An Analysis of Financial Performance in Tourism Industry
(A Case Study OF ITDC)

Authors:
Dr. Asha Sharma*

Address For correspondence:
Assistant Professor, Department of Management, Aravali Institute of Management, Jodhpur, India

Abstract:
The tourism industry in India is substantial and vibrant, and the country is fast becoming a major global destination. India’s travel and tourism industry is one of them most profitable industries in the country, and also credited with contributing a substantial amount of foreign exchange. This is illustrated by the fact that during 2006, four million tourists visited India and spent US $8.9 billion. Several reasons are cited for the growth and prosperity of India’s travel and tourism industry. Economic growth has added millions annually to the ranks of India’s middle class, a group that is driving domestic tourism growth. Disposable income in India has grown by 10.11% annually from 2001-2006, and much of that is being spent on travel. The purpose of this study is to study of financial performance, of Indian tourism industry. The most common tool of financial analysis various ratios as used. It is concluded that the overall performance of Indian Tourism Development Corporation Limited found satisfactory in term of short term liquidity position, efficiency level and solvency capacity but not so good in term of profitability level and investment analysis basis.

.Keywords: Tourism industry, profitability Ratios, Activity Ratios, working capital management, Testing of financial position ratios

INTRODUCTION:
Tourism in India is the largest service industry, with a contribution of 6.23% to the national GDP and 8.78% of the total employment in India. In 2010, 25.8 million foreign tourists visited India. India generated about 200 billion US dollars in 2008 and that is expected to increase to US$375.5 billion by 2018 at a 9.4% annual growth rate. The majority of foreign tourists come from USA and UK. Kerala, Tamil Nadu, Delhi, Uttar Pradesh and Rajasthan are the top five states to receive inbound tourists. Domestic tourism in the same year was 740 million. Andhra Pradesh, Uttar Pradesh, Tamil Nadu and Maharashtra received the big share of these visitors’ Ministry of Tourism is the nodal agency to formulate national policies and programs for the development and promotion of tourism. In the process, the Ministry consults and collaborates with other stakeholders in the sector including various Central Ministries/agencies, the state governments and union territories and the representatives of the private sector. Concerted efforts are being made to promote new forms of tourism such as rural, cruise, medical and eco-tourism. The Ministry of Tourism also maintains the Incredible India campaign.
According to World Travel and Tourism Council, India will be a tourism hot-spot from 2009–2018, having the highest 10-year growth potential. Thanks in part to its booming IT and outsourcing industry a growing number of business trips are made by foreigners to India, who will often add a weekend break or longer holiday to their trip. Foreign tourists spend more in India than almost any other country worldwide. Tourist arrivals are projected to increase by over 22% per year through till 2010, with a 33% increase in foreign exchange earnings recorded in 2004.

The Tourism Ministry has also played an important role in the development of the industry, initiating advertising campaigns such as the ‘Incredible India’ campaign, which promoted India’s culture and tourist attractions in a fresh and memorable way. The campaign helped create a colorful image of India in the minds of consumers all over the world, and has directly led to an increase in the interest among tourists. The tourism industry has helped growth in other sectors as diverse as horticulture, handicrafts, agriculture, construction and even poultry. Both directly and indirectly, increased tourism in India has created jobs in a variety of related sectors. The numbers tell the story: almost 20 million people are now working in the India’s tourism industry. India’s governmental bodies have also made a significant impact in tourism by requiring that each and every state of India have a corporation to administer support issues related to tourism. A new growth sector is medical tourism. It is currently growing at around 30% per annum. Medical tourist arrivals are expected to reach one million soon.

COMPANY PROFILE

The India Tourism Development Corporation Limited (ITDC) is a Hospitality retail and Education company owned by Government of India under Ministry of Tourism, Established in 1966. ITDC came into existence in October 1966 and has been the prime mover in the progressive development, promotion and expansion of tourism in the country.

