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A COMPARATIVE PROFITABILITY AND FINANCIAL PERFORMANCE ANALYSIS OF HPTDC AND APTDC

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ABSTRACT

Tourism nowadays is one of the most liked ways of spending free time. It is highly developed in almost all countries, mainly because of material profits it brings. From educational point of view, travelling lets people to see the world, other people, tourism as a main source of foreign income. In present modest environment, assessing the financial performance is decisive for corporations in manufacturing sector. The analysis of financial performance reproduces the financial position as well as profitability of the corporation, the level of the competitiveness in the identical sector, and detailed information about the cost and profit hubs within the corporation. Managers, investors, and creditors can put on the different accounting evidence provided by financial analysis in their tactical planning and investment decisions. Therefore, this study involves the financial performance of two major companies i.e. HPTDC and APTDC i.e leading tourism development corporations of India. To analyze financial performance of HPTDC and APTDC data has been self-possessed from the data published from different website for the ten years from 2005-06 to 2014-15. Different financial ratios and t test have been employed to study the financial performance of HPTDC and APTDC.

KEYWORDS

Financial Performance, Liquidity Ratios, Financial Ratios, Profitability Ratios etc.

INTRODUCTION

The corporate sector nowadays is thoughtful globally not only in generating revenue by selling their products in the global markets, which was the outmoded thinking in the past, but in terms of global dimensions, product superiority, management styles, manpower, marketing and so on. The corporate sector has to participate with strong global players, essential well-thought-of preparation to meet the future environmental contests. Therefore corporate financial planning, performance, financial structuring and organizational restructuring is experiencing an extraordinary modification in view of the unending economic liberalization increased removal of safety and of course controls.

Finance is provision funds or money resources and financial management connected to proper application of money resources. Finance function is not only related to just procurement of funds but also their appropriate management in the business. Financial management is those managerial activities, which recounts to the planning and controlling of financial resources. Financial management comprises of decision making approximately the numerous operation of business. The shortened results of business operation are obtainable in the profit and loss account and balance sheet. The balance sheet shows the financial position of a firm at a particular point of time and profit & loss statement précises the revenues, expenses and the net profit for a particular period.

Performance assessment of an organization is usually connected to healthy management of its assets and liability as well as revenue and expenses. Financial ratio analysis is one of the greatest apparatuses of performance assessment of any organization. To determine the financial position as well as financial performance of an organization and to make a decision of how healthy the organization efficiency, its operation and management and how sound the organization has been able to utilize its assets and produce profit. Financial ratio analysis use to measure the liquidity position, asset management condition, profitability and debt management condition of the company for assessment of performances. It regulates the superior the reporting of liquid assets to short-term liabilities as well as it also evaluates the ability of the company to survive in the end. It procedures company overall competence and financial performance.

LITERATURE REVIEW

Chundawat and Bhanawat[2] (2000) examined the working capital policy practices in IDBI helped tube and type companies for the period 1994-1998 by utilizing different applicable financial ratios and decided that the working capital policy; of IDBI aided companies was more effective than the industry as a complete. Deloof[3] (2003) deliberated that greatest of the companies had a great amount of each invested in working capital. Therefore, be predictable that the way in which working capital is achieved will have an important influence on profitability of those companies. The study has conducted by using correlation and regression tests and originate an important negative association among gross operating income and the number of days accounts receivable, inventories and accounts payable of firms. Dheenadayalan V. and Mrs. R. Devianandbrasi[4] (2007) in their research recommended that the "Z" score of the sample units continue underneath the grey area from 1997-07, the reductions in the score indicate that the sample unit is not financially complete and well. The sample units need to place in efforts to upsurges the score. This will help the sample unit to circumvent any impairment to its liquidity and solvency positions, thus evading financial suffering and insolvency.

Dr. Hamandou Boubacar[5] (2011) in their research paper "The financial performance of foreign Bank subsidiaries" deliberated about the association among the performance of bank foreign subsidiaries and the degree of the insinuation of the current banks in the group and the management of their activities overseas. The consequences were originated that ownership means share of the capital detained by the parent bank.

