NOLEGEIN Journal of
Corporate & Business Laws

ISSN: 2581-7779
Volume 5, Issue 2, 2022
DOI (Journal): 10.37591/NJCBL

http://mbajournals.in/index.php/JoCBL/index

Research NJCBL

Fundamental Analysis of Bharti Airtel Ltd.

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Abstract

In this research, a giant player or the creator of an unbreakable seeming ecosystem is discussed about. The objective of this research is to fetch the information as to checking whether the company is investable. If anybody thinks of investing in the company or thinks that this company is the potential company for investment, he may seek help from this study. In the following study, company's fundamentals are going to be discussed. At base, in the following study, the fundamental analysis of the company has been undertaken. The research is followed by the slight history of the company, its introduction, followed by the research methodology norms, data analysis, interpretation, conclusion and findings. The chosen company has a zig-zig history of carrying on its operations. It has witnessed innumerable ups and downs and within some time, proved itself as a trustworthy company by emerging and succeeding back in the market. In the current arena, there is a trend as well as necessity to have multiple sources of income of which investment in stocks is the one. The study aims at analyzing the ratios of the company for knowing its strength fundamentally. For the study to be carried forward, 12 ratios are studied.

Keywords: Financial performance, liquidity, turnover, solvency, capital employed

INRODUCTION

About Company

Bharti Airtel Ltd. is the leading telecom company that carries on its operations in 18 countries across South Africa and Asia with Mr. Sunil Bharti Mittal as its founder and the chairman. The chosen company has a zig-zig history of carrying on its operations. It has witnessed innumerable ups and downs and within some time, proved itself as a trustworthy company by emerging and succeeding back in the market.

Financial Performance

Financial performance reflects the way the company has undertaken its operations to maximize its wealth. There are some financial indicators that help ascertain the financial performance of the company. They help us in knowing about the profitability, leverage and debt, turnover, its debt paying capacity and a future overview that also helps investors to make certain decisions [1].

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Received Date: February 27, 2023
Accepted Date: March 04, 2023
Published Date: March 25, 2023

Citation: Shivangi Bhargava, Meghna Jain. Fundamental Analysis of Bharti Airtel Ltd. NOLEGEIN Journal of Corporate & Business Law. 2022; 5(2): 14–30p.

Financial Statements

1. *Profit and Loss Account/Income Statement:* it shows how much profit a company has made, and loss incurred while giving the clear information as to the heads such as Gross Profit, Income Tax, Operating Profit etc.
2. *Balance Sheet:* It shows us about the positions of the total capital of the company that includes equity and debt; current and non-current liabilities and assets.
3. *Cash Flow:* Cash Flow Statement of the company shows the heads where the cash is acquired from and put used to.

Ratio Analysis

A ratio is the relation between the two variables. It helps us know about the relations among various aspects of the company. It makes easy for us to judge the financial performance of the company.

Ratios used for Analysis

1. Current Ratio,
2. Quick Ratio,
3. Gross Profit Ratio,
4. Net Profit Ratio,
5. Operating Profit Ratio,
6. Total Debt to Equity Ratio,
7. Interest Coverage Ratio,
8. Assets to Debt Ratio,
9. Proprietary Ratio,
10. Fixed Asset Turnover Ratio,
11. Current Assets Turnover Ratio, and
12. Return on Net Worth.

OBJECTIVES OF THE STUDY

1. To comprehend the concept of Liquidity Ratios, Solvency Ratios, Earning Ratios and Profitability Ratios through Ratio Analysis.
2. To evaluate the financial performance of Bharti Airtel Ltd. over the period of five financial years, from 2017–2018 to 2021–2022.
3. To ascertain the profitability of the company through ratio analysis.

RESEARCH METHODOLOGY

Research Type

The following study is based on the analytical type of research, as the selected company is hereby going to be analyzed fundamentally.

Sample Design

Non-Probability Sampling.

Research Design

Any research follows the following methodology:

1. Concept,
2. Collection of Data,
3. Analysis and Interpretation of Data,
4. Findings and Conclusion, and
5. Suggestions.

Collection of Data

1. The data for the research have been extracted from the secondary sources.
2. Company’s Balance Sheet and Income Statement have been undergone with the view to analyzing the financial performance of the company.

ANALYSIS AND INTERPRETATION OF DATA

1. Ratio Analysis of Bharti Airtel Ltd. for over 5 Financial Years from 2017–2018 to 2021–2022.
2. Calculation of the Liquidity, Profitability, Solvency and Earning Capacity.

LIQUIDITY RATIOS
Current Ratio [2]
Interpretation

Figure 1, 2017–2018: In the year, company's current assets were worth Rs. 21,495.90 crore and current liabilities were worth Rs. 43,640.40 crore. And hence the ratio turns up to be 0.49, which is not an ideal current ratio, that is 2 [3].

Figure 2, 2018–2019: In the year, company's current assets were worth Rs. 19,514.90 crore and current liabilities were worth Rs. 60,701.20 crore. And hence the ratio turns up to be 0.32, which is not an ideal current ratio, that is 2.

Figure 3, 2019–2020: In the year, company's current assets were worth Rs. 58,781.30 crore and current liabilities were worth Rs. 93,211.20 crore. And hence the ratio turns up to be 0.63, which is not an ideal current ratio, that is 2 [4].

2020–2021: In the year, company's current assets were worth Rs. 40,071.90 crore and current liabilities were worth Rs. 71,439.40 crore. And hence the ratio turns up to be 0.56, which is not an ideal current ratio, that is 2.

2021–2022: In the year, company's current assets were worth Rs. 37,817.80 crore and current liabilities were worth Rs. 74,484.20 crore. And hence the ratio turns up to be 0.50, which is also at the end not an ideal current ratio, that is 2 [5].

Current Ratio is the ratio between current assets and current liabilities. As it is shown in the present Table 1 and Figure 1, in the year 2017–2018; its assets and liabilities collided for the percentage to be 0.49, its assets went down in comparison with its liabilities in the year 2018–2019, and then increased to share the percentage of 0.63 and it carried on varying immensely. As it is displayed in the above-mentioned data, firm has not been able to maintain a healthy current ratio as in the last 5 years, its assets have ever been less than its liabilities that shows a red signal as to being a good investment option, as investors might think that company's liabilities would be hurdle in front of earning returns [6]. Current Ratio = Current Assets/Current Liabilities (Figure 2).

Table 1. Current Ratio is the ratio between current assets and current liabilities.