The Organizing Committee of Commonwealth Games 2010 Delhi made the India Tourism Development Corporation Ltd. (ITDC) as a Hospitality partner. All three properties i.e. Hotel Ashok, Samrat and The Janpath –as the Games Family Hotels. The Ashok being the flagship hotel was the host of all VIP movements. “The Ashok Group of Hotels in totality offered a combined inventory of 680 rooms/suites with Hotel Ashok offering 500 rooms, Samrat offering 60 rooms and Janpath offering 120 rooms.” The flagship Family Hotel Ashoka hosted members of Commonwealth Games Associations (CGAs), the Commonwealth Games Federation (CGF), International Sports Federations, Technical Delegates and the International Olympic Committee (IOC). The hotels will be the nerve centre of the Games and bear facilitation offices of CGF and OC CWG Delhi 2010. All events and meetings of different constituent groups held at these Games family hotels. Hotel Samrat and Hotel Janpath provided the accommodation to the athletes’ families.

The Corporation is running hotels, restaurants at various places for tourists, besides providing transport facilities. In addition, the Corporation is engaged in production, distribution and sale of tourist publicity literature and providing entertainment and duty free shopping facilities to the tourists. The Corporation has diversified into new avenues/innovative services like Full-Fledged Money Changer (FFMC) services, engineering related consultancy services etc. The Ashok Institute of Hospitality & Tourism Management of the Corporation imparts training and education in the field of tourism and hospitality. Presently, ITDC has a network of eight Ashok Group of Hotels, six Joint Venture Hotels, 2 Restaurants (including one Airport Restaurant), 12 Transport Units, one Tourist Service Station, 37 Duty Free Shops at International as well as Domestic
Customs Airports, one Tax Free outlet and two Sound & Light Shows. Besides, ITDC is also managing a hotel at Bharatpur and a restaurant at Kosi on behalf of the Department of Tourism. In addition, it is also managing catering services at Western Court, Vigyan Bhawan, Hyderabad House and National Media Press Centre at Shastri Bhawan, New Delhi.

**REVIEW OF LITERATURE**

Brian Carver, Christy He, Jonah Hister (2004), has made an attempt study of historical aspect of Oil and Petroleum industry. They analyzed that Oil and Petroleums have historically formed an important component of India's exports. There is archaeological evidence from Mohenjo-Daro, which establishes that the complex technology of mordant dyeing was being used in the subcontinent from at least the second millennium B.C. It is believed that the use of printing blocks in India started in 3000 B.C., and some historians have concluded that India may have given birth to Oil and Petroleum printing. Marco Polo’s records show that Indian Oil and Petroleums used to be exported to China and South East Asia from Andhra and Tamil ports in the "largest ships" then known. Buddhist era scripts reveal that woollen carpets were known in India as early as 500 B.C. and the technical skill that went into Indian carpets of the Mughal period is still hailed today.

Maurice Landes, Stephen MacDonald, Santosh K. Singh, and Thomas Vollrat (2005) emphasized that growth of Oil and Petroleum industry in India is depend upon execution of reforms to policies, including taxes that discriminate against the use of manmade fibers and regulations affecting the scale, technology use, and export competitiveness of the textile and apparel industries. Imports of raw cotton have increased in concert with rising demand in recent years, but future growth will depend on the extent to which India can boost chronically low cotton yields and improve cotton quality.

Bhandari & Maiti (2007), in his study on Efficiency of Indian Manufacturing Oil and Petroleum industry, has analyzed the Technical Efficiency (TE) varies between 68% to 84% across these year and that individual TEs vary with firm-specific characteristics such as size and age. Further public sector firms are found to be relatively less efficient.

**OBJECTIVES OF THE STUDY**

- To analyze the profitability, solvency position and liquidity position of IRDC.
- To identify the net profit and EPS growth rate performance of IRDC.
- To find its market share in the tourism industry
- To understand role of tourism industry in Indian economy

**METHODOLOGY**

The researcher, being an external analyst, had to depend mainly upon secondary data for the purpose of studying the financing performance of IRDC in tourism Industry in India which is highly performed in overall growth in terms of finance and total economic value. The exploratory research techniques have been used for this study and also the study is restricted only to Indian based tourism organizations.
SOURCES OF DATA

DATA COLLECTION:
The present study is mainly based on secondary data which were collected from the corporate annual audited reports, company database, published research reports by various industries, related websites and research organization.

SELECTION OF COMPANY AND PERIOD:
The present study is mainly intended to examine the comparative financial performance of tourism industry particularly for IRDC for five years in the period of 2007 to 2011.

TOOLS USED FOR ANALYSIS

The present study has analyzed the financial performance of IRDC. In order to evaluate and compare the financial performance of selected industries Ratio Analysis technique and average mean has been used.