Dr. K. Srinvas[6] (2010) in the article "Pre and Post Merger financial performance of merged Banks in India"- conducted and analysis the financial performance of Bank of Baroda, Punjab National Bank, Oriental Bank of Commerce, HDFC Bank, ICICI Bank and Centurions Bank of Punjab. Formerly originate that the private sector merged banks achieved well as likened to the public sector merged banks. Dr. P. B. Bhatasna and J.R. Raiyani (2011) in the article "A study on Financial Health of Textile Industry in India: A "Z" – Score Method" exposed that all the sample businesses like SPML Ltd and WIL Ltd were financially complete sufficient throughout the study period manner SSML and SKNL which had somewhat inferior "Z" score on the basis of average scores throughout the study period. Dr. Prasanta Paul[8] (2011) in the article, "financial performance evaluation – A Comparative study of some selected "NBFCS" originate that designated businesses vary meaningfully in terms of their financial performance pointers from one to additional may be different services they deliver.

Brief Profile of Andhra Pradesh Tourism Development Corporation (APTDC):

Andhra Pradesh is spread over an area of160,205 kms with second largest costal line 974kms in the country. Andhra Pradesh truly represents Indian culture and heritage in all Flory, now offer‟s attractive investment opportunities to developers and investors. Modern tourist facilities that make Andhra Pradesh an irresistible tourist destination. Andhra Pradesh state occupies a prominent place for tourism among various tourism potential states in India.

In 1970‟s Andhra Pradesh state government decided to establish Andhra Pradesh Tourism Development Corporation (APTDC). In the early days this corporation was called Andhra Pradesh Travel and Tourism Development Corporation (APTTDC) and bifurcated in 1990 and renamed as APTDC. Major aim of this corporation to promote tourism in the state by different ways along with official websites.

Brief Profile of HPTDC

Himachal Pradesh is one of the most popular and easily accessible Hill State of India. People from all parts of the country as well from different parts of the world visit this beautiful State to enjoy its natural beauty. The Himachal Pradesh Tourism Development Corporation has acted as a catalyst, trendsetter and a prime mover for the promotion of domestic and foreign tourism in Himachal Pradesh. We have wide network of accommodation that comprises of Hotels, Restaurants and Cafeterias serving varied cuisine, including Himachali delicacies. All these properties are in superb locations in the lap of nature. The HPTDC hotels have three categories viz. Premium – Heritage, Deluxe and Budget Hotels. HPTDC also operates fleet of Volvo and Deluxe buses to facilitate the tourists visiting within and outside the State.

OBJECTIVES OF STUDY

The following are the detailed objectives of the study:

- To analyze the financial performance as well as financial position of HINDLCO and APTDC from 2005-06 to 2014-15.
- To study the comparative liquidity, long term solvency and profitability position of HPTDC and APTDC from 2005-06 to 2014-15.

HYPOTHESIS OF STUDY

Keeping the objectives in view, the hypothesis framed for the study is:

- Ho: There is no significant difference between different financial ratios of HPTDC and APTDC.
- Ha: There is a significant difference between different financial ratios of HPTDC and APTDC.

METHODOLOGY OF STUDY

To analyze financial performance of HPTDC and APTDC data has been self-possessed from the data published different website for the ten years from 2005-06 to 2014-15. The composed data have been appropriately re-arranged, classified and tabulated as per the necessities of the study. Different financial ratios and t test have been employed to study the financial performance of HPTDC and APTDC. To study financial performance of HPTDC and APTDC different financial ratios like Current Ratio (CR), Debt Equity Ratio (DER), Inventory Turnover Ratio (ITR), Net Profit Margin (NPM), Return on Total Assets (ROTA) and Return on Equity (POE) have been calculated.

DATA ANALYSIS AND DISCUSSION

Analysis of Major Financial Ratios

The analysis of major financial ratios of HPTDC & APTDC like Current Ratio (CR), Debt Equity Ratio (DER), Inventory Turnover Ratio (ITR), Net Profit Margin (NPM), Return on Total Assets (ROTA) and Return on Equity (POE) have been elaborated in Table 1.

Table-1: Summary of Major Financial Ratios

Year	**Current Ratio**		**Debt Equity Ratio**		**Inventory Turnover Ratio**	
	HPTDC	**APTDC**	**HPTDC**	**APTDC**	**HPTDC**	**APTDC**
2005-06	1.43	3.51	0.67	0.28	2.77	**8.37**
2006-07	1.57	4.08	0.41	0.25	4.24	**9.54**
2007-08	1.35	3.27	0.58	0.25	3.75	**7.49**
2008-09	1.53	2.34	0.70	0.27	4.46	**6.20**