Year	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Current Assets (Rs. in crores)	21,495.90	19,514.90	58,781.30	40,071.90	37,817.80
Current Liabilities (Rs. in crores)	43,640.40	60,701.20	93,211.20	71,439.40	74,484.20
Current Ratio	0.49	0.32	0.63	0.56	0.50

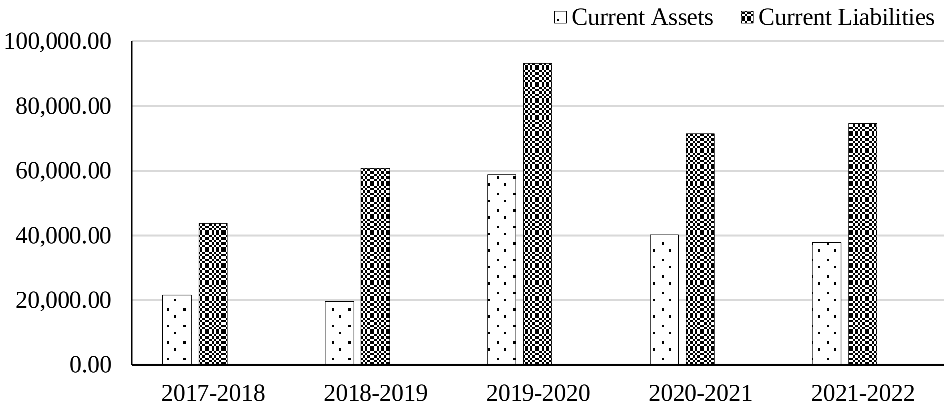

Figure 1. Current Ratio is the ratio between current assets and current liabilities.

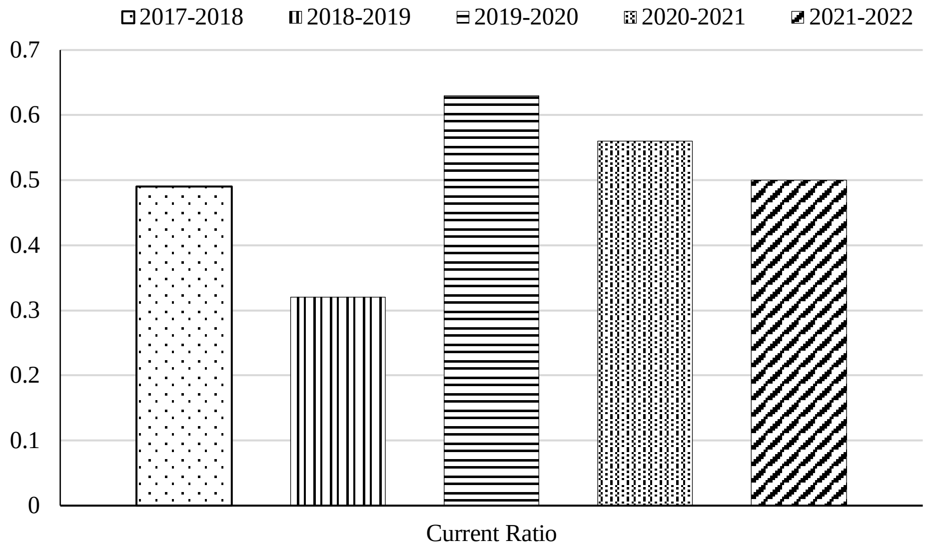

Figure 2. Current ratio of the year 2019-2020.

Quick Ratio

Quick Ratio = Liquid Assets/Current Liabilities

(Liquid Assets = Current Assets – Prepaid Expenses – Inventory)

Working Notes

Calculation of Quick/Liquid Assets

Interpretation

2017–2018: In the year, company's liquid assets were worth Rs. 21489.6 crore and current liabilities were worth Rs. 43,640.40 crore. And hence the ratio turns up to be 0.49, which is not an ideal current ratio, that is 1:1 (Table 2) [7].

2018–2019: In the year, company's current assets were worth Rs. 19513.9 crore and current liabilities were worth Rs. 60,701.20 crore. And hence the ratio turns up to be 0.32, which is not an ideal current ratio, that is 1:1 [8].

2019–2020: In the year, company's current assets were worth Rs. 58778.2 crore and current liabilities were worth Rs. 93,211.20 crore. And hence the ratio turns up to be 0.63, which is not an ideal current ratio, that is 1:1 (Figure 3).

2020–2021: In the year, company's current assets were worth Rs. 40071.1 crore and current liabilities were worth Rs. 71,439.40 crore. And hence the ratio turns up to be 0.56, which is not an ideal current ratio, that is 1:1.

2021–2022: In the year, company's current assets were worth Rs. 37817.4 crore and current liabilities were worth Rs. 74,484.20 crore. And hence the ratio turns up to be 0.51, which is also at the end not an ideal current ratio, that is 1:1 (Table 3).

It is to be noted that quick ratio is the ratio between the liquid assets and current liabilities of the company, since Bharti Airtel Ltd. is a Telecom Industry, there is less amount of inventory therein and hence, there seems a negligible change between the current and liquid ratio (Figure 4).

Table 2. Liquid assets, current liabilities and liquid ratio from the year 2017 to 2022.

Year	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Liquid Assets (Rs. in crores)	21489.6	19513.9	58778.2	40071.1	37817.4
Current Liabilities (Rs. in crores)	43,640.40	60,701.20	93,211.20	71,439.40	74,484.20
Liquid Ratio	0.49	0.32	0.63	0.56	0.51

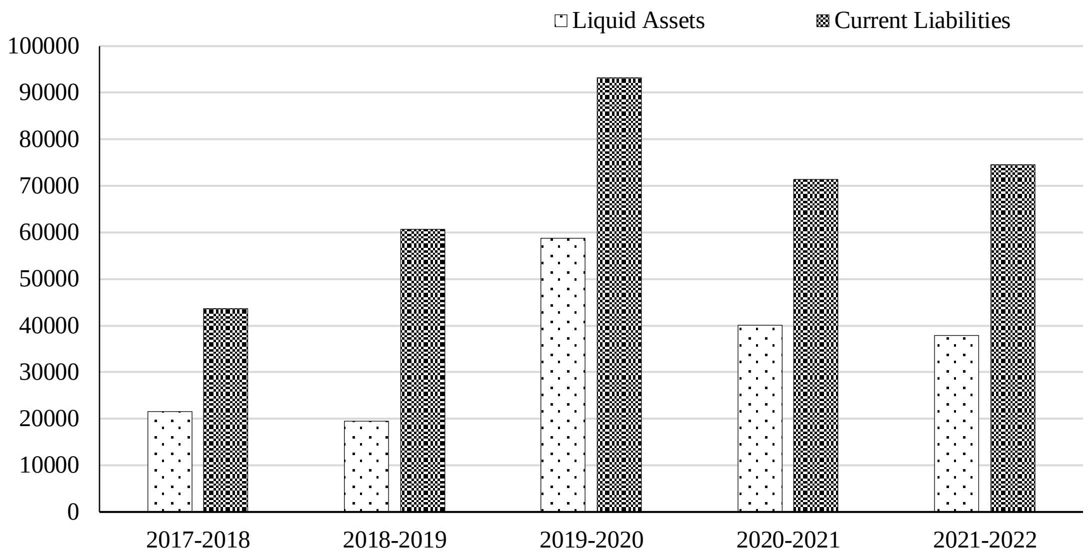

Figure 3. Showing liquid assets and current liabilities.

Table 3. Liquid assets= current assets-inventory.

