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FINANCIAL ANALYSIS OF BHARTI AIRTEL



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Abstract: Financial analysis is done to evaluate capability, stability and profitability of a company. It is done through various financial ratios calculated from the financial statements of a 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 analyze the financial position of Bharti Airtel from the investors' point of view. It is done through various ratios calculated through financial statements of company for the period from 2005 to 2012.

There are various tools and techniques of financial analysis out of these techniques Investigator has used ratio analysis for the analysis of financial statements of Bharti Airtel based on the secondary data including balance sheet and profit and loss account. Investigator has calculated various types of liquidity ratio, activity ratio and profitability ratio which helped to analyze and interpret real profit and liquidity position of the company. BHARTI AIRTEL has the largest market share from subscriber and revenue based in the telecom sector.

Keywords: financial Anlysis , Evaluate Capability , Stability And Profitability .

OBJECTIVE OF THE STUDY:

- 1)The purpose of the present study is to analyze the various concepts of financial analysis and find out the feasibility of the concept in the light of better planning and control of financial position.
- 2)Financial analysis is done to help the investors to assess the financial position of a company for investment purpose.
- 3)It helps them to assess whether they should invest for short term or long term.
- 4)It helps them to analyse how secure their investment is in a particular company.

INTRODUCTION

Financial analysis is done to evaluate capability, stability and profitability of a company. It is done through various financial ratios considered from the financial statements of a company.

Financial ratios

A financial ratio is an expression of the relationship between two selected items from the income statement or the balance sheet. Ratio analysis helps you to evaluate the weak and strong points in your financial and managerial performance. The level and historical trends of these ratios can be used to make inferences about a company's financial condition, its operations and attractiveness as an investment. The ratios used are:

1. Balance sheet ratio analysis
Current ratio
Quick ratio
2. Income statement ratio analysis
Gross margin ratio
Net profit margin ratio

3. Management/efficiency ratios
Inventory turnover ratios
Account receivable ratio
4. Overall profitability analysis
Return on assets ratio
Return on investment ratio
5. Market test or valuation ratios
Earning per share

BHARTIAIRTEL

Bharti Airtel (BSE: 532454), formerly known as Bharti Tele-Ventures LTD.

Bharti Airtel is the fifth largest mobile operator in the world following its acquisition of Zain Group's mobile operations across 15 African nations in June 2010.

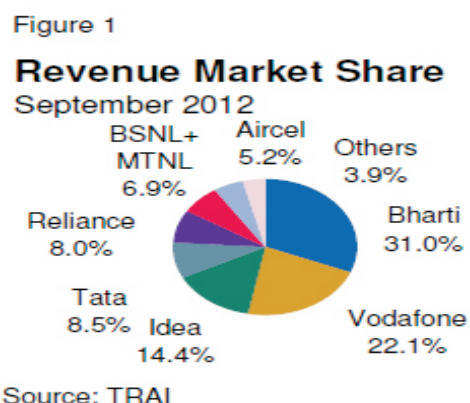
In India, the company's provides following products and services:

2G, 3G and 4G wireless services, mobile commerce
fixed line services
high speed DSL broadband
IPTV, DTH, enterprise services including national & international long distance services to carriers.
It offers GSM mobile services in all the 22-telecom circles of India and is the largest mobile service provider in the country, based on the number of customers.
Bharti Airtel had over 269 million customers across its operations at the end of March 2013.

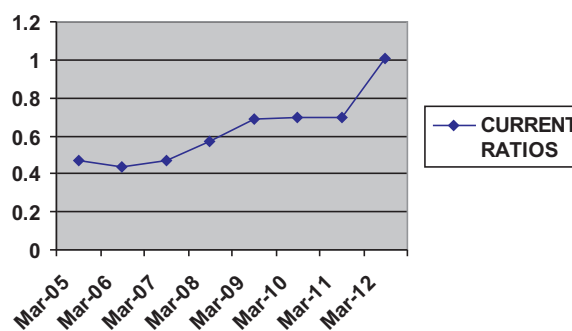
BUSINESS DIVISIONS:

- 1)Mobile Services
- 2)Telemidia Services
- 3)Airtel Services
- 4)Digital TV Services

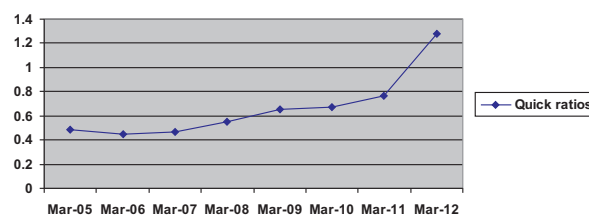
Market Share of Different Telecom Industries in India



GRAPH 1



GRAPH 2



RESEARCH METHODOLOGY

Research in common vernacular refers to a search for knowledge. One can also define research as a scientific and systematic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation.

