Research Paper Management

Financial Analysis of Air India's Net Asset and Total Asset – A Focus

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ABSTRACT

Air India is the oldest airline which includes the fleet size of 222 aircrafts and provides transportation to various destinations. This study includes total asset, depreciation, net asset of Air India for the period of five years from 2007-08 to 2011-12. Compound Annual Growth Rate (CAGR) was used to analyse the growth rate of net asset in Air India. This study found Air India's compound annual growth rate, in the year 2008-09 CAGR was 7.15% and next year onwards it is in decrease in trend. In the year of 2010-11 Air India's CAGR value is 0.93%, this is the least value of Air India's CAGR for the period of these five years. This study suggested, to introducing new flights to reduce depreciation value.

KEYWORDS Air India, Total asset, Depreciation, Net asset, Annual Growth Rate.

INTRODUCTION

Air India is an airline which consists of 25,000 employees, with fleet size of 222 aircrafts to provide transportation for domestic and international destinations. Fixed asset is a long-term tangible property that which firm owns or uses in the production of its income and it is not easy to convert to cash as sooner than at least one year of time. This study is focusing on Total asset, Depreciation and Net asset of Air India's fixed asset. The total asset is the company's total of all assets valued at their cost of acquisition. Total asset is the total value of all of the assets that owned by Air India. The value is determined by the amount it cost to acquire these assets. If Air India wants to buy and sell assets on a regular basis, in the mean time total asset figures change every year. Net asset is the less accumulated depreciation on assets, net asset only actual worthy asset to the company. In this study author focusing on Air India's total asset, depreciation and net asset for analysis using five years of data from 2007-08 to 2011-12 financial year. From the year 2007-08 onwards total asset is increasing simultaneously and the depreciation also increasing each and every year, so because of increasing of depreciation Air India's net asset is not having enough growth on net asset. This study will gives appropriate annual growth rate of each category and also provide yearly fluctuations in total asset, depreciation and net asset, it gives proper suggestions to avoid rising in depreciation to increase net asset on each year of Air India. **STATEMENT OF THE PROBLEM**

Air India is having problem in increasing depreciation on total asset. In the year 2007-08 Air India's total asset was Rs. 186545.6 million and the depreciation was Rs. 7601.2 million so that Air India's net asset was decreased simultaneously. Based on the Air India's financial report, every year the depreciation is increasing and Air India's net asset value is decreasing.

OBJECTIVES

1. To identify the fluctuation of total asset of Air India.
2. To study the impact fluctuations of net asset of Air India.

NEED OF THE STUDY

This study is very much needed to identify total total asset of each year to analyse the total asset of Air India. Analysis of Compound Annual Growth Rate (CAGR) will give the clear idea to the policy makers to avoid ambiguity for future performance from this study.

RIVEW OF LITERATURE

1. Nat Natrajan.R (2011) stated that, a strategic analysis of airlines in India. The long-term outlook for the airlines in India appears promising. As the Indian economy growth is strong, they can count on continued growth in demand (for both domestic and international air travel), at a slower rate than the rates for the last three years. At present, only one percent of total populations in India travel by air. Airline plans to expand capacity and replace ageing fleet aggressively should enable them to meet this growing demand more efficiently. But they have to face significant challenges as realizing the benefits of the consolidations, realigning their competitive strategies to become profitable, pursuing aggressive cost reduction, the availability of capital and constraints due to poor infrastructure for aviation in India.

2. Bhavik M. Panchasarathe(2012) focused the crisis of kingfisher from beginning onwards. Kingfisher is facing huge loss for several year and they are not having sufficient fund to give salary to their employees, so several members of staff going on strike. Management took a decision to restructure the debt to overcome the loss, even though they are not having enough fund to face their financial needs. Because of insufficient funds kingfisher cant able to pay their fuel charges, so fuel dues raised up, aircraft lease rental dues also rise up, it leads to nonpayment of service tax. Kingfisher airlines faced the problem in financially like bank arrears and frozen bank accounts, airline is not having fund to pay their bank dues, this airline meant to pay Rs. 1 crore per working day.

METHODOLOGY

This study contains secondary data for past five years of Total asset, Depreciation and Net asset of Air India's asset. To analyze the annual growth rate of net asset of Air India from 2007-08 to 2011-12. Analysis of Compound Annual Growth Rate (CAGR) is a business and investing specific term for the geometric progression ratio that provides a constant rate of return over the time period.

ANALYSIS

To analyse Compound Annual Growth Rate, five years of to-

tal asset are taken and also five years of depreciation and five years of net asset from 2007-08 to 2011-12. Total asset is to analyse the increase and decrease trend of total asset value of Air India. The below table is displaying the fluctuations of total asset, depreciation, net asset and the CAGR value.