2009-10	1.21	2.35	0.77	0.29	3.29	**5.49**
2010-11	1.62	2.41	0.72	0.34	3.09	**5.56**
2011-12	1.64	2.62	0.88	0.32	3.40	**5.36**
2012-13	2.07	2.20	1.16	0.37	3.35	**4.93**
2013-14	1.74	2.29	1.20	0.37	3.09	**5.67**
2014-15	1.75	3.92	1.06	0.26	3.87	**6.23**
Average	1.59	2.90	0.81	0.30	3.53	**6.48**
Maximum	2.07	4.08	1.20	0.37	4.46	**9.54**
Minimum	1.21	2.20	0.41	0.25	2.77	**4.93**
Year	**Net Profit Margin**		**Return on Total Assets**		**Return on Equity**	
	HPTDC	**APTDC**	**HPTDC**	**APTDC**	**HPTDC**	**APTDC**
2005-06	14.17%	31.62%	8.51%	20.81%	16.75%	**26.57%**
2006-07	13.95%	39.42%	10.22%	24.88%	20.57%	**31.03%**
2007-08	11.84%	31.82%	7.31%	14.77%	13.08%	**18.44%**
2008-09	11.19%	24.01%	5.60%	10.11%	8.55%	**12.83%**
2009-10	9.04%	15.21%	4.20%	5.89%	6.30%	**7.59%**
2010-11	9.04%	17.94%	4.59%	7.15%	7.19%	**9.58%**
2011-12	8.49%	13.07%	4.02%	5.47%	7.10%	**7.25%**
2012-13	6.59%	8.71%	2.55%	3.63%	5.08%	**4.97%**
2013-14	5.13%	9.66%	1.92%	3.88%	3.85%	**5.30%**
2014-15	2.71%	18.20%	1.22%	8.17%	2.48%	**10.33%**
Average	9.21%	20.97%	5.01%	10.48%	9.10%	**13.39%**
Maximum	14.17%	39.42%	10.22%	24.88%	20.57%	**31.03%**

Minimum	**2.71%**	**8.71%**	**1.22%**	**3.63%**	**2.48%**	**4.97%**

Sources: Authors Compilation

Current Ratio is the association between of current assets and current liabilities. It designates the capability to accomplish the current obligation of businesses, Higher the current ratio, sophisticated is the dependence on long-term sources, better the liquidity but lower the profitability. A review on the table-1 reveals that current ratio of sample companies has shown a significant variation in the entire study period. The absolute value of this ratio of HPTDC was 1.43 in 2005-06, which increased to 2.07 in 2012-13; but then declined to 1.75 in 2014-15, the ratio has shown the different trend of APTDC, it came down from 4.08 in 2006-07 to 2.20 in 2012-13 and then gone up to 3.92 in the last year of study. CR of HPTDC varied from 1.21 to 2.07 and APTDC varied from 2.20 to 4.08. The average current ratio for the study period of HPTDC and APTDC are 1.59 and 2.90 respectively, which indicates HPTDC recorded lower CR value whereas APTDC recorded higher CR value as compare to the standard CR of 2:1. Therefore, the liquidity positions of HPTDC and APTDC in associations to the standard of current ratio were inacceptable.

Debt equity ratio measures the long-term solvency of a firm; it is the relationship between outsider's funds and insider's funds. The HPTDC debt equity ratio has shown an increasing trend, fluctuated from 0.41 to 1.20, whereas the debt equity ratio of APTDC has shown the deviation during study period, and fluctuated from 0.25 to 0.37. The average debt equity ratio for the study period of HPTDC and APTDC are 0.81 and 0.30 respectively, which indicates both the company's debt equity ratios are far below than the standard ratio of 2:1.

Inventory turnover ratio is the relationship between sales and inventory. It demonstrations how many times inventory converted into sales in a year. Inventory should be maintained at a level, which balances production facilities and sales need. Higher the ITR, lower would be inventory holding period and vice versa. The study offers that the inventory turnover ratios highly deviated for both the companies during the study period. The ITR of HPTDC varied from 2.77 times to 4.46 times and ITR of APTDC varied from 4.93 times to 9.54 times. The averages ITR are 3.53 times and 6.48 times for HPTDC and APTDC respectively. The average inventory turnover ratio of Indian Manufacturing Companies was 2.12 times as per study conducted by CM IE (CMIE, 1998, P. 7). The average inventory turnover ratios of both the company during the study period are higher than the standard set by CMIE. Thus, it showed efficient management of inventory for both the companies where as APTDC has managed inventory better than HPTDC.