Instrumentation technique	Ratio Analysis
Sources of data collection	Secondary data was collected from business magazines, journals, company annual report and internet.
Software used for data analysis	MS-excel

Interpretation: - Bharti airtel's both current and quick ratios are moving upward means shows increasing trends. These shows company has good liquidity position. Company is able to pay day to obligations of company.

FINANCIAL ANALYSIS OF BHARTI AIRTEL BY USING DIFFERENT RATIOS (MARCH 2005-MARCH 2012)

Balance sheet ratio analysis

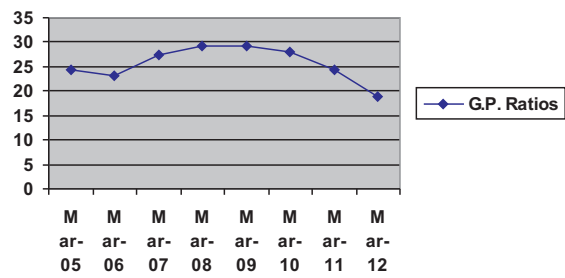
TABLE 1

YEAR	March 05	March 06	March 07	March 08	March 09	March 10	Mar 11	Mar 12
Liquidity Ratios								
Current Ratio	0.47	0.44	0.47	0.57	0.69	0.70	0.70	1.01
Quick Ratio	0.49	0.45	0.47	0.55	0.65	0.67	0.77	1.28

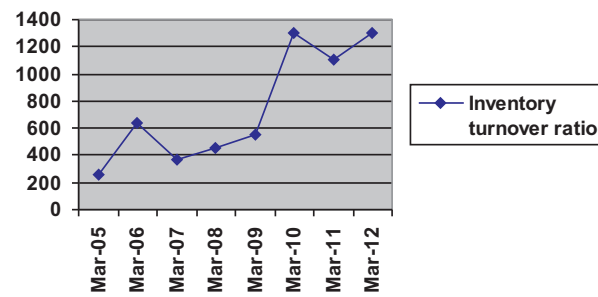
TABLE 2
INCOME STATEMENT RATIO ANALYSIS

YEAR	Mar 05	Mar 06	Mar 07	Mar 08	Mar 09	Mar10	Mar11	Mar12
Income statement Ratios								
Gross profit Ratio	24.29	23.14	27.47	29.08	29.33	28.15	24.22	18.76
Net profit Ratio	14.83	17.80	22.46	23.99	22.58	26.36	20.21	13.69

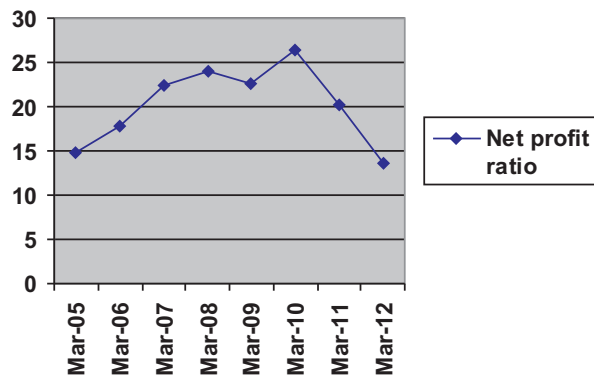
GRAPH 3



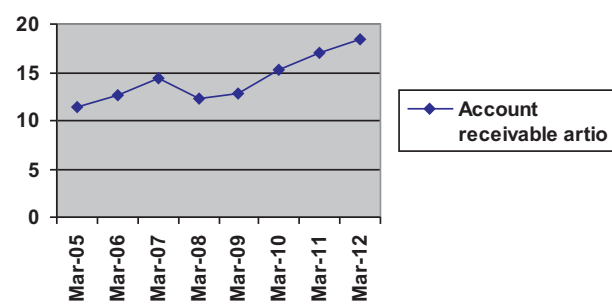
GRAPH 5



GRAPH 4



GRAPH 6



Interpretation: - G.P ratio first shows upward trend then starts declining from 2009 and Net profit ratio starts declining from 2010. This is due to high operating costs. Operating expenses are increasing because of high duties and levies from the central and state government and increasing costs of indebtedness.

Interpretation: - High inventory turnover ratio and high debtor turnover ratio shows the management's efficiency in using inventory and collecting debts respectively. Bharti airtel's both ratios are high in 2012 as compared to previous years. Company is efficient in using inventory properly and is able to collect cash from debtors on time. In this way it shows good prospectus for investors to invest in this company in future.

