs.	Dividend Payout Ratio %
2011-12	1.00	15.09	6.62
2012-13	1.00	13.42	7.45
2013-14	1.80	16.51	10.90
2014-15	3.85	33.02	11.65
2015-16	1.36	18.88	7.20

(Source: Secondary Data)

A consistent trend in this ratio is usually more important than a high or low ratio. Since it is for companies to declare dividends and increase their ratio for one year, a single high ratio does not mean that much. Investors are mainly concerned with sustainable trends. Until the year 2013-14 there is a consistent trend of increasing which indicates that the company can declare dividends. Conversely, in the upcoming two years the company has a downward trend of payouts is alarming to investors.

X. FINDINGS

- Over all liquidity position of the company is fluctuating.
- The value of absolute liquid ratio is fluctuating throughout the period due to the fluctuation of liquid liabilities.
- Equity ratio has increased due to the increase in the outsider's fund.
- The company has to stabilize its income without much increase in operating expenses.
- Profitability position of the company is not stable due to decrease in sales.
- Due to the increase in operating profit the Earnings /share value and dividend payout ratio has increased.

XI. SUGGESTIONS

- The company should maintain its debt position.
- Sales should be increased without the additions of fixed assets.
- Net profit is increasing by the result of increased total assets, hence it should be avoided
- The company has to maintain the same level of operating profit in order to maintain a sustainable dividend payout and earnings / share value.

REFRENCE

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CONCLUSION

The study reveals that the financial performance is fair. It has been maintaining good financial performance and further it can improve if the company concentrates on its operating, Administrative and selling expenses and by reducing expenses.