Net Profit Margin establishes a relationship between Net Profit (Profit after Tax) & Sales and indicates the overall efficiency of the management in manufacturing, selling, administrative and other activities of the organization. The table-1point out that net profit margin of sample companies has fallen down from 14.17% in 2005-06 to 2.71% in 2014-15 in case of HPTDC, whereas in case of APTDC it dropped from 31.62% to 18.20% during study period. It can also observe that in all the years of study there is a wide gap in net profit margin between the HPTDC and APTDC. The average net profit margins are 9.21% (HINDLCO) and 20.97% (APTDC), which suggests APTDC has performed better than HINDLCO.

Return on total assets (ROTA) is one of the most important ratios used for measuring the overall efficiency of the organization, as the objective of organization is to maximize its earnings. From the table-1, it is apparent that ROTA has a declining trend for both the companies during the study period. The value of this ratio varies between 1.22% and 10.22% for HPTDC. Similarly, ROTA of APTDC has a declining trend during the years of study except in the last year 2014-15. The absolute figures of this ratio decreased from 20.81% to 8.17% over the span of ten years i.e. from 2005-06 to 2014-15 after recorded a low of 3.63% in 2012-13. The net profit margins, the average returns on total assets are 5.01% and 10.48%, which suggests APTDC has performed better than HINDLCO. Therefore, ROTA of the sample companies has been badly affected by inflation during the period under study.

Return on equity (ROE) is the returns of the shareholders from their investment. Customarily a higher return on equity is a sign better performance of companies and a lower return on equity entitles that the performance of the companies is not decent. Table- 1 exposes that the ROE of the HPTDC and APTDC varied from 2.48%to 20.57%and from 4.97%to 31.03%respectively. The averages returns on equity of both the companies throughout the study period were 9.10% and 13.39%. In the case of return on equity, also APTDC has performed better than HPTDC.

Analysis t-Test: Paired Two Sample of Current Ratios

Table-2: t-Test of Paired Two Sample of Current Ratios

Particulars	**HPTDC**	**APTDC**

Mean	1.5918	2.9003
Variance	0.0572	0.5265
Pearson Correlation	-0.1686	
t Stat	-5.1634	
P(T<=t) one-tail	0.0003	
t Critical one-tail	1.8331	
P(T<=t) two-tail	0.0006	
t Critical two-tail	2.2622	

Sources: Authors Compilation

Table 2 summarizes the results of Current Ratios of HPTDC as well as APTDC from 2005-06 to 2014-15 by the help of t- test. The result for the current ratio provides that mean current ratio of HPTDC is less as compared to that of the APTDC; leading to the conclusion that liquidity position of APTDC is better. On the contrary, lower variance for HPTDC current ratio as compared to APTDC current ratio clearly indicates that former is more consistent than the latter. Yet again, the correlation value is-0.1686 represents negative correlation between both the companies. The p-value of 0.0003, which is less than 0.05, indicates a significant difference in the value of current ratio between HPTDC and APTDC at 5 percent level of significance.

Analysis t-Test: Paired Two Sample of Debt Equity Ratios

Table-3 t-Test of Paired Two Sample of Debt Equity Ratios

Particulars	**HPTDC**	**APTDC**
Mean	0.8144	0.2992
Variance	0.0661	0.0021
Pearson Correlation	0.7311	
t Stat	7.2297	
P(T<=t) one-tail	0.0000	
t Critical one-tail	1.8331	
P(T<=t) two-tail	0.0000	

t Critical two-tail	2.2622

Sources: Authors Compilation

The above table clearly shows that mean value of debt equity ratio is higher of HPTDC as compared to APTDC over the period of study, meaning thereby APTDC long-term solvency is better than HPTDC. However, the HPTDC debt equity ratio has more variation than that of APTDC, since variance shows higher value of HPTDC than APTDC. The correlation value is 0.7311 represents highly positive correlation between both the companies. The p-value of 0.0000 in case of debt equity ratio indicates significant difference in the absolute value of debt equity ratio between HPTDC and APTDC at 5% degrees of significance.

Analysis t-Test: Paired Two Sample of Inventory Turnover Ratios

Table-4: t-Test of Paired Two Sample of Inventory Turnover Ratios

Particulars	**HPTDC**	**APTDC**
Mean	3.5311	6.4839
Variance	0.2896	2.2471
Pearson Correlation	0.2838	
t Stat	-6.4762	
P(T<=t) one-tail	0.0001	
t Critical one-tail	1.8331	
P(T<=t) two-tail	0.0001	
t Critical two-tail	2.2622	

Sources: Authors Compilation

Inventory turnover ratio of APTDC is much higher than that of HPTDC. It designates the better inventory management practices of APTDC. However, the APTDC inventory turnover ratio has more variation than that of HPTDC, since variance shows higher value of APTDC than HPTDC. The correlation value is 0.2838 represents positive correlation between both the companies. The p-value of 0.0001 in case of inventory turnover ratio indicates significant difference between the inventory turnover ratios of both the companies at 5% degree of significance.