VARIABLES

Choice of the variables is influenced by the previous research and studies on the working capital management. All the variable stated below have been used to test the hypotheses of our study. They include dependent, independent variables. Current assets to Total Assets Ratio: This method is based on operating cycle period. Here, the working capital requirement can be compare with its total assets. Ratio to sales method: The working capital requirements are estimated as a ratio of sales for each component of working capital. Ratio of fixed assets and working capital: The working capital is estimated as a percentage of fixed investment

HYPOTHESIS TESTING

Since the objective of this study is to examine co-relevancy between gross working capital to other variables like fixed assets, total assets and sales. For this a set of testable hypotheses (the null hypothesis H0 versus the Alternatives ones H1) is decided and proved by correlation analysis

RESEARCH HYPOTHESES

Hypothesis 1

H01: There is significant relationship among the gross working capital, fixed assets, total assets and sales

H11: There is negative relationship among the gross working capital, fixed assets, total assets and sales

Hypothesis 2

H01: There is significant relationship among the liquidity ratios, management efficiency ratios and assets turnover ratio

H11: There is negative relationship among the liquidity ratios, management efficiency ratios and assets turnover ratio
RESULT & DISCUSSIONS

[A] COMPANY ANALYSIS- INTER ANALYSIS

1. Liquidity Ratio

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Mar ’11</th>
<th>Mar ’10</th>
<th>Mar ’09</th>
<th>Mar ’08</th>
<th>Mar ’07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>1.76</td>
<td>1.68</td>
<td>2</td>
<td>1.71</td>
<td>1.4</td>
</tr>
<tr>
<td>Quick Ratio</td>
<td>1.6</td>
<td>1.52</td>
<td>1.88</td>
<td>1.63</td>
<td>1.3</td>
</tr>
<tr>
<td>Cash Profit Margin (%)</td>
<td>--</td>
<td>-1.17</td>
<td>5.83</td>
<td>10.97</td>
<td>8.6</td>
</tr>
</tbody>
</table>

In the 2011 company has very high current ratio which has been reached up to 1: 1.76, a high current ratio in comparison to last years other than 2009 showing a very good liquidity in the company and blockage of the money as well.

A quick ratio of 1:1 is usually considered satisfactory but in case of this company, it is 1.6. It indicates a very high liquidity which can be easily converted into the cash whenever company requires.

![Liquidity Ratio Chart](chart.png)

Solvency / Capital Structure Ratio

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Mar ’11</th>
<th>Mar ’10</th>
<th>Mar ’09</th>
<th>Mar ’08</th>
<th>Mar ’07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt -Equity Ratio</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Debt to Owners Fund</td>
<td>0</td>
<td>0</td>
<td>--</td>
<td>--</td>
<td>0</td>
</tr>
<tr>
<td>Financial Charges Coverage Ratio</td>
<td>--</td>
<td>25,821.57</td>
<td>1,707.90</td>
<td>4,940.70</td>
<td>16,235.13</td>
</tr>
</tbody>
</table>

Debt-Equity ratio is zero from staring. This implies that the company is more on owner’s equity rather than borrowed fund. It is not enjoying leverage advantages like any other industries in Indian market.
This ratio indicates relationship between total assets and total liabilities. High solvency ratio indicates poor position of the company. Here this ratio is continuously increasing.

![Graph showing debt-equity ratio]

**Profitability Ratio**

3. Profitability ratio

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Mar '11</th>
<th>Mar '10</th>
<th>Mar '09</th>
<th>Mar '08</th>
<th>Mar '07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit Margin (%)</td>
<td>--</td>
<td>-4.78</td>
<td>6.18</td>
<td>9.4</td>
<td>8.15</td>
</tr>
<tr>
<td>Adjusted Net Profit Margin (%)</td>
<td>--</td>
<td>-4.78</td>
<td>6.18</td>
<td>9.4</td>
<td>8.15</td>
</tr>
<tr>
<td>Operating Profit Margin (%)</td>
<td>--</td>
<td>-13.44</td>
<td>-0.81</td>
<td>10.27</td>
<td>7.89</td>
</tr>
<tr>
<td>Cash Profit Margin (%)</td>
<td>--</td>
<td>-1.17</td>
<td>5.83</td>
<td>10.97</td>
<td>8.6</td>
</tr>
</tbody>
</table>

The gross margin ratio of the company shows a mixed trend. As the company is related to tourism so company has very less gross margin. Still it had little bit of net profit in last three year but now it is going in losses from last two years.