Year	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Current Assets (Rs. in crores)	21,495.90	19,514.90	58,781.30	40,071.90	37,817.80
Inventory (Rs. in crores)	6.3	1	3.1	0.8	0.4
Liquid Asset = Current Assets – Inventory (Rs. in crores)	21495.9–6.3=21489.6	19514.9–1=19513.9	58781.3–3.1=58778.2	40071.9–0.8=40071.1	37817.8–0.4=37817.4

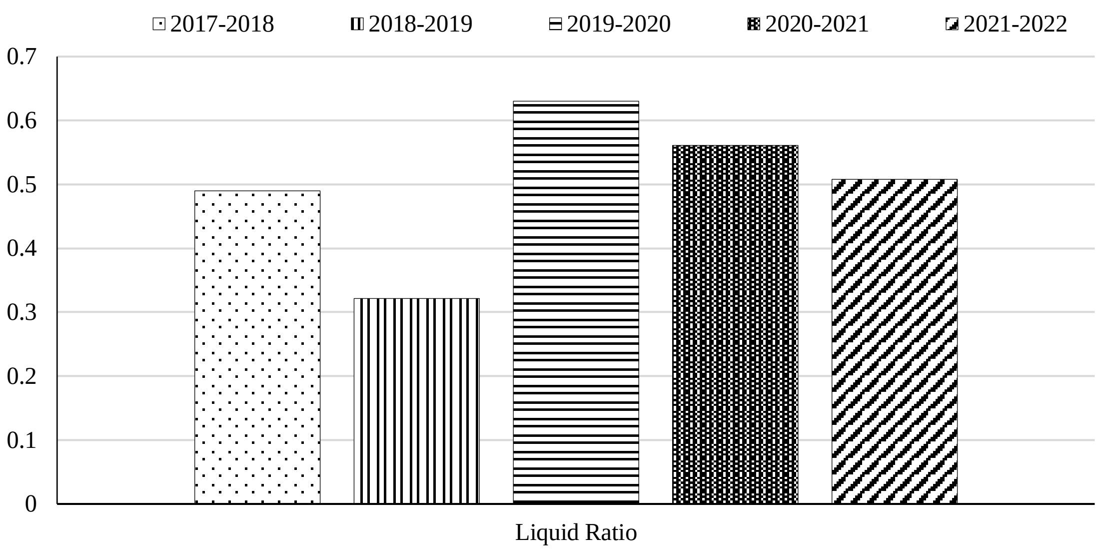

Figure 4. Shows liquid ratio.

Profitability Ratios (Table 4)

Gross Profit Ratio

Gross Profit Ratio = (Gross Profit/Net Sales) ×100

2017–2018: In the year, company had a gross profit of Rs. 1236.4 Crores with Rs. 53663 Crore of net sales, and so the gross profit ratio turns up to be 23%.

2018–2019: In the year, company had a gross profit of Rs. 9876.3 Crores with Rs. 53663 Crore of net sales, and so the gross profit ratio turns up to be 19.90%.

2019–2020: In the year, company had a gross profit of Rs. 30628.8 Crores with Rs. 54317.1 Crore of net sales, and so the gross profit ratio turns up to be 25%.

2020–2021: In the year, company had a gross profit of Rs. 3532.3 Crores with Rs. 64325.9 Crore, and so the gross profit ratio turns up to be 5.49%.

2021–2022: In the year, company had a gross profit of Rs. 1236.4 Crores with Rs. 53663 Crore, and so the gross profit ratio turns up to be 28.8%.

Interpretation

As it is shown above, with the increase in sales of the company, it had its gross profit margin increasing and decreasing with the decline of sales. In the year ending 31st March 2018, company had the gross profit margin of 23% and increasing till the year ending 2021, and after declining, it grew up to 28.8%. So, in general, the company had its gross margin in favor of optimism for the potential investor (Figure 5).

Table 4. Gross profit ratio from the year 2017 to 2022.

Year	**2017–2018**	**2018–2019**	**2019–2020**	**2020–2021**	**2021–2022**
Gross Profit (Rs. in crores)	12367.4×100	9876.3×100	30628.8×100	3532.3×100	20358.2×100
Net Sales (Rs. in crores)	53663	49606	54317.1	64325.9	70641.9
Gross Profit Ratio	23%	19.90%	25%	5.49%	28.80%

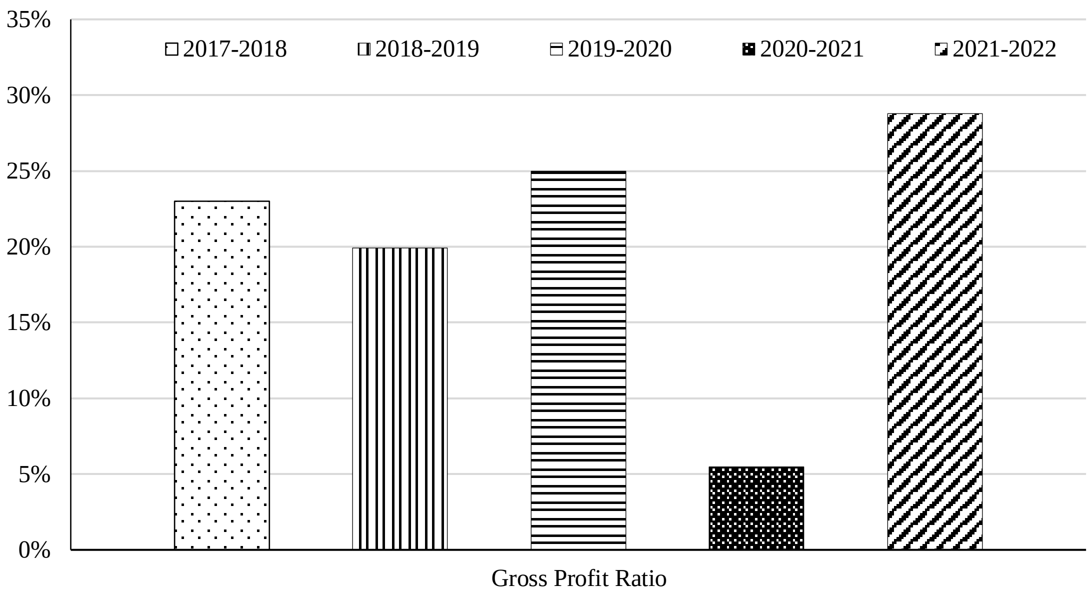

Figure 5. Gross Profit Ratio = (Gross Profit/Net Sales) ×100.

NOLEGEIN Journal of Corporate & Business Laws
Volume 5, Issue 2
ISSN: 2581-7779

Net Profit Ratio (Figure 6)

Net Profit Ratio = (Net Profit/Net Sales) ×100

2017–2018: In the year, company had the net profit of Rs. 740.07 Crores and net sales of Rs. 53663 Crore, that gave the net profit ratio of 1.37%.

2018–2019: In the year, company had the net profit of Rs. 935.7 Crores and net sales of Rs. 49606 Crore, that gave the net profit ratio of 1.88%.

2019–2020: In the year, company had the net loss of Rs. 5453.6 Crores and net sales of Rs. 54317 Crore, that gave the net profit ratio of 10.04%.

2020–2021: In the year, company had the net loss of Rs. 15742.28 Crores and net sales of Rs. 64326 Crore, that gave the net profit ratio of –2.40%.

2021–2022: In the year, company had the net loss of Rs. 1615.4 Crores and net sales of Rs. 70642 Crore, that gave the net profit ratio of –2.28%.

Interpretation

As observed through the table and the line chart, it has been understood, that in the start of the year 2017–2018, the company was accelerating as far it is concerned with making profits, however, it was not a wealth that the company was generating with mere 1% of the profit, it grew regardless that step reached somewhere to 10% of the profit and then declined down for making no profits but loss that stands as a red signal for the investors (Table 5).

