



## **An Empirical Investigation of Profitability Analysis with reference to AIR INDIA Ltd.**

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### **Abstract :**

The present study deals with the profitability analysis of AIR INDIA LTD. to know the performance of the company during the study period. In this research work the accounting tool of ratio analysis and statistical tool f-test has been applied to carry out the best result of performance on the basis of available financial reports of last 5 years. Ratios like operating profit, net profit, cash margin and return on investments are calculated to measure the efficiency level of finance during study period. With the help of one way annova f-test actual available data is compared with other two firms of same industry and tried to find out that there is significant difference between them or not.

### **Introduction**

Aviation sector is growing fast in the Indian service sector. The major developments have done through the introduction of air lines more and more gradually. The service sector plays an important role in the various types of the industries. The normal life of the human being will not survive with the services. So the aviation industry of the country plays an important role in the development of the country. In India AIR INDIA is on significant position. Such companies' profitability analysis is very important for aviation industry of India. Here attempt has been done to show real financial position of the company through profitability analysis.



## **Objective Of The Study**

Any activity done without an objective in a mind cannot turn fruitful. An objective provides a specific direction to an activity. Objectives may range from very general to very specific, but they should be clear enough to point out with reasonable accuracy what researcher wants to achieve through the study and how it will be helpful to the decision maker in solving the problem. Each research study has its own specific purpose. It is like to discover to Question through the application of scientific procedure. But the main aim of our research to find out the truth that is hidden and which has not been discovered as yet. My research study has following objectives.

- To know the current trend of profits of different airlines and estimate the forecast for the coming year.
- To compare and analyse the profitability ratios between the Air India, Jet Airways And Kingfisher Airlines compared.
- To understand the nature of the profit in aviation industry
- To display the strategies which helped the firm for future success?

## **Scope Of The Study**

- Apart from that one can also undertake the research work on price index of the Air India.
- We can also undertake the research work on effectiveness of training given to employees.
- One can also expand its research work at international level on the topic attitude of employees towards work

## **Source Of Data**

This research study is based on secondary data from 2009 to 2014 and it was tabulated objectively for making the comprehensive research of the Securities performance, financial efficiency of the AIR INDIA Ltd. To check the financial efficiency and Corporate Profitability SECONDARY source of data has been used. Secondary data is collected from balance sheet and profit and loss account

## **Data Analysis**

The Secondary data were classified and tabulated according to the need of the study and objectives.



The collected data is analysed by using appropriate and relevant financial techniques, graphs and tables on the basis of the information received through annual report for further analysis.

### **Period Of The Study**

The period of the study is of 5 years. The study period cover the period from year 2009-10 to year 2013-14.

### **Tools And Techniques For The Analysis**

Use of statistical tools has become a normal phenomenon in any type of analysis. The researcher has picked up the tools and techniques to suit their requirements and based on data available to them. Under this research study statistical tools Viz., percentage or ratio, diagrammatic and graphic presentation have used wherever needs.

For the present study following tools and techniques have been used for analysing the ratio of AIR INDIA Ltd.

#### **- Accounting Tools:**

Ratio Analysis

#### **- Statistical Tools**

One Way Anova Test

### **Null Hypothesis**

H<sub>0</sub>: There is no significant difference in the trend of **Operating Profit Ratio**.

H<sub>0</sub>: There is no significant difference in the trend of **Net Profit**.

H<sub>0</sub>: There is no significant difference in the trend of **Cash Margin Ratio**.

### **Limitations Of The Study**

Finance as the core area, which is a vast field, covers many aspects, which is not possible for us to cover. The knowledge, which we have, is quite limited and thus it makes it difficult for us to deal as the practical and the theoretical knowledge has a wide difference within.

In spite of all sincere effort in preparing this report, there are certain limitations, which cannot be ignored.

- The first and foremost limitation of the study is that of using the secondary data.

Secondary data itself proves to be a limiting factor.