The net margin ratio of the company shows a mixed trend. The high net profit margin implies higher returns to share holders in the form of dividend and stock price appreciation.

As above all profitability ratios are showing a mixed and equal trend here it is also showing an equality of the all years.
Profitability Ratio based on Capital Employed

4. Profitability ratio (based on capital employed)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Mar ’11</th>
<th>Mar ’10</th>
<th>Mar ’09</th>
<th>Mar ’08</th>
<th>Mar ’07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Return on Net Worth (%)</td>
<td>-3.06</td>
<td>-2.42</td>
<td>7.76</td>
<td>19.72</td>
<td>20.91</td>
</tr>
<tr>
<td>Return on Assets Excluding Revaluations</td>
<td>35.58</td>
<td>36.59</td>
<td>37.49</td>
<td>35.16</td>
<td>30.88</td>
</tr>
<tr>
<td>Return on Long Term Funds(%)</td>
<td>-4.09</td>
<td>-4.12</td>
<td>12.91</td>
<td>30.00</td>
<td>31.94</td>
</tr>
</tbody>
</table>

The return on assets ratio of the company shows a mixed trend. The high net profit implies higher returns on the total invested assets. It is quite improving, means best utilization of assets is being done.

Return on Long Term Funds ratio measures how well the long-term funds of owners and creditors are used. The higher the ratio, the more efficient the utilization of capital employed. In this case, the company has a mixed trend. Return is decreasing from last two years i.e.2010 onwards.

Return on Net Worth ratio shows the rate of return for the equity share holder. High ratio shows strong position of the company. In this case the PAT is increasing so company share holder is also getting much benefit and as a result the company is showing strong position. Return is decreasing from last two years i.e.2010 onwards. As company is not using debt capital, it may one of the reasons for not earning appropriate return.

Activity / Efficiency Ratio

5. Activity/Efficiency Ratio

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Mar ’11</th>
<th>Mar ’10</th>
<th>Mar ’09</th>
<th>Mar ’08</th>
<th>Mar ’07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory Turnover Ratio</td>
<td>--</td>
<td>31.37</td>
<td>49.54</td>
<td>208.59</td>
<td>310.99</td>
</tr>
<tr>
<td>Debtors Turnover Ratio</td>
<td>4.34</td>
<td>3.49</td>
<td>3.61</td>
<td>3.53</td>
<td>6.41</td>
</tr>
<tr>
<td>Investments Turnover Ratio</td>
<td>31.89</td>
<td>31.37</td>
<td>49.54</td>
<td>208.59</td>
<td>310.99</td>
</tr>
<tr>
<td>Fixed Assets Turnover Ratio</td>
<td>--</td>
<td>2.11</td>
<td>3.08</td>
<td>3.83</td>
<td>4.72</td>
</tr>
<tr>
<td>Total Assets Turnover Ratio</td>
<td>--</td>
<td>0.87</td>
<td>1.13</td>
<td>1.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Asset Turnover Ratio</td>
<td>2.62</td>
<td>2.11</td>
<td>3.08</td>
<td>3.83</td>
<td>4.72</td>
</tr>
</tbody>
</table>
The stock turnover ratio of the company shows a mixed trend. Generally, a high stock turnover ratio is considered better than a low turnover ratio. But it is reducing the ratio from 2010 onwards.

As far as debtor’s turnover ratio is concerned it is more or less is same in all the year, it indicates the credit policy of the company. After 2007, Creditors turnover ratio is increasing which shows that the liability of the company is increasing. A marketing department is regarded as an efficient department when its assets turnover is high.

This ratio shows the return on fixed assets. High ratio shows good position of the company. Here there is a very good position of the company it is growing. This ratio shows the relationship between sales and current assets. Here there is mixed trend between the years and the company has enough assets.

The investment turnover ratio measures the relationship between the value of production and average total assets. This ratio measures the assets utilization efficiency of a firm. In this case, the investment turnover ratio is increasing after 2007 which shows the proper utilization of the investment.

