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Profitability Analysis of Reliance Communication; With Reference of Last Ten Year Financial Statement

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Abstract - India's telecommunication network is the second largest in the world based on the total number of telephone users. Because one of the lowest call tariffs and higher internet network user in the world enabled by in the telecommunication company's hyper competition market in India. it is the third largest internet user in the world. According to the internet and mobile association of India (IAMAI), as on December 2016, India had estimated 432 million internet user and it is estimated that by 2017, internet user in India are most likely to be in a range of 450-465 million. So in India telecommunication sector is one of growing sector in future and many big corporate sector companies are involving himself for growing his business.

This study is depend on examines the profitability position of one most telecommunication company in India the name is reliance communication. In this study use the last ten year's financial statement for analysis his growing situation. It involves in depth analysis of profitability of the company with the help of key ratios, statistical analysis and turnover and profit.

Keywords - Sales, PAT, Increasing and Decreasing Situation.

I. INTRODUCTION

Profitability is the ability to earn profit from all the activities of the business. It shows how efficiency the management can make profit by using all the resources available in the market. Profitability is an index of efficiency. Profitability refers to the operating efficiency of the enterprise. It is the ability of the enterprise to make profit on sales; it is the ability of enterprise to get sufficient

return on the capital and employees used in the business operation.

Though, profitability is an important yardstick for measuring the efficiency. Every business are need profit for expansion and development for has business. The investors are need good return on has investment amount and workers and creditors are also need good wages and higher security on amount of has credit and so on. For all this a business profit is the most important tool and profitability is main point of has profit analysis. A management point of view profit is the test of efficiency and a measurement of control. It is a measure of worth of owners of business.

II. OBJECTIVES OF THE STUDY

- To know the profitability position of the company for the past ten years
- To assess the growth of company in light of sales & profitability.
- To study the financial statement of the company

III. HYPOTHESIS

- There is growing to the present profit to future profit in change in tele communication sector.
- There is growing in future on the base of has earn profit and sales show in financial statement.

IV. REVIEW OF LITERATURE

Sumaira jan (2016) is study on “financial statement analysis of idea cellular and reliance telecommunication: A comparative study” and suggested it is increase their liquidity ratio by using long term financing rather than cash on hand to acquire inventory or selling unnecessary assets. The firms can improve their profits by improving customers demand and minimizing costs help increase in profitability rations.

Patel vivek (2010) indicated in his study on “financial performance of Tata motors” that the company has issued equity capital rather than going for preference sheer which means the company’s dividend will not be fixed but the company has provided a good amount of dividend to share holders.

Asma khan and jyoti singhal are study on “growth and profitability analysis of selected IT companies” and concluded the performance of HCL in terms of operating profit ration, net profit ration and gross profit ratio showed a very good performance. Return on net worth and return on long term funds of HCL is not satisfactory whereas in case of Tech Mahindra, it was good. Wipro showed an average performance during the study period.

V. METHODOLOGY

The study is concerned with the ten year's data of reliance communication i.e. (2006-07 to 2015-16). The data is secondary in nature and is obtained from the published annual reports of reliance communication. Data is analysis through various profitability rations and statistical techniques to comment upon the profitability position of the company.

PROFITABILITY ANALYSIS OF RELIANCE COMMUNICATION

For profitability analysis, the some rations and statistical method are to be calculated that help in measuring the company performing by analysis that has earned profit and sales was increasing or decreasing, has earned profit relation to sales of services, total assets and net worth. The purpose of analysis of profitability ratios and some method is to help in assessing the adequacy of profit earned by the company and to discover whether profitability is increasing or declining.

PAT Ratio

This ratio is used in analysis the profitability of a company by taking the company's earnings figures and comparing them with the sales of the company in years. This ratio helps in determining the percentage of earning after company pays its operating expenses.

Table 1. Profit after tax ratio of Reliance Communication (in %)(Rs corers)

years	Net Profit/Loss	Sales	Ratio (in %)
2006-07	2408.85	11391.80	21.1454
2007-08	2586.45	12706.43	20.3554
2008-09	4802.67	12583.79	38.1655
2009-10	478.93	12080.98	3.96433
2010-11	(758)	11989.19	(6.3223)
2011-12	156	11107.00	1.4045
2012-13	624	10981.00	5.6825
2013-14	730	11176.00	6.5318
2014-15	(154)	10801.00	(1.4257)
2015-16	(1624)	9974.00	(16.2823)

Source – Annual Report of Reliance Communication Ltd.

Net profit ration indicates the final amount which is added to the net worth of the company after making provision for taxes of the relative years. In table no. 1 show the percentage of profit after tax on the basis of sales price of the relative years and this net profit ratio has been showing fluctuating trend during the period of study. Although the sales and profit has shown a decreasing trend throughout the period of study except in the year 2008-09.

Present and future profit situation

In this situation comparing company's future profit to present profit. Present profit mean current year and future profit means the next year profit (Present year 2005-06 and future profit 2006-07 as so on).

Table 2. Present and future Profit after tax of Reliance Communication (Rs corers)

Years	Present Profit	Future Profit	Increase/Decrease in Present to Future Profit
2005-06	537.61	2408.85	1871.24
2006-07	2408.85	2586.45	177.6
2007-08	2586.45	4802.67	2216.22
2008-09	4802.67	478.93	(4323.74)
2009-10	478.93	(758)	(279.07)
2010-11	(758)	156	(602)
2011-12	156	624	468
2012-13	624	730	106
2013-14	730	(154)	576
2014-15	(154)	(1624)	(1778)
2015-16	(1624)	(1796)	(3420)

Source – Annual Report of Reliance Communication Ltd.

Increasing and Decreasing in profit is indicate that the upper and lower profit situation of the company. If compared the present and future profit's than analysis that the company earning direction. In above table no.2 company situation is starting is very good but after three year company loss situation is very high level and this situation is continue excepted year 2011-12 to 2013-14.

VI. RESULTS

Table 3. Profitability Analysis of Reliance communication

Years	Profit After Tax Ratio %	Increase / Decrease Profit
2006-07	21.1454	177.6
2007-08	20.3554	2216.22
2008-09	38.1655	(4323.74)
2009-10	3.96433	(279.07)
2010-11	(6.3223)	(602)
2011-12	1.4045	468
2012-13	5.6825	106
2013-14	6.5318	576
2014-15	(1.4257)	(1778)
2015-16	(16.2823)	(3420)

The above table no 3 is indicates that the company profit after tax ratio is suddenly slumped after financial year 2008-09 and the company is continue slumped to the financial year 2015-16. The another

side analysis the company increasing and decreasing profit situation company profit is also suddenly slumped the financial year 2008-09 and thereafter company profit is continue down trend and enter in losses but the year 2011 to 2014 profit of company is some uptrend thereafter has profit is converted in loss figure. Company performance is very high level week and has profit earning condition in nearly nil.

VII. CONCLUSION

It can be conclusion from the study of that company is not earned profit and has growing situation near about close. The company is not create a significant wealth for its stakeholders and not provided handsome return on investment. Company's profit condition is change in loss condition compare to have financial year 2006-07 to 2015-16.

Golden lining is that the company situation is very critical and very poor. If company will not adopt adequate controlling system for the losses situation of company than company may have to suffer losses in years to come.

VIII. REFERENCES

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