

FINANCIAL PERFORMANCE OF TELECOM COMPANIES

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Abstract - Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This item is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Finance which is the lifeblood of the business. For every business finance is very important aspect for surviving for longer period. Finance is the soul of economic activities. Performing economic activity we need resources that resources we will get through the source of money, so many is integral part in the firm.

In this paper analyze the financial performance of Indian telecom sector specially focused on BSNL, Airtel and Vodafone. As the Indian telecom sector is one of the key contribution towards development our country and also towards other Industries.

Developing the Financial health of the organization is the first step, and next step of financial performance is to compare the financial result of the firm with same industry or firm which helps to improve the financial position of the company.

1. INTRODUCTION

Every business wants to improve the profitability by increasing the financial performance of the company. For the analysis of financial performance the company gives more focus on maximizing profit and sales. So it can perform better than its previous year and this will help organization to enhance the skills and innovative ideas.

Profitability measures like return on capital employed, operating income of all companies and the Economic value added are taken into consideration. This analysis helps in measuring the return on the investment and the sales growth of the organization with compared to other companies. Financial statement is used to show a company's performance over a certain period of time. This study helps in identifying the financial strengths and weaknesses of firm by the use of balance sheet and profit and loss a Every business wants to improve the profitability by increasing the financial performance of the company. For the analysis of financial performance the company gives more focus on

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1.1 OBJECTIVE

- To know what is the ROCE of Companies.
- To study the effectiveness of capital employed.
- To know the financial performance of telecom companies.
- To comparing the telecom companies financial performance.

1.2 RESEARCH METHODOLOGY:

The information throughout my study/analysis is collected through the secondary data.

“**Secondary data** refers to data that was collected by someone other than user. Common sources of secondary data for social science include censuses, information collected by government department, since organizational records and data that were originally collected for other research purpose. Primary data, by contrast, are collected by the investigator conducting the research. Secondary data analysis can save time that would otherwise be spent collecting data and, particularly in the case of quantitative data, can provide larger and higher-quality data bases that would be unfeasible for any individual researcher to collect on their own. In addition analysis of social and economic change consider secondary that essential, it is impossible to conduct a new survey that can adequately capture fast change and developments .however, secondary data analysis

can be less useful in marketing research, has data may be outdated or inaccurate.

The research methodology throughout my study is fully based on secondary data wherein all the information is collected by various sources and by referring various articles, research papers and books.

2. ANALYSIS

ROCE: return on capital employed is an accounting ratio used in finance, valuation, and accounting. It is a useful measure for comparing the relative profitability of companies after taking into account the amount of capital used. It is similar to return on assets but takes into account sources of financing.

Capital employed has many definitions. It is actually total amount invested in the business for carrying the operation of business. It is commonly represented as total assets less current liabilities plus working capital requirement.

$$ROCE = \frac{\text{Net profit before interest and tax} * 100}{\text{Capital employed}}$$

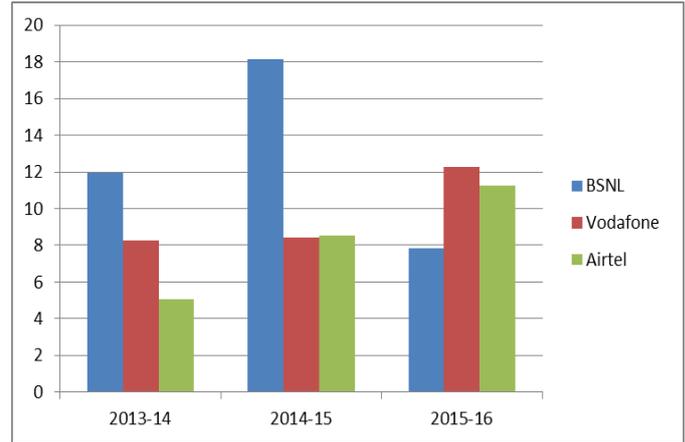
Uses of ROCE:-

- ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use.
- ROCE is especially useful when comparing the performance of companies in capital intensive sectors such as and telecoms. This provides a better indication of financial performance for companies with significant debt
- For a company, the ROCE trend over the years is also an important indicator of performance.
- ROCE helps to know the actual financial position of the company.

Table:- 1

Return on capital employed

Company	2013-14	2014-15	2015-16
BSNL	11.97	18.16	7.86
Vodafone	8.29	8.41	12.25
Airtel	5.04	8.52	11.25



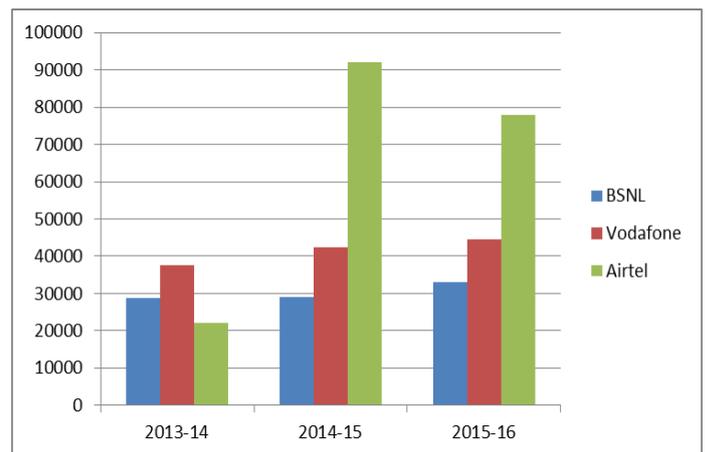
3. INTERPRETATIONS

The above table explains that the ROCE has been decreased from 18.16% to 7.86%. Vodafone and Airtel Company has growth in their ROCE.

Table:- 2

Profits of the companies:-

company	2013-14	2014-15	2015-16
BSNL	28645	29000	32918
Vodafone	37606	42378	44490
Airtel	22219	92039	77803



Interpretations:-

Revenue of the Airtel Company has reached peak. BSNL and Vodafone are in growing stage but they are nt highest earning revenue companies due to some external reasons.

4. FINDINGS

- I have calculated the ROCE Of the three companies.
- Profit of the BSNL and Vodafone and Airtel companies.
- Highest profit earning company is Bharati Airtel and highest ROCE as compared.
- Profit and ROCE of BSNL Company is very as compare to the Airtel Company.
- Vodafone has increasing ROCE And profit for the company.

5. CONCLUSIONS

As per the topic I have concluded that every business have to maintain the good financial position.it help to maintain the goodwill of the company. Company images play an important role and brand awareness is the backbone of strategy survival of the company. So to keep continuous reputed image the company should focus on new technology, customer's needs and also to satisfy the employees

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