![Graph](http://www.ijars.in)

### Investment Analysis

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Earning Per Share (Rs)</strong></td>
<td>-1</td>
<td>-1.67</td>
<td>3.76</td>
<td>6.53</td>
</tr>
<tr>
<td><strong>Dividend Per Share</strong></td>
<td>--</td>
<td>--</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Dividend Payout Ratio Cash Profit</strong></td>
<td>--</td>
<td>--</td>
<td>33.77</td>
<td>32.45</td>
</tr>
<tr>
<td><strong>Earning Retention Ratio</strong></td>
<td>--</td>
<td>--</td>
<td>49.06</td>
<td>66.26</td>
</tr>
</tbody>
</table>

This ratio is showing an equality trend of the dividend policy.

EPS as a measure of the profitability of a company from the owner’s point of view, In this case the EPS is regularly increasing which is showing strong position of the company.

This ratio is also known as the earnings price ratio; In this case the company is maintaining this ratio equally as previous years.
DATA ANALYSIS

Table-1: Level of Current Asset of Tourism Industry.

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>367.18</td>
<td>271.68</td>
<td>370</td>
<td>436.84</td>
<td>528.51</td>
</tr>
<tr>
<td>FA</td>
<td>62.94</td>
<td>53.87</td>
<td>46.08</td>
<td>43.15</td>
<td>40.88</td>
</tr>
<tr>
<td>Profit</td>
<td>-8.59</td>
<td>-14.31</td>
<td>25.38</td>
<td>44.08</td>
<td>45.56</td>
</tr>
<tr>
<td>TA</td>
<td>305.31</td>
<td>313.91</td>
<td>328.31</td>
<td>312.99</td>
<td>211.74</td>
</tr>
<tr>
<td>CA</td>
<td>375.92</td>
<td>116.53</td>
<td>118.41</td>
<td>168.44</td>
<td>173.37</td>
</tr>
<tr>
<td>CA/TA</td>
<td>1.23</td>
<td>0.37</td>
<td>0.36</td>
<td>0.54</td>
<td>0.82</td>
</tr>
<tr>
<td>CA/FA</td>
<td>5.97</td>
<td>2.16</td>
<td>2.57</td>
<td>3.90</td>
<td>4.24</td>
</tr>
<tr>
<td>CA/PAT</td>
<td>-43.76</td>
<td>-8.14</td>
<td>4.67</td>
<td>3.82</td>
<td>3.81</td>
</tr>
<tr>
<td>CA/Sales</td>
<td>1.02</td>
<td>0.43</td>
<td>0.32</td>
<td>0.39</td>
<td>0.33</td>
</tr>
<tr>
<td>Average of CA/TA</td>
<td>0.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average of CA/sales</td>
<td>0.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Working Capital Analysis

The major components of gross working capital include stocks (raw materials, work-in-progress and finished goods), debtors, cash and bank balances. The composition of working capital depends on a multiple of factors, such as operating level, level of operational efficiency, inventory policies, book debt policies, technology used and nature of the industry. While inter- industry variation is expected to be high, the degree of variation is expected to be low for firms within the industry.

By Pearson’s Correlation Coefficient

Table -2: Correlation between different ratios under Tourism industry in India

<table>
<thead>
<tr>
<th>Ratios</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA/FA</td>
<td>0.965300774</td>
</tr>
<tr>
<td>CA/PAT</td>
<td>-0.78</td>
</tr>
<tr>
<td>CA/Sales</td>
<td>0.82412858</td>
</tr>
<tr>
<td>FA/PAT</td>
<td>-0.692028587</td>
</tr>
<tr>
<td>FA/Sales</td>
<td>0.772109208</td>
</tr>
<tr>
<td>PAT/Sales</td>
<td>-0.987989998</td>
</tr>
</tbody>
</table>
Pearson’s Correlation Coefficient Analysis

Pearson’s Correlation analysis is used to find the relation between two variables i.e. Current ratio to fixed ratio, Gross working capital and Total assets, Gross working capital and Fixed Assets, Gross working capital and sales, gross working capital and EBIT. One variable cause, is an independent and another variable result, will be a dependent variable. By using first ratio assets mix ratio, next four ratios efficiency can be measured and last one is for profitability.