Table 5. Net profit ratios from the year 2017–2022.

Year	**2017–2018**	**2018–2019**	**2019–2020**	**2020–2021**	**2021–2022**
Net Profit (Rs. in crores)	740.07×100	935.7×100	5453.6×100	(15742.28)×100	(1615.4)×100
Net Sales (Rs. in crores)	53663	49606	54317.1	64326	70642
Net Profit Ratio	1.37%	1.88	10.04	–2.40%	–2.28

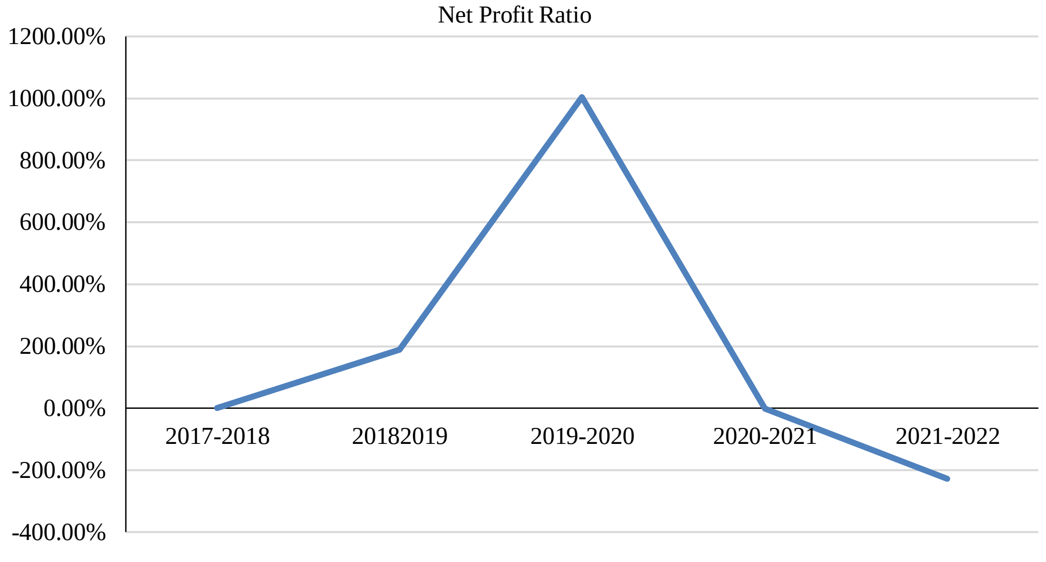

Figure 6. Net Profit Ratio = (Net Profit/Net Sales) ×100.

Operating Profit Ratio

Operating Profit Ratio = (Operating Profit/Net Sales) ×100 (Figure 7)

2017–2018: In the year, company had the operating profit of Rs. 18278.1 Crores and net sales of Rs. 53663 Crore, that gave the operating profit ratio of 15.40%.

2018–2019: In the year, company had the operating profit of Rs. 17724 Crores and net sales of Rs. 49606 Crore, that gave the operating profit ratio of 35.70%.

2019–2020: In the year, company had the operating profit of Rs. 9165.7 Crores and net sales of Rs. 54317 Crore, that gave the operating profit ratio of 35.20%.

2020–2021: In the year, company had the operating profit of Rs. 15349 Crores and net sales of Rs. 64326 Crore, that gave the operating profit ratio of 23.86%

2021–2022: In the year company had the operating profit of Rs. 34504 Crores and net sales of Rs. 70642 Crore, that gave the operating profit ratio of 48.84%.

Interpretation

From year ending 2018 to year ending 2022, the company has shown massive fluctuations. Its growth has been of operating profit from 15.4 to 48.84%, that shows how the company in long run has been able to manage its operations. Bharti Airtel has kept its eyes on selling as much products and services as they can so that they may generate massive income from operations keeping it as a large part (Table 6).

Table 6. Operating profit ratio from the year 2017 to 2022.

Year	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Operating Profit (Rs. in crores)	18278.1×100	17724×100	9165.7×100	15349×100	34504×100
Net Sales (Rs. in crores)	53663	49606	54317.1	64325.9	70641.9
Operating Profit Ratio	15.40%	35.70%	35.20%	23.86%	48.84%

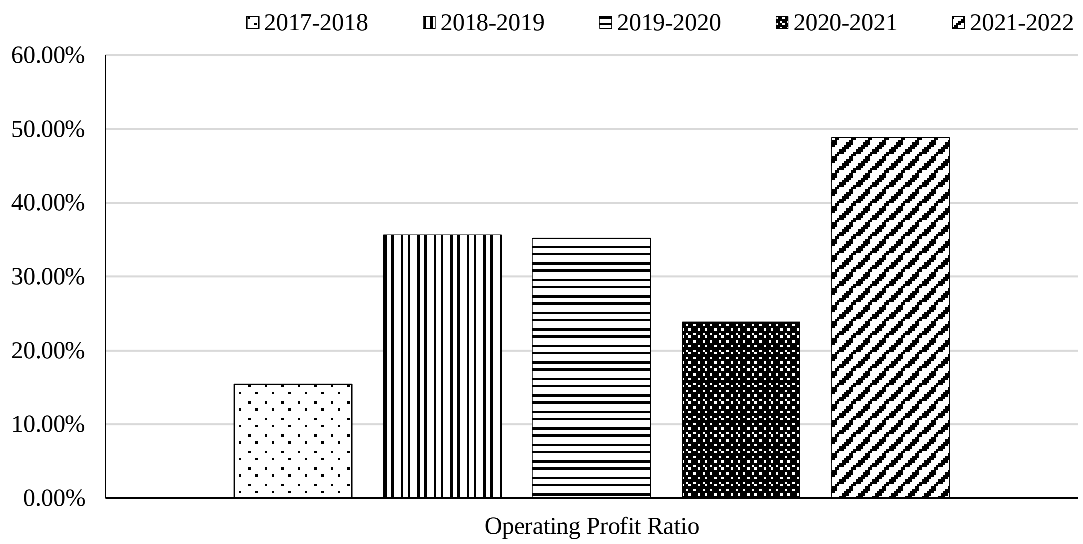

Figure 7. Operating Profit Ratio = (Operating Profit/Net Sales) ×100.

SOLVENCY RATIOS

Debt to Equity Ratio

Debt to Equity Ratio = Total Liability/Total Shareholders' Fund (Figure 8)

2017–2018: In the year, company had Total Liabilities of Rs. 165,397 Crores and Total Shareholders' fund of Rs. 78,929.80 Crore, that gave the debt-to-equity ratio of 2.09.

2018–2019: In the year, company had Total Liabilities of Rs. 1,82,058.40 Crores and Total Shareholders' fund of Rs. 98,305.90 Crore, that gave the debt-to-equity ratio of 2.35.

2019–2020: In the year, company had Total Liabilities of Rs. 1,83,792.40 Crores and Total Shareholders' fund of Rs. 1,01,075.00 Crore, that gave the debt-to-equity ratio of 1.81.

2020–2021: In the year, company had Total Liabilities of Rs. 1,71,767.80 Crores and Total Shareholders' fund of Rs. 77,360.10 Crore, that gave the debt-to-equity ratio of 1.74.