MANAGEMENT/EFFICIENCY RATIOS

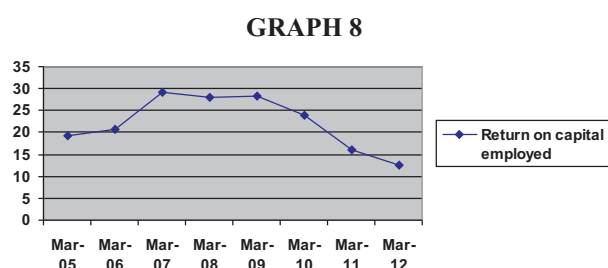
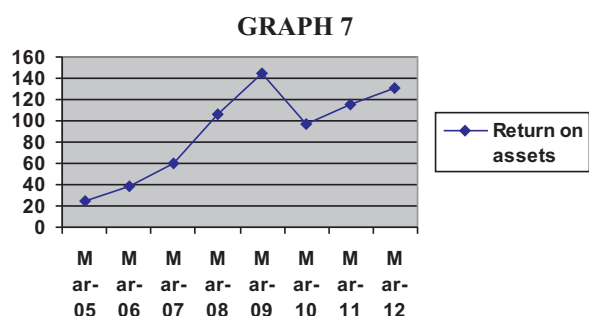
TABLE 3

YEAR	Mar 05	Mar 06	Mar 07	Mar 08	Mar 09	Mar 10	Mar 11	Mar 12
Management/efficiency Ratios								
Inventory Ratio	257.80	634.52	373.35	453.06	547.83	1,307.05	1,105.11	1,296.07
Account receivable ratio	11.38	12.57	14.31	12.28	12.78	15.30	16.97	18.45

OVERALL PROFITABILITY ANALYSIS

TABLE 4

YEAR	March 05	March 06	March 07	March 08	March 09	Mar 10	Mar 11	Mar 12
Overall profitability analysis								
Return on asset	24.13	38.68	60.18	106.35	145.02	96.25	115.43	130.03
Return on capital employed	19.27	20.74	29.06	27.95	28.40	23.86	15.97	12.67



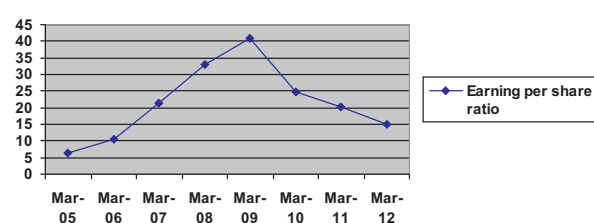
Interpretation: - Return on asset shows upward trend but it declined from 2009-10 and then again starts rising. It means that company is able to get good returns on the investments made by it. Return on capital employed is falling continuously from 2010. The scenario of hyper competition due to simultaneous issuance of licenses in 2008 has unfavorably impacted the revenues and costs of the industry.

MARKET TEST OR VALUATION RATIOS

TABLE 5

YEAR	Mar 05	Mar 06	Mar 07	Mar 08	Mar 09	Mar 10	Mar 11	Mar 12
Market test or valuation ratio								
Earning per share ratio	6.53	10.62	21.27	32.90	40.79	24.82	20.32	15.09

GRAPH 9



Interpretation: - EPS ratio graph is attractive till 2009 but thereafter it is disappointing from investors' point of view. This is due to high inflation rate, high costs of indebtedness, increasing operating costs etc.

Calculation of Intrinsic value for July 2013
 EXPECTED EPS = 12.75
 EXPECTED PE RATIO = 23.75
 INTRINSIC VALUE FOR MARCH 2010 = 12.75 * 23.75 = 302.8125

Market Price 293.80

Intrinsic value is greater than market price therefore investors are suggested to buy Bharti airtel's share at current level on 293.80.

FINDINGS OF THE STUDY

On the basis of its various ratios like Current ratio, Quick ratio, Inventory turnover ratios, Account receivable ratio, we can say that company has good liquidity position. Although its market condition is disappointing these days due to various reasons like falling net profit, return on capital employed, stagnating revenues, falling EPS etc. The reasons of deteriorating financial conditions are increasing costs of debts, high network expenses due to high inflationary environment, hyper competition due to issuance of licenses to various companies in 2008, burden of duties and levies from central and state govt. But over the past years government has taken various steps to boost the telecom industry.

CONCLUSION

In nutshell, it is found that investors can be benefitted in the long run by investing in the telecom industry because telecom industry is otherwise growing industry. Indian government is also providing various facilities in the development of telecom industry. Telecom commission has approved 100% FDI in telecom sector. And among the industry BHARTI AIRTEL has the largest market share from subscriber and revenue based.

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