Presents Pearson correlation coefficients for the variables used to assess the impact of working capital management on profitability, measured by gross profit, net profit and operating profit. Profitability ratio is significantly positively correlated with OPM and capital-turnover ratio, but negatively correlated with the measures of WCM. This positive relation for CCC is consistent with the view that resources are blocked at the different stage of the supply chain, thus prolonging the operating cycle. This might increase profits due to increase sales, especially where the costs of tied up capital is lower than the benefits of holding more inventories and granting more trade credit to customers. Also the tourism industry may be able to obtain trade credit from the suppliers and this is supported by the higher proportion of current liabilities to total assets.

If less working capital is used in total assets, means more efficient utilization of working capital is done. It is same with the fixed assets and sales. Working capital and EBIT has negative relationship. Positive correlation is showing highly significant relationship between the company’s liquidity and effectively.

Results are showing the positive impact or positive correlation between two factors in Tourism industry. First correlation shows that there is huge percentages of assets is contributed current assets rather than fixed assets. Negative CA/PAT shows that more investment in current assets effects profitability adversely. CA/Sales ratio shows more current assets create more sales. Other negative ratios shows reverse relationship between liquidity and profitability. So it can be said working capital management need more emphasis.

INTRA ANALYSIS

INDIAN TRAVEL AND TOURISM INDUSTRY

Indian tourism offers most diverse products globally. The country’s rich history, cultural heritage, beauty, diversity of religion and medicine fascinate budget and luxury travelers. Tourism in India has registered significant growth over the years. This has been led by growth in both leisure and business tourism. Rising incomes, increasing affordability, growing aspirations, increasing globalization, and a growing airline industry along with improvement in travel-related infrastructure have supported industry growth. Tourism holds immense potential for the Indian economy. It can provide impetus to other industries through backward and forward linkages and can contribute significantly to GDP.
India’s travel and tourism industry is expected to generate revenue of Rs. 1,970 bn (US$ 42 bn) in 2010, according to the World Travel & Tourism Council (WTTC). This would be around 3.1% of total GDP. However, since travel and tourism touches all sectors of the economy, its real impact is greater and the travel and tourism economy directly and indirectly accounts for ` 5,533 bn (US$ 118 bn), equivalent to 8.6% of total GDP.

Personal travel and tourism is the most significant contributor, accounting for 55% of the total market, while business travel forms only 9%. Capital investment is also significant with a share of 24%. Hotels, air transport, surface transport, basic infrastructure, and facilitation systems environment are some of the related sectors.

The share of the Indian travel and tourism industry globally is very less. However the industry holds immense potential. In fact, India has been ranked among the leaders by the WTTC for long-term (10-year) growth prospects. Further, a globally renowned travel magazine, Conde Nast Traveler, ranked India among the top 10 tourist destinations of the world. JBIC has also ranked India as the fifth most attractive investment destination. India is probably the only country that offers various categories of tourism with its geographical diversity and rich cultural heritage.

**Structure of the tourism industry**

![Chart 1.4 India’s travel and tourism industry – Break-up](http://www.ijars.in)
Tourism comprises activities of people travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and social, recreational, and knowledge seeking purposes.

The tourism industry is primarily service and people oriented; it is made up of businesses and organisations belonging to various other industries and sectors. It is an interplay among these businesses and organisations/persons which offer “travel experience” to tourists. The tourism industry comprises hospitality (related to accommodation and dining), travel (transportation services through different modes), and various other businesses which offer services and products to tourists.

Most of the players in the tourism industry are SMEs. The unorganised sector dominates the industry in India. Hotels, airline companies, and tour operators form the organised sector.

Specialist travel service providers assist tourists with travel arrangements. These providers include travel agencies who are involved in retailing of travel products directly to the tourists (individuals or groups). They provide information on different travel destinations and advise customers on travel plans. They also sell associated products such as insurance, car hire, and currency exchange.

Performance of the Indian travel and tourism industry

The tourism business in India can be broadly classified into: inbound tourism, domestic tourism, and outbound tourism. Inbound tourism foreign tourist arrivals in the country increased steadily from 2.4 million in 2002 to 5.3 million in 2008. It, however, fell to 5.1 million in 2009, recording a decline of 3.3%. The slowdown in India’s core markets, the US, Europe and UK, travel advisories issued by countries against travel to India following the terror attacks in Mumbai, and postponement of holidays by travelers affected tourist inflow into the country in 2009; nevertheless, the impact on the Indian industry was much lesser compared with other countries.