Table No: I
Table showing the Total asset, Depreciation and Net asset of Air India during the year 2007-08 to 2011-12

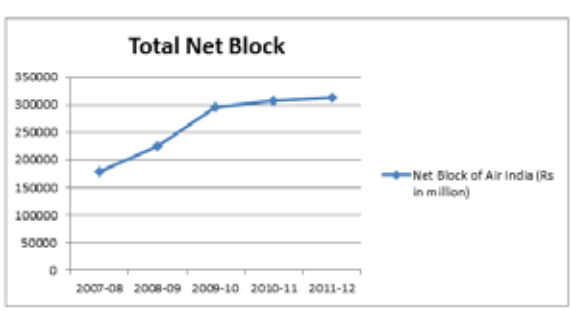
(Rs in millions)

Year	Total asset	Depreciation	Net asset
2007-08	186545.6	7601.2	178944.4
2008-09	243294.0	18380.5	224913.5
2009-10	328410.5	31990.6	296419.9
2010-11	354408.9	47282.5	307126.4
2011-12	373509.4	60628.1	312881.3

Source: Air India annual report

Air India's total asset and depreciation are increasing trend. If total asset is increasing its healthy for all organization, even it happened in Air India too. From 2007-08 onwards total asset of Air India was increasing very fast since 2007-08 to 2009-10. After onwards there is a growth in total asset and there is a little difference in increasing of total asset from 2009-10 to 2011-12. Finally in the year 2011-12 Air India's total asset is Rs.37, 3509.4 million. Air India's depreciation also increasing from 2007-08 to 2011-12 by huge fluctuation of amount. In the year 2007-08 depreciation of total asset in Air India was Rs. 7601.2 million, on next year onwards it's increasing very much. Finally in the year of 2011-12 Air India's depreciation was Rs.60628.1 million. Net asset has been changed based on depreciation which accrued during the each year in Air India.

Chart No: I
Chart showing the Net asset of Air India during the year 2007-08 to 2011-12



Source: Air India annual report

In Air India net asset has calculated from total asset and reducing depreciation. Total net asset is one of the most essential things for all organaisation, true this case in Air India too. In the year 2007-08 Air India has the net asset value of Rs.178944.4 million, on next year onwards net asset is increasing very high for first three years from 2007-08 to 2009-20, for third year 2009-10 onwards there is no huge fluctuation on this net asset, in the year 2009-10 total net asset was Rs. 296419.9 million, finally in the year 2011-12 Air India's total net asset was Rs. 312881.3 million. Total net asset is calculated from after reduction of depreciation from total asset. Through this diagram we can easily identify the fluctuations of net asset in Air India for the period of 2007-08 to 2011-12.

CAGR Analysis
Compound annual growth rate (CAGR) is a business and investing specific term for the geometric progression ratio that provides a constant rate of return over the period of time.

$$CAGR = \left(\frac{\text{Ending Value}}{\text{Beginning Value}}\right)^{\left(\frac{1}{\#\text{ of years}}\right)} - 1$$

Table No: II
Table showing the Compound Annual Growth Rate of Total Net asset in Air India during the year 2007-08 to 2011-12

COMPOUND ANNUAL GROWTH RATE

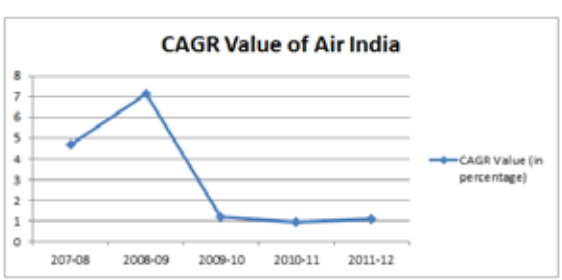
(in percentage)

Year	CAGR Value
2007-08	4.68
2008-09	7.15
2009-10	1.19
2010-11	0.93
2011-12	1.08

Source: Air India annual report

Compound Annual Growth Rate is calculated to know the future financial and performance fluctuations. Air India's CAGR value is changing on each and every year from 2007 – 08 to 2011 – 12. In the year 2007-08 Air India's CAGR value is 4.68% in next year 2008-09 Air India was achieved 7.15% of CAGR value and this is the highest value of these five years, from next year onwards CAGR value is decrease in trend. Finally in the year 2011-12 Air India was achieved -89.26% of CAGR value.

Chart No: II
Chart showing the CAGR value of Air India during the year 2007-08 to 2011-12



Source: Air India annual report

This chart shows that how Air India's CAGR value is fluctuating for five years from 2007-08 to 2011-12. In the year 2007-08 Air India's CAGR value was 4.68%, on next year CAGR value was increased to 7.15% and this is the highest value of these five years. On next year onwards it decreased to 1.19%, from this onwards Air India's CAGR value on net asset is decreasing because of high maintenance cost and increased value in depreciation.

FINDINGS
1. Air India's total asset has huge variations in the year 2008-09 of Rs. 243294.0 million; this is the increased of Rs.

56748.4 million than previous year.

2. Air India's depreciation was increased in the year of 2008-09 increased the amount of Rs. 18380.5 million, in the year 2011-12 Air India's depreciation was Rs. 60628.1 million.
3. Air India's net asset is not having any big fluctuations, in the year 2008-09 net asset was Rs. 224913.5 million and the next year 2009-10 net asset was Rs. 296419.9 million.
4. Air India's compound annual growth rate is not constant one, in the year 2008-09 CAGR was 7.15% and next year onwards it is in decrease in trend. In the year of 2010-11 Air India's CAGR value is 0.93%, this is the least value of Air India's CAGR for the period of these five years.

SUGGESTIONS

Air India's depreciation value is very high because of using old airlines. So, Air India has to concentrate to introduce new flights for its operations so that Air India can reduce depreciation. Increasing of depreciation value, decrease the net asset value so, Air India's net asset value also decreased.

CONCLUSION

Air India is an airline which is owned by Indian government and it includes domestic and international operations. Air India has to introduce more new flights for new routes to face the competition of other private airlines. By this Air India's depreciation value will come under control and net asset value will rise up.

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