

A Study on Revenue Earning Capabilities with Reference to BSNL, Tambaram, Chennai

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Abstract

The study has been taken on the topic "Revenue Earning Capabilities" to analysis the revenue earning capability. The use of the term Revenue earning capability by organization to describe the earning capability available to devote to the achievement of its strategies has drawn upon concept developed in Organizational Psychology. The data has been accepted by the researcher using balance sheets and it has been analysed. Analysis of data in a general way involves a number of closely related operation that are performed with the purpose of summarizing the collected data and analysis the balance sheets. The whole chapter of analysis and interpretation is based on the Revenue Earning Capability.

Keywords:

1. Introduction

1.1 Meaning of Revenue

Revenue from a business's primary activities is reported as sales, sales revenue or net sales. Assets acquired through operating activities are called revenues. Assets used in the process of generating revenues are called expenses. The income statement measures the change in net assets increases from the operating activities are labeled revenues. The asset decreases from the operating activities are called expenses. The difference between revenues and expenses is called net income if revenue is great revenues from a business's primary activities are reported as sales, sales revenue or net sales. Other revenue (non-operating revenue) is revenue from peripheral (non-core) operations.

2. Objectives of the Study

2.1 Primary Objectives

- To study the revenue earning capability of BSNL.

2.2 Secondary Objectives

- To study the market share.
- To study the revenue earned by BSNL and other competitors in the telecom service.
- To analyze the investments.

- To revenue earned from various services in BSNL.

3. Need for the Study

The development in the field of technology has brought in drastic evolution in the telecom field in the last three decades. Demand for data and video communications dominate over the voice communication. Of late, convergence of the three over a single carrier is the demand of the market. This has brought in new services like broadband, mobile GPRS and 3G services. This mobile service is welcomed more for the convenience of service anywhere and everywhere. This changing technology involves huge investment in these new services. So telecom service providers are compelled to invest a major share of their capital in these new services to meet the customer expectation. It is necessary for any organization to have an estimate on the investments and the returns from the investments to sustain in the market and maximize profit.

4. Scope of the Study

This study was carried out at Bharat Sancher Nigam Limited. Analytical research method was formulated with the secondary data which is the published result of the company for the past 5 years from (2009-2013). The overall

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expenditure involved in providing the various services and the return received was analyzed using financial tools such as cash flow statement analysis, ratio analysis and comparative balance sheet analysis and statistical tool such Karl Person's Coefficient of Correlation. This study also aimed at analyzing the investment and revenue earned by BSNL. This study also focused on market share earned by BSNL and other competitors in telecom services and studies the features/finding out the methods to increase the revenue of BSNL.

5. Research Methodology

The purpose of research methodology is to describe the research procedure. This includes the overall research design, the sampling procedure, the data collection method, field method and the analysis procedure.

5.1 Research Design

Research design is needed because it facilitates the smooth sailing of the various project operations, thereby making the project as efficient as possible yielding maximal information with minimal expenditure of effort time and money. Also it minimizes bias and maximizes the reliability of the data collected.

5.2 Data Collection

5.2.1 Primary Data

Personal Interview was held with key personnel of finance department.

5.2.2 Secondary Data

Secondary Data: Published annual reports for 5 years (2008-09 to 2012-13).

BSNL Website.

5.3 Data Analysis

5.3.1 Current Ratio

Table 1. Current ratio for the financial year 2008-09 to 2012-13

Year	Current Assets	Current Liability	Ratio
2008-09	5774861	2566580	2.25
2009-10	5497179	4835244	1.14
2010-11	2629788	2839272	0.93
2011-12	2267653	1929361	1.17
2012-13	1655204	1750372	0.95

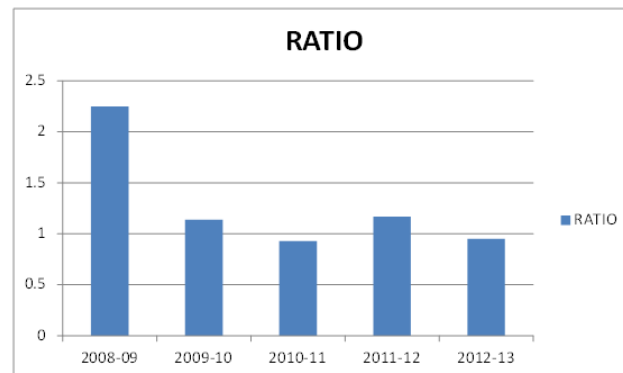


Figure 1. Chart Showing current ratio for financial year 2008-09 to 2012-13.