2021–2022: In the year, company had Total Liabilities of Rs. 1,82,337.90 Crores and Total Shareholders' fund of Rs. 78,929.80 Crore, that gave the debt-to-equity ratio of 1.77.

Interpretation

Debt to equity ratio shows how much debt does a company owe for each unit of equity any shareholder holds. It should not be too high or too low. Too high ratio will stop the company to pay the returns to the shareholders and too low debt to equity ratio will raise questions as to the credibility of the company in the market.

The ideal debt to equity ratio is from 1 to 2. The debt-to-equity ratio of the company lies between 2.5 and 1.5 from the year 2017–2018 to 2021–2022. This suggests that the company has been maintaining this ratio keeping the investors' interest into consideration (Table 7).

Table 7. Debt to equity ratio.

Year	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Total Liabilities (Rs. in crores)	1,65,397.00	1,82,058.40	1,83,792.40	1,71,767.80	1,82,337.90
S/H's Fund (Rs. in crores)	1,02,860.90	98,305.90	1,01,075.00	77,360.10	78,929.80
Debt To Equity Ratio	2.09	2.35	1.81	1.74	1.77

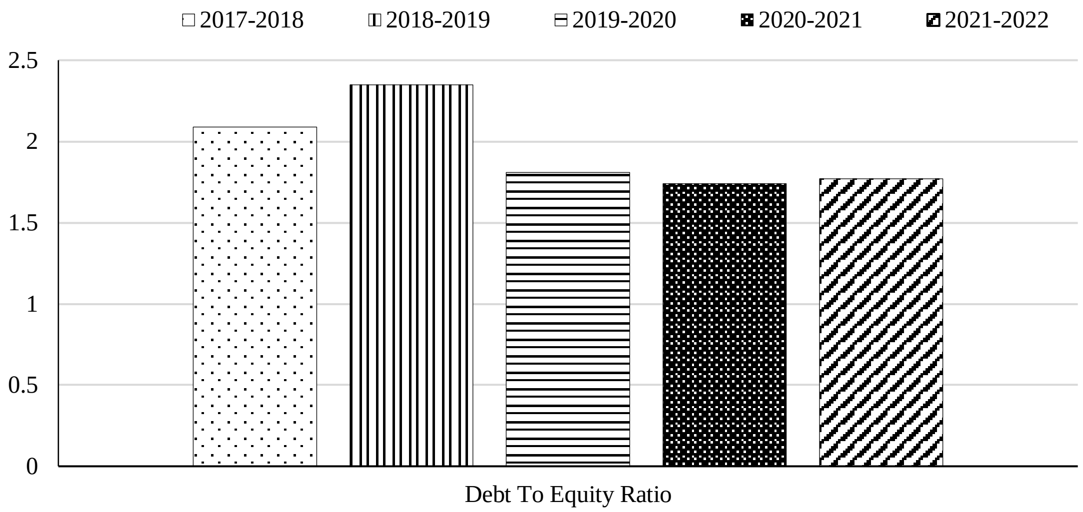

Figure 8. Debt to Equity Ratio = Total Liability/Total Shareholders' Fund.

Interest Coverage Ratio

Interest Coverage = EBIT/Interest Expense (Figure 9)

Working Notes: Calculation of EBIT

2017–2018: In the year, company had EBIT of Rs. 5229.5 Crores and interest expense of Rs. 5910.7 Crore, that gave the interest coverage ratio of 0.88.

2018–2019: In the year, company had EBIT of Rs. 2603.8 Crores and interest expense of Rs. 7847.7 Crore, that gave the interest coverage ratio of 0.33.

2019–2020: In the year, company had EBIT of Rs. –39557.8 Crores and interest expense of Rs. 11463.1 Crore, that gave the interest coverage ratio of –3.4%.

2020–2021: In the year, company had EBIT of Rs. –6648.5 Crores and interest expense of Rs. 11816.7 Crore, that gave the interest coverage ratio of –0.56.

2021–2022: In the year, company had EBIT of Rs. 9911.6 Crores and interest expense of Rs. 14145.8 Crore, that gave the interest coverage ratio of 0.7% (Table 8).

Interpretation

Interest Coverage Ratio indicates that higher it is, higher is its ability to pay off the interest on the outstanding debt and vice versa. As it can be seen from the table and graph above, company's interest coverage ratio gets on increasing over the period of 5 years, that seems to provide an optimistic view to the investors to invest their money into the company's stock. Hence, this ratio gives a positive outlook to the investors. As it is clear from the table that the company has suffered in the middle year, that is 2019–2020 and subsequent year, 2020–2021, to carry a healthy interest paying record; however, in the long run, it has grown from negative 0.56 to positive of 0.7. It assumes that Airtel has fluctuated in the middle years, however provided substantial returns in the long term (Table 9).

Table 8. Interest coverage ratio from year 2017 to 2022.

Year	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
EBIT (Rs. in crores)	5229.5	2603.8	–39557.8	–6648.5	9911.6
Interest Expense (Rs. in crores)	5910.7	7847.7	11463.1	11816.7	14145.8
Interest Coverage Ratio	0.88	0.33	–3.4	–0.56	0.7

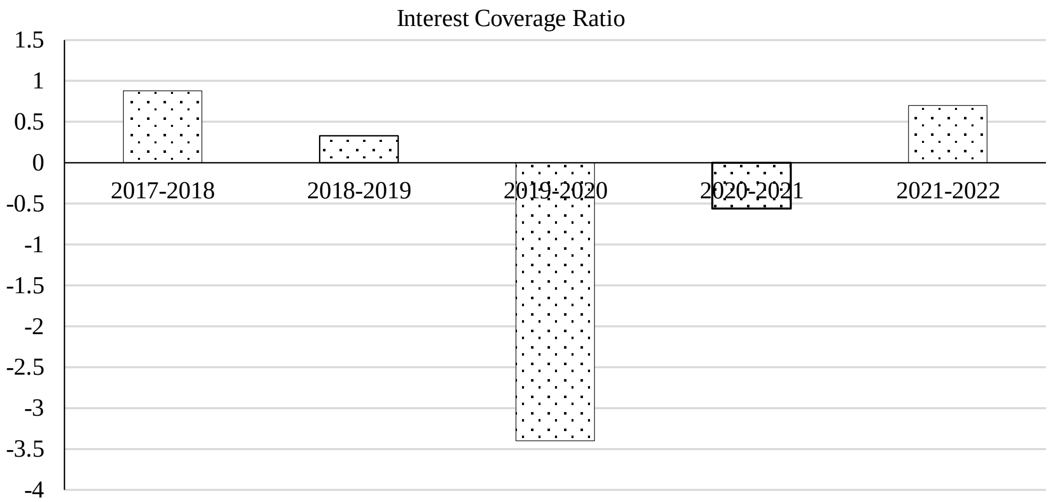

Figure 9. Interest Coverage = EBIT/Interest Expense.

Table 9. Earnings before interest and taxes (EBIT), Profit before tax (PBT). EBIT (PBT + Interest (Rs. in crores)).