- Another loophole in this study is that no other sector has been considered, thus the study is limited to only one industry that is aviation industry.
- No other comparison is being done except profitability analysis, so it would just be concentrating on that section only, so rest portion of aviation

### Data Analysis And Interpretation

<b><u>YEAR</u></b>	<b>AIR INDIA</b>	<b>KINGFISHER AIRLINES</b>	<b>JET AIRWAYS</b>
2009-10	1.19	10.23	13.17
2010-11	0.126	(8.82)	11.77
2011-12	(7.06)	(14.57)	0.69
2012-13	(17.01)	(22.32)	(4.35)
2013-14	(40.19)	(10.49)	(13.87)

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>Fc</i>	<i>Ft</i>
<b>Between</b>	<b>539.8</b>	<b>3-1=2</b>	<b>539.8/2= 269.9</b>	<b>269.9/187.99 = 1.44</b>	<b>F(2,12)= 3.88</b>
<b>Within</b>	<b>2255.87</b>	<b>14-2=12</b>	<b>2255.87/12= 187.99</b>		
<b>Total</b>	<b>2795.67</b>	<b>15-1=14</b>			



$H_0$  = There is no significant difference in the trend of **Operating Profit** earned by  
different firms- **ACCEPTED**

**Reason:** - The main reason behind the acceptance of null hypothesis i.e. there is no significant difference into the trend of operating profit ratio of three firms is that all of them are making losses from last 2 years and if we look towards the ratios of past 5 years of all the three firms than they are more or less near to each other except Jet Airways because that firm is performing well as compare to other two.

<u><b>YEAR</b></u>	<b>AIR INDIA</b>	<b>KINGFISHER AIRLINES</b>	<b>JET AIRWAYS</b>
2009-10	1.04	(5.38)	8.87
2010-11	0.162	(26.31)	7.37
2011-12	(4.859)	(22.92)	0.38
2012-13	(14.591)	(12.50)	(2.67)
2013-14	(41.161)	(27.43)	(3.98)

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>Fc</i>	<i>Ft</i>
<b>Between</b>	1131.05	3-1=2	1131.05/2= 565.53	565.53/144.17 = 3.92	F(2,12)= 3.88
<b>Within</b>	1730.04	14-2=12	1730.04/12= 144.17		
<b>Total</b>	2861.09	15-1=14			



$H_0$  = There is no significant difference in the trend of **Net Profit** earned by  
different firms- **REJECTED**.

<u>YEAR</u>	<b>AIR INDIA</b>	<b>KINGFISHER AIRLINES</b>	<b>JET AIRWAYS</b>
2009-10	63.19	(5.39)	86.37
2010-11	55.19	(27.78)	70.96
2011-12	50.68	(38.34)	47.46
2012-13	12.09	(14.38)	35.46
2013-14	22.09	(24.58)	33.06

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>Fc</i>	<i>Ft</i>
<b>Between</b>	<b>16705.25</b>	<b>3-1=2</b>	<b>16705.25/2= 8353.63</b>	<b>8353.63/398.46 = 20.96</b>	<b>F(2,12)= 3.88</b>
<b>Within</b>	<b>4781.56</b>	<b>14- 2=12</b>	<b>4781.56/12= 398.46</b>		
<b>Total</b>	<b>21486.81</b>	<b>15- 1=14</b>			

$H_0$  = There is no significant difference in the trend of **Cash Margin Ratio**. –  
**REJECTED**.

**Reason: -** The main reason behind the rejection of null hypothesis is that if we look toward the figures of all the three firms then air India and jet airways are doing fairly good job but kingfisher is performing at its worst and so there is a significant difference in the trend of cash profit ratio and so we are rejecting our null hypothesis.



## **FINDINGS**

- **Firstly, with the help of data tabulation, data analysis has been done.**
- **On the basis of data analysis, the hypothesis testing has been performed, whereby the significant difference between the variables has been tested and the conclusions are derived.**
- **Hypothesis – I & II suggests that there is no significant difference in the trend of OPERATING and NET PROFIT RATIO.**
- **But Hypothesis – III suggests that there is a significant difference in the trend of CASH PROFIT RATIO.**
- **From the above test we came to know that as far as profitability, income etc. are concerned AIR INDIA LTD. stood at second place after JET AIRWAYS.**

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# International Journal of Business Quantitative Economics and Applied Management Research

**ISSN: 2349-5677**

**Volume 1, Issue 4, September 2014**

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