5.3.1.1 Interpretation

The current ratio shows a gradual decline 2010-11 and a slight increase is 2011-12. However the year 2012-13 has declined sharply from 1.17 to 0.95 which is a negative sign for the firm.

Table 2. Debit-Equity Ratio for the financial year 2008-09 to 2012-13

Year	Total Long Term Loans	Share holders Funds	Ratio
2008-09	1286264	8863358	0.14
2009-10	1550398	8647566	0.17
2010-11	1536456	8006875	0.19
2011-12	1152556	7117102	0.16
2012-13	684728	6326240	0.10

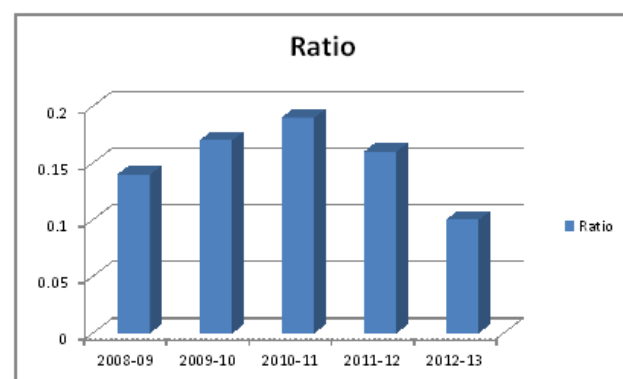


Figure 2. Debit Equity Ratio for financial year 2008-09 to 2012-13.

5.3.1.2 Interpretation

From the above table it is observed that in the year 2008-09

the ratio of debt equity increased to 0.14. In the year 2009-10 and 2010-11, we see the debt equity ratio increased to 0.17 and 0.19. In year 2011-12 and 2012-13, we see that the debt equity ratio again decreased to 0.16 and 0.10

Table 3. Fixed Assets Ratio for the financial year 2008-09 to 2012-13

Year	Fixed Assets	Long Term Fund	Ratio
2008-09	5929596	9808238	0.61
2009-10	7992452	10044594	0.79
2010-11	7688828	9358757	0.82
2011-12	7807751	71170102	1.09
2012-13	6326240	6363873	0.99

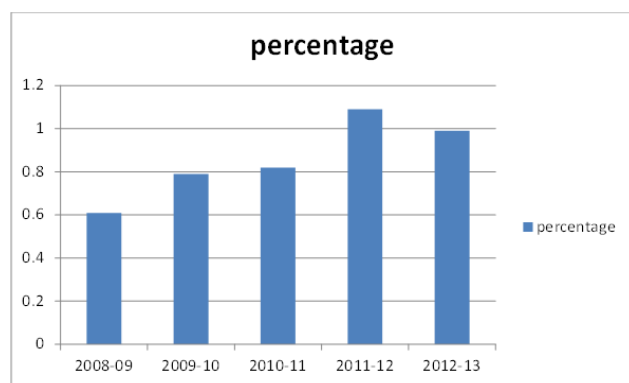


Figure 3. Fixed assets ratio for financial year 2008-09 to 2012-13.

5.3.1.3 Interpretation

From the above analysis it has been observed that, the lowest fixed assets ratio in the year 2008-09. The highest fixed assets ratio in the year 2011-12. There has been continuously change in ratio.

Table 4. Return on Investment Ratio for the financial year 2008-09 to 2012-13

Year	Operating Ratio	Capital Employed	Ratio
2008-09	127163	10664631	0.61
2009-10	-219748	20567815	-0.99
2010-11	-657881	22137197	-0.03
2011-12	-882093	7117102	-0.12
2012-13	-795536	6326240	-0.12

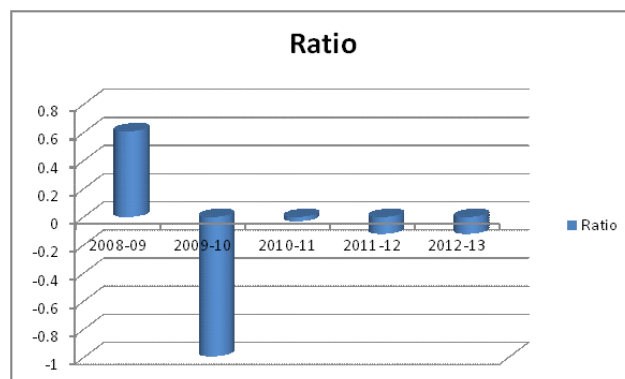


Figure 4. Return on Investment Ratio for financial year 2008-09 to 2012-13.

5.3.1.4 Interpretation

From the above table has been observed that in the year 2009 the Return on Investment is 0.61 and the ratio of Return on Investment starts decreasing from 2010. The return on investment ratio is continuously negatives from the year 2010 to 2013.