Year	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
PBT	–681.2	–5243.9	–51020.9	–18465.2	–4234.2
Interest (Rs. in crores)	5910.7	7847.7	11463.1	11816.7	14145.8
EBIT (PBT + Interest (Rs. in crores))	5229.5	2603.8	–39557.8	–6648.5	9911.6

Assets to Debt Ratio (Figure 10)

Assets to Debt Ratio = Total Assets/Total Debt

Interpretation

2017–2018: In the year, company's Total Assets stood on Rs. 1,65,397 crores and Total Debt stood on Rs. 62,536.1; giving out the ratio to be 2.64.

2018–2019: In the year, companies Total Assets stood on Rs. 1,82,058 crores and Total Debt stood on Rs. 83,752.5 crores; giving out the ratio to be 2.17.

2019–2020: In the year, companies Total Assets stood on Rs. 1,83,792.40 crores and Total Debt stood on Rs. 82,717.40 crores; giving out the ratio to be 2.22.

2020–2021: In the year, companies Total Assets stood on Rs. 1,71,767.80 crores and Total Debt stood on Rs. 94,407.70 crores; giving out the ratio to be 1.81.

2021–2022: In the year, companies Total Assets stood on Rs. 1,82,337.90 crores and Total Debt stood on Rs. 1,03,408.10 crores; giving out the ratio to be 1.76.

An ideal Asset to Debt revolves around 1. Neither higher nor less than should be considered as safe when we ascertain the Total Assets to Debt Ratio. Hence, to this ratio, it is concluded that the company is operating quite well as to this ratio in the run of 5 years (Table 10).

Table 10. Asset to debt ratio.

Year	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Total Assets (Rs. in crores)	1,65,397.00	1,82,058.40	1,83,792.4	1,71,767.8	1,82,337.90
Total Debt (Rs. in crores)	62,536.10	83,752.50	82,717.40	94,407.70	1,03,408.10
Asset to Debt Ratio	2.64	2.17	2.22	1.81	1.76

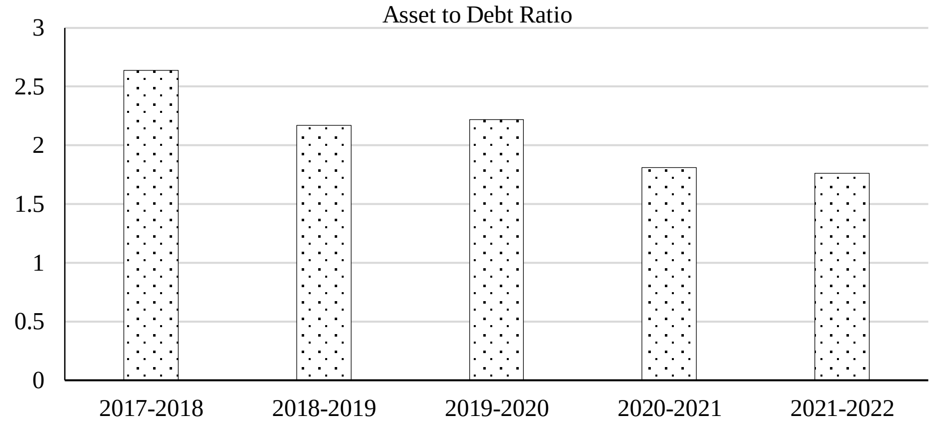

Figure 10. Assets to Debt Ratio = Total Assets/Total Debt.

Proprietary Ratio

Proprietary Ratio = Total Shareholder's Fund/Total Assets (Figure 11)

2017–2018: In the year, company had Total Shareholder's Fund of Rs. 1,02,860.90 Crores and Total Assets of Rs. 1,65,397.00 Crores, that gave proprietary ratio of 0.62.

2018–2019: In the year, company had Total Shareholder's Fund of Rs. 98,305.90 Crores and Total Assets of Rs. 1,82,058.40 Crores, that gave proprietary ratio of 0.53.

2019–2020: In the year, company had Total Shareholder's Fund of Rs. 1,01,075 Crores and Total Assets of Rs. 1,83,792.40 Crores, that gave proprietary ratio of 0.54.

2020–2021: In the year company had Total Shareholder's Fund of Rs. 77,360.10 Crores and Total Assets of Rs. 1,71,767.80 Crores, that gave proprietary ratio of 0.54.

2021–2022: In the year, company had Total Shareholder's Fund of Rs. 78,929.80 Crores and Total Assets of Rs. 1,82,337.90 Crores, that gave proprietary ratio of 0.43.

Interpretation

The ideal Proprietary ratio stands on to 2:1. We may observe the years ending 2018, 2019, 2020, 2021, 2022; all have the ratio below 2; that indicates, the company has not been able to maintain the ideal proprietary ratio. And hereby we may conclude that the firm has to improve its Proprietary ratio in the long run (Table 11).

Table 11. Proprietary ratio from the year 2017 to 2022.

Year	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Shareholder's Fund (Rs. in crores)	1,02,860.90	98,305.90	1,01,075.00	77,360.10	78,929.80
Total Assets (Rs. in crores)	1,65,397.00	1,82,058.40	1,83,792.40	1,71,767.80	1,82,337.90
Proprietary Ratio	0.62	0.53	0.54	0.45	0.43

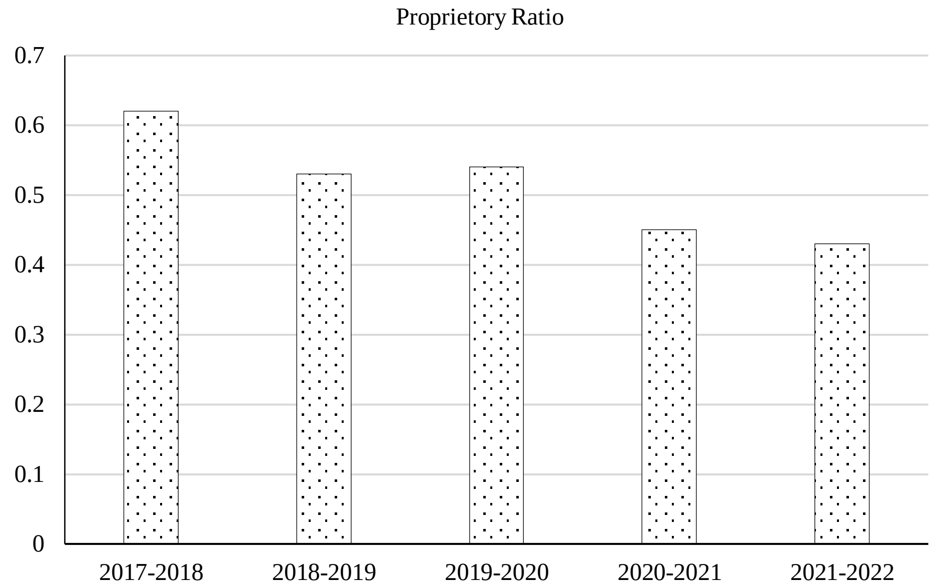

Figure 11. Proprietary Ratio = Total Shareholder's Fund/Total Assets.

ACTIVITY TURNOVER RATIOS

Fixed Asset Turnover Ratio

Fixed Asset Turnover Ratio = Net Sales/Average Fixed Assets (Figure 12)

Average Fixed Assets = (Opening + Closing Fixed Assets)/2

Working Notes

Average Assets = (Assets in Beginning + Ending)/2 (Table 12)

2017–2018: In the year, company had total net sales of Rs. 53663 Crores and Total Average Assets of Rs. 133800.25 Crore, that gave the ratio of 0.4.