Foreign tourist arrivals are expected to increase in 2010. International events to be held in India and the government’s sincere efforts to promote the country as a tourist destination are likely to drive foreign tourist arrivals. International events to be held during the year — Commonwealth Games, ICC World Cup Cricket and Formula 1 — are expected to attract a number of sports fans across the world to India. Improving infrastructure, low-cost airlines, and improved road connectivity are expected to aid the increase in tourist inflow.

![Chart](chart1.5.png)

Source: Ministry of Tourism
The top 10 countries accounted for around 64% of total tourist arrivals in the country during 2009. The US and the UK together accounted for around 30% of tourist arrivals. Around 14% of the total tourist arrivals in 2009 were from India’s neighboring countries, Bangladesh and Sri Lanka.

![Chart 1.6 Share of top 10 source countries for FTAs in India in 2009](source-ministry-of-tourism)

**Emerging trends**

With changing times and global business conditions, significant changes have been observed in the Indian travel and tourism industry.

Demand for niche and customized tourism products

Lifestyle changes and higher disposable incomes have resulted in shifting travel preferences and travelers are looking for ‘out-of-the-box’ experiences. Consequently, travel service providers are offering niche, customized tourism products. This has led to emergence of niche segments such as wine tourism, pop-culture tourism, cruise tourism, wellness tourism, monsoon tourism etc.

Tour companies are also willing to customize products as per travelers’ choices/preferences.

**Findings**

The major findings from the present study are:
- Profitability – reduced 2010 onwards.
- Financial Strength – not satisfactory.
- Fixed Assets-Financed mainly through owners fund
- Working Capital - efficiently and effectively managed.

On the basis of the analysis of profitability, Activity, earning per share, fixed assets and inventory turnover, it can be concluded that the performance of the company. EPS is low, Current Assets is above standard, Proprietary fund also found satisfactory. The position of the IRDCL can be ranked on top among the selected unit and based on the analysis of data, although last two years are curse for the industry and was not able to grow properly on financial aspects. Still now trend is changed and boom in the tourism industry so it is expected that company will become sound on financial parameters.
CONCLUSION

Tourism Industry is a very dynamic industry and so are its challenges and strategies, therefore a learning approach towards ‘best-practices’ would yield better results in enhancing competitiveness of this industry. Also, the need for sound perspective in planning and “private-public-community” participation is imperative for this purpose. This paper was an attempt to illuminate the area through simple yet effective examples and cases collected from states around India, based on their contribution in making their respective Tourism Industry more competitive. It leaves a background for further research, as assessing the implications of using the above mentioned ‘best-practices’ in Indian Tourism Industry can be another rewarding study.

The study has analyzed the short term and profitability position of leading company in India in tourism industry; some of the important ratios were used to measure the financial performance the company. Based on the above analysis, ITDC is one of the largest traded companies by market capitalization in India and the largest India-based company measured by. The result of financial analysis also shows that the company is financial strong and efficiently managed. Its financial position is found to be low satisfactory level in net profit growth on the profitability level, short term liquidity position, efficiency level, solvency capacity and investment analysis basis. Still the company will have to strengthen its shareholders funds and working capital to compete and enhancing its current performances in growing global business environment.

The study has analyzed the liquidity, efficiency and profitability in tourism industry in India; some of the important ratios were used to measure the financial performance of these companies. Based on the above analysis the significant positive relationship is found between two variables. In total assets, if working capital is decreased still sales and operating profit is increasing means these assets are utilized in an effective manner that will increase profitability.

On basis of the above analysis we may further conclude that these results can be further strengthened if firm is managed its working capital management with more effective ways. It can be managed properly by taking care to maintain appropriate ratio of working capital to fixed assets, total assets and sales. So that efficiency and profitability can be enhanced but liquidity can be controlled.

This is an attempt identify and study the movement of key financial parameters and their relationship with profitability of tourism industry. It is an attempt to and the study whether the key identified parameters move in a synchronous way going up and coming down with basic profitability parameters. Profit-making company has been taken for study for the period of 2006 to 2010. The data have been taken from the figures supplied by prowess database. On the basis of this data a trend parameter is calculated for the year 2011. So, on the base of the analysis, the broad conclusion is that the parameters are consistent within a wide horizon and with the growth that companies have achieved, the parameters have also responded in a synchronous manner.
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