Analysis t-Test: Paired Two Sample of Net Profit Margin

Table-5: t-Test of Paired Two Sample of Net Profit Margin

Particulars	**HPTDC**	**APTDC**
Mean	0.0921	0.2097
Variance	0.0014	0.0108
Pearson Correlation	0.8012	
t Stat	-4.8013	
P(T<=t) one-tail	0.0005	
t Critical one-tail	1.8331	
P(T<=t) two-tail	0.0010	
t Critical two-tail	2.2622	

Sources: Authors Compilation

The mean of net profit margin is higher in case of APTDC as compared to HPTDC. The variation of HPTDC net profit margin is less than the APTDC net profit margin as variance is found to be less in HPTDC. There is a highly positive correlation existing between net profit margin of HPTDC and APTDC. Here in addition, there is a significant difference between HPTDC and APTDC net profit margin as the p-value is less than 0.05.

Analysis t-Test: Paired Two Sample of Return on Total Assets

Table-6 t-Test of Paired Two Sample of Return on Total Assets

Particulars	**HPTDC**	**APTDC**
Mean	0.0501	0.1048
Variance	0.0009	0.0054
Pearson Correlation	0.9157	
t Stat	-3.5870	
P(T<=t) one-tail	0.0029	
t Critical one-tail	1.8331	

P(T<=t) two-tail	0.0059
t Critical two-tail	2.2622

Sources: Authors Compilation

From the table 6, it is evidenced that return on total assets (ROTA) has executed the same trend like that of net profit margin. The mean value and the variance of return on total assets (ROTA) of APTDC are found higher than that of HPTDC. Therefore, there is less consistency in case of HPTDC return on total assets. There is a highly positive correlation existing between return on total assets of HPTDC and APTDC. The value of p shows that there is a significant difference between HPTDC and APTDC return on total assets between the two companies for the study period.

Analysis of t-Test: Paired Two Sample of Return on Equity

Table-7: t-Test of Paired Two Sample of Return on Equity

Particulars	**HPTDC**	**APTDC**
Mean	0.0910	0.1339
Variance	0.0034	0.0082
Pearson Correlation	0.9516	
t Stat	-3.4449	
P(T<=t) one-tail	0.0037	
t Critical one-tail	1.8331	
P(T<=t) two-tail	0.0073	
t Critical two-tail	2.2622	

Sources: Authors Compilation

In case of return on equity, the mean value of HPTDC is less than the APTDC, disclosing thereby return on equity has reported at a higher value of APTDC in comparison to HINDLCO. The variance of HPTDC return on equity is less than APTDC, which reveals that there is less variation in HPTDC return on equity in comparison to APTDC. From the Table, it is clear that there is a highly significant correlation existing between the factors of return on equity of HPTDC and APTDC. The p-value shows a significant difference between HPTDC and APTDC with respect to return on equity.

CONCLUSION

This study related to the comparative study on financial performance of HPTDC and APTDC over the ten years from 2005- 06to 2014-15. Rendering to subsequent assessments, it can be concluded that throughout study period both the company's overall performance in terms of profitability, liquidity, and credit quality deteriorated significantly. The liquidity positions of HPTDC and APTDC in associations to the standard current ratio and debt equity ratios were inacceptable. In the comparisons of financial performance all profitability ratios of APTDC have performed better than HPTDC and in the case of inventory management APTDC has achieved better than HPTDC as well. It has found from the t test that there is significant difference between all financial ratios of HPTDC and APTDC, therefore the null hypothesis (there is no significant difference between different financial ratios of HPTDC and APTDC) is rejected and alternative hypothesis is accepted.

Tourism is a very complex Industry and an emerging as well as a leading sector in the world which is contributing 8.8 trillion dollars to the world GDP provided 319 million jobs. Destinations try to attract visitors by applying various promotional tools. Promotion of tourism related products and services target visitors through varied tools and measures in order to motivate and attract the mother destination. Promotion helps to keep the gap between promise making and promise keeping. In this connection it is suggested to improve the campaigns evens and festivals, road shows, celebrity TV advertising campaigns to attract more tourists. Websites need to be more focused, so that travelers can decide their destinations.

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