2018–2019: In the year, company had total net sales of Rs. 49606 Crores and Total Average Assets of Rs. 151193.2 Crore, that gave the ratio of 0.03.

2019–2020: In the year, company had total net sales of Rs. 54317.1 Crores and Total Average Assets of Rs. 160816.35 Crore, that gave the ratio of 0.33.

2020–2021: In the year, company had total net sales of Rs. 64325.9 Crores and Total Average Assets of Rs. 165679.45 Crore, that gave the ratio of 0.38.

2021–2022: In the year, company had total net sales of Rs. 70641.9 Crores and Total Average Assets of Rs. 146893.6 Crore, that gave the ratio of 0.48.

Interpretation

Asset Turnover Ratio reflects the company's efficiency to use its assets in a best way to put its assets to generate more and more income. Higher the ratio, higher is its efficiency to generate revenue. From the presented table and graph, it can be seen, that the company has been good enough to put its assets to more use, however in the year 2018–2019, it did not make up to the mark. It shows a real matter of concern to the investors to check primarily and put the money into the company. In the year ending 2021–2022, the company has raised its turnover slightly from the year ending 2018 (Table 13).

Table 12. Average assets from the year 2017 to 2022.

Year	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Opening (Rs. in crores)	1,21,123.00	1,72,664.20	1,58,694.70	1,62,938.00	1,39,448.40
Closing (Rs. in crores)	1,72,664.20	1,58,694.70	1,62,938.00	1,39,448.40	1,28,152.10
Average Assets (Rs. in crores)	133800.25	151193.2	160816.35	165679.45	146893.6

Table13. Asset turnover ratio from the year 2017 to 2022.

Year	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Net Sales (Rs. in crores)	53663	49606	54317.1	64325.9	70641.9
Average Assets (Rs. in crores)	133800.25	151193.2	160816.35	165679.45	146893.6
Asset Turnover ratio	0.4	0.03	0.33	0.38	0.48

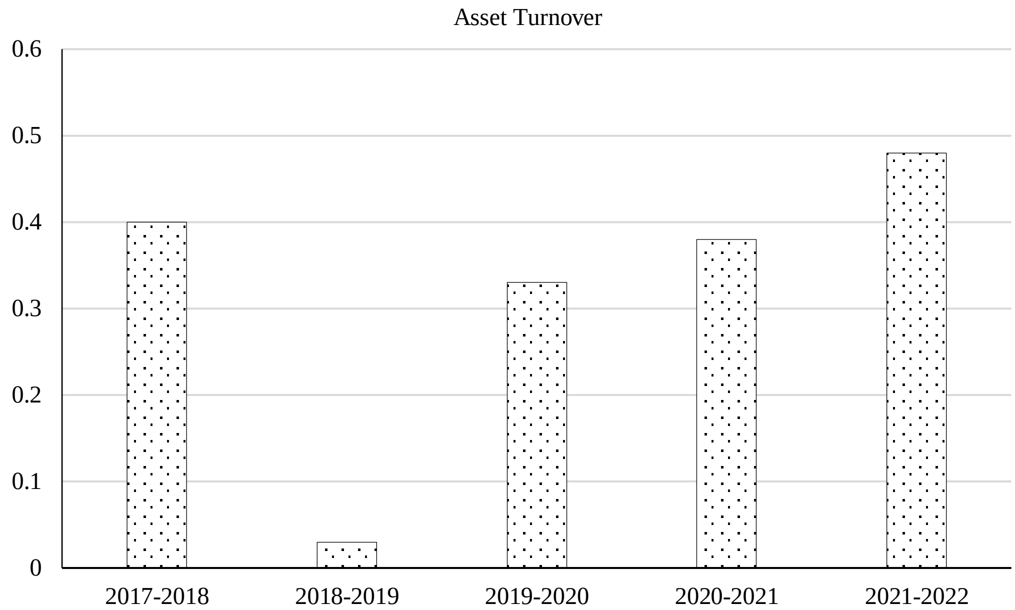

Figure 12. Fixed Asset Turnover Ratio = Net Sales/Average Fixed Assets

Current Assets Turnover Ratio

Current Assets Turnover Ratio = Sales/Current Assets (Figure 13)

2017–2018: In the year, company had net sales of Rs. 53663 Crores and total current assets of Rs. 21,495.90 Crore, that gave the ratio of 2.49.

2018–2019: In the year, company had net sales of Rs. 49606 Crores and total current assets of Rs. 19,514.90 Crore, that gave the ratio of 2.54.

2019–2020: In the year, company had net sales of Rs. 54317.1 Crores and total current assets of Rs. 58,781.30 Crore, that gave the ratio of 0.92.

2020–2021: In the year, company had net sales of Rs. 64325.9 Crores and total current assets of Rs. 40,071.90 Crore, that gave the ratio of 1.6.

2021–2022: In the year, company had net sales of Rs. 70641.9 Crores and total current assets of Rs. 37,817.80 Crore, that gave the ratio of 1.86.

Interpretation

Current Asset Turnover Ratio indicates that how much are the assets able to generate the sales revenue. Higher the ratio, high will be the earning capacity of the company. As we can heed the table and graph, in the year ending 2018, the ratio is 20.49, in the next year it is 2.54 and then again in the next yar it has fallen down to 0.92 in the year ending 2020. It then rose to 1.6 and finally got pulled down to 1.86 (Table 14).

Table 14. Current asset turnover ratio.

Year	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Net Sales (Rs. in crores)	53663	49606	54317.1	64325.9	70641.9
Current Assets (Rs. in crores)	21,495.90	19,514.90	58,781.30	40,071.90	37,817.80
Current Assets Turnover Ratio	2.49	2.54	0.92	1.6	1.86

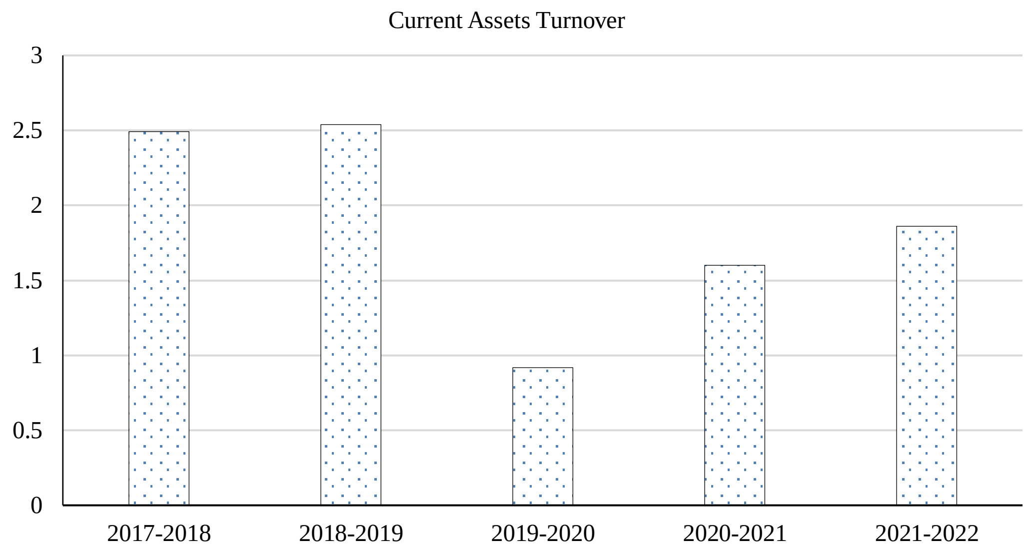

Figure 13. Current Assets Turnover Ratio = Sales/Current Assets.