Table 5. Return on Total Assets for the financial year 2008-09 to 2012-13

Year	Net Profit After Tax	Total Assets	Ratio
2008-09	57485	11704457	0.49
2009-10	-182265	134809631	0.13
2010-11	-638426	10318616	-6.18
2011-12	-885070	10037814	-8.81
2012-13	-788444	8795632	-8.96

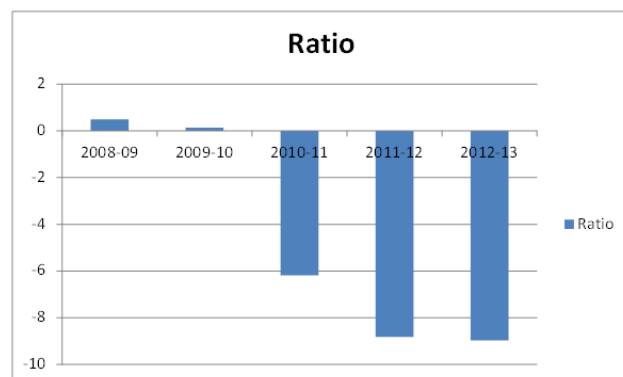


Figure 5. Return on Total Assets financial year 2008-09 to 2012-13.

5.3.1.5 Interpretation

From the above table it is observed that in the year 2008-09 the net Return on Total Assets ratio is 0.49 and the Return on Total Assets of net profit starts decreasing from 2010-11 to 2012-13. From 2010 to 2012 the net Return on Total Assets is negative. High ratio indicates that the business is running on profitable lines.

5.4 Karl Person's Coefficient of Correlation between Investment and Revenue

Let investment be denoted 'x', revenue be denoted as 'y' and the correlation equation is represented as 'r'

$$\begin{aligned} X^- &= \sum x/n \\ &= 1849004/5 \\ &= 369800.8 \end{aligned}$$

$$\begin{aligned} Y^- &= \sum y/n \\ &= 13678088/5 \\ &= 2735617.6 \end{aligned}$$

$$\begin{aligned} r &= \sum XY / \sqrt{X^2 \cdot \sum Y^2} \\ &= -42.97 / 23.5351 \\ &= -1.82 \end{aligned}$$

5.4.1 Interpretation

From the above table it has been inferred that there exist a negative correlation between the investment and revenue 2009-13.

7. Suggestions

- The major expenditure of the company's payment towards salary and pension contribution for employees. It will be wise for the company to reduce its staff strength as recommended by Sam parody committee report by the way of VRS schemes or by reducing retirement age.
- BSNL's network infra-structure with significant capacity shall be leveraged to provide network bandwidth on lease, which will reduce their total cost of ownership.
- BSNL may think of increasing in investments in profit making shares to make the company financially more viable.
- The attitude and knowledge of the front end personnel needs improvement to provide customer centric service.
- The customer care with regard to complaints is to be improved to get more number of loyal customers.

8. Conclusion

From the study it has been clear that BSNL, the state owned public sector undertaking has critical financial conditions. The company has been showing net loss for the past four years. The major reason for the loss was found to be that BSNL with Government procedures and rulings has to compete equally with private service providers- some of them being renowned industrialists and the rest

Table 6. Correlation between investment and revenue for the financial year 2008-09 to 2012-13

Year	x (Investment)	y (Revenue)	X=x-x	Y=y-y	XY	X ²	Y ²
2008-09	20000	3016942	-349800.8	281324.4	-9.84	1.22	7.91
2009-10	20000	2791344	-349800.8	55726.4	-19.49	1.22	6.33
2010-11	550141	2704471	180340.2	-31146.6	-5.61	3.25	9.70
2011-12	601352	2599850	231551.2	-135767.6	-3.14	5.36	1.84
2012-13	657511	2565481	287710.2	-170136.6	-4.89	8.27	2.89
	1849004	13678088			$\sum XY = -42.97$	$\sum X^2 = 19.32$	$\sum Y^2 = 28.67$

6. Findings

- The current asset has decreased in the year 2010-11. When compare to standard ratio 2:1, The Company shall increase the current assets.
- The debt-equity ratio of the company increased in the year 2010-11. The company can increase the proportion of debt for the future investment.

being backed by MNCs. But it was clear from the study that sincere efforts are being taken by the management to turn around the status and make it financially viable. The company has been changing its services to be more customer-centric. Government of India, the major stake holder of the organization has to take proactive measures like those recommended by Sam Pitroda committee to quicken the turnaround.

9. References

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