Return on Net Worth

Return on Net Worth Ratio = Net Profit/Shareholder’s Equity (Figure 14)

2017–2018: In the year, company had net profit of Rs. 84561.3 Crores and Total Shareholders' Equity of Rs. 78,929.80 Crore, that gave the ratio of 1.07.

2018–2019: In the year, company had net profit of Rs. 79474.6 Crores and Total Shareholders' Equity of Rs. 77,360.10 Crore, that gave the ratio of 1.02.

2019–2020: In the year, company had net profit of Rs. 41385.6 Crores and Total Shareholders' Equity of Rs. 1,01,075.00 Crore, that gave the ratio of 0.4.

2020–2021: In the year, company had net profit of Rs. 17475.8 Crores and Total Shareholders' Equity of Rs. 98,305.90 Crore, that gave the ratio of 0.17.

2021–2022: In the year, company had net profit of Rs. 13817.2 Crores and Total Shareholders' Equity of Rs. 1,02,860.90 Crore, that gave the ratio of 0.13.

Interpretation

As far as net worth of the company is concerned, it has a downfall from the year ending 2018 to year ending 2022. This provides a red signal to the investors. However, the company has been making growth in long term. Hence, the time period of the carrying on the operations of any company improves its net worth (Table 15).

Table 15. Return on net worth.

Year	**2017–2018**	**2018–2019**	**2019–2020**	**2020–2021**	**2021–2022**
Net Profit (Rs. in crores)	84561.3	79474.6	41385.6	17475.8	13817.2
S/H's Equity (Rs. in crores)	78,929.80	77,360.10	1,01,075.00	98,305.90	1,02,860.90
Return on Net Worth	1.07	1.02	0.4	0.17	0.13

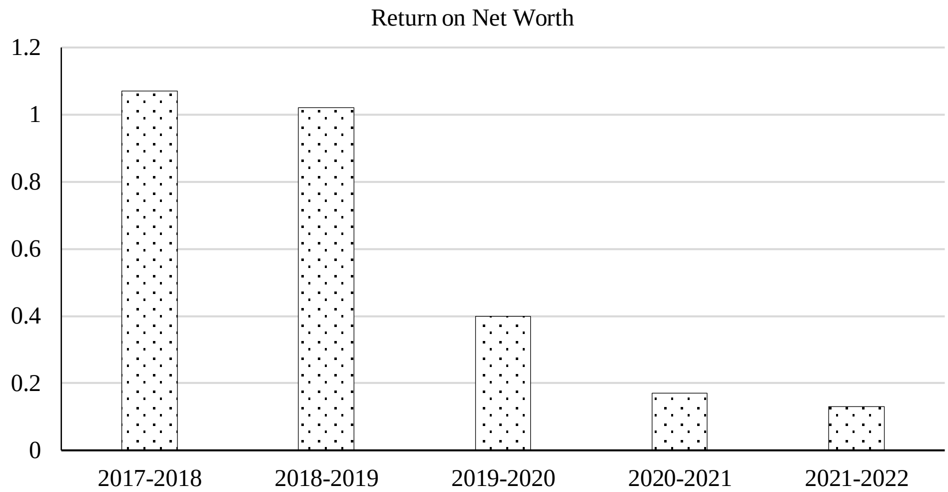

Figure 14. Return on Net Worth Ratio = Net Profit/Shareholder's Equity.

RESEARCH FINDINGS

With respect to the presented data, findings from it are as follows:

1. Through current ratio, it is ascertained that the company's assets throughout the period of considered 5 years have been lower than its current liabilities. However, the ratio has been observed to stride towards increasing in the long run.
2. It has been observed that in the telecom industry, there is less acquirement of inventory over a certain period of time. Hence, there is a little difference between the current and quick ratio of the company over 5 years.

3. It has been found through the study that the Gross Profit of the company has been fluctuating and struggling to be maintained. However, even from its low, that is, 5.49% to jumping on to 28.8% profit suggests a good effort of the company. However, declining down to very less profit is also what has been observed for the company.
4. To net profit ratio, it is assigned that it has been in a good pace till the 3rd year but for next 2 years, it has been converted into Net Loss.
5. Good operating profit has been observed to the operating profit ratio analysis. The company has been able to make good operating profit ratio over the period of 5 years, however not with stability.
6. From debt-to-equity ratio analysis, it has been found that the debt of the company has increased over the period of 5 years; however, the company has been able to maintain the debt equity ratio stable for last 3 years.
7. It is found that the company was able to pay off the interest on the outstanding debt for the first 2 years; however, for next 2 years, it gave negative results and finally returned with the positive EBIT.
8. Company's assets have increased over the period, but its debts have also increased with more increasing rate than assets.
9. The involvement of proprietor's fund in the total investment of the company seems to have declined slightly.
10. Company has a good Asset Turnover over 5 years. The company's assets have been able to generate good revenue in the considered period.
11. As current assets of the company have been observed to be declining over years, the ratio seems to be unhealthy.
12. The returns on net worth have been declining for 5 years; that suggests the less worth is being generated out of shareholder's equity.

CONCLUSION

According to the study, it has been observed that the company's profits seem to have been unstable over the considered years. The assets and debts of the company have both increased. However, the debts have increased with more rate than assets. Through the analysis, it can be extracted that the company has suffered in the middle years, but has managed to get back in the year 2022 in some aspects.

And hence, it may be concluded that it works well in the long run. The financial performance of the company has been observed to have been fluctuating; but it seems to be able to manage maximizing returns with the set of different strategies.

Recommendations

1. Airtel has to work on its consistency in order to retain its potential long-term investors. As consistency is the first sought-after criterion to judge it for the long term. The company has been able to manage its financials in the long term; however, lags behind in being consistent.
2. As far as the returns of company are considered, the gross and net returns have been declining. Company has to improve its strategies to earn revenue and cutting off unnecessary costs.
3. It soon has to have its pricing strategies modified to have opportunities to shine on customer base as well as it has been observed through the study that the company's profits are highly fluctuating over years with huge gap in returns.
4. Airtel has to cut off some of its costs to increase the rate of net profits in years to come.
5. It has to check on its debt, that is the prime material that any investor heeds.

Scope for Future Research

The research has been undertaken taking merely ratio analysis into consideration, that is partially enough for the individuals to decide as to using their money to get invested in the company; future researchers may use other financial statements for gauging the finance of the company heeding different aspects.

Limitations

1. The research has been taken independently, comparisons are made within the company and not with the rivals.
2. Ratio Analysis is the tool utilized for the analysis of data, leaving the research rely on just single quantitative aspect.
3. Accuracy of calculation is difficult to attain in the research of big companies.
4. The sources of data collection are difficult to be verified.

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