



## Profitability Analysis of Rajasthan Tourism Development Corporation Ltd.

\*Laveena T. Dharmwani

\* Assistant Professor, N.R.Vekaria Institute of Business Management Studies, Junagadh  
Research Scholar from Department of Commerce, Saurashtra University, Rajkot.

### ABSTRACT

*Tourism is a composite of activities – services and industries that delivers a travel experience namely, accommodation, transportation, entertainment and other hospitality related services to individuals and groups that are travelling away from home. Tourism in India has a huge potential, the country's unique diversification of culture and natural attractions constitute the resources for tourism industry. India offers everything in a rich variety in the form of mountains and hills, sea beaches, monuments and memorials, fairs and festivals, forts and temples and other tourism components which make a country unique place for attracting tourism. The term Profitability means ability to make profit from all the business activities of business organization. It shows how efficiently the management can make profit by using all its resources. This research article covers all major aspects of Profitability analysis of Rajasthan Tourism Development Corporation Ltd. which is a sister concern of Department Of Tourism – Rajasthan. In this research paper all major aspects relating to profitability analysis carried for the period of 2005-06 to 2009-10. For the purpose of profitability analysis various accounting ratios calculated and various statistical tools such as mean, standard deviation, coefficient of variance and "t" test are employed. The major findings of this research work are that in majority of profitability ratios have less deviations during the study period.*

**Keywords : RTDC, Tourism, Profitability, Rajasthan**

### INTRODUCTION

Tourism is a basic and most desirable human activity deserving the praise and encouragement of all people and all governments. Tourism was recognized as a means of economic expansion after the Second World War and is perceived as renewable resource. As far as Indian tourism concerned, India has a vast tourist attractions being rich in its history, culture, art, music, dance, beaches, wildlife and fairs and festivals. The tourism industry in India is fast growing industry in terms of employment generation, revenue generation, earning foreign exchange and for its immense national and regional development. In India tourism is the third largest foreign exchange earner industry after garments and gems and jewellery industry. In India states Rajasthan, Kerala and Goa has the capacity to attract around 33% of the international tourism, which visit India mainly because of their rich history, culture, wildlife, deserts, lakes, forts, palaces and colorful fairs and festivals. Indian tourism offers many types of tourism such as heritage tourism, cultural tourism, wildlife tourism, ecotourism, medical tourism and adventure tourism which registered phenomenal growth in the tourism and helps to boost revenues from the tourism sector by projecting India as the ultimate tourist spot. The Government of India time to time formulates various tourism policies with many objectives and strategies relating to tourism and various products which are related to tourism industry. For expansion of tourism the Central Government establishes Indian Tourism Development Corporation (ITDC) in the year 1966, which manages many hotels and tourist properties and also arranges tourist packages for tourists. In many states of the country, State Tourism Development Corporation were also incorporated which manage many hotels, tourist bungalows and other tourist properties. Tourism in India is the largest service industry, with a contribution of 740 million domestic and 5.58 million foreign tourists in 2010 as compared to 236.47 million of domestic and 2.54 million foreign tourists in 2001. Since by increasing tourism at foreign level the foreign exchange earnings are also increase from 15083 Crores to 64889 Crores from the year 2001 to 2010 which shows more growth potential of tourism in India.

### TOURISM IN RAJASTHAN

Rajasthan being situated in the northwest part of India is a land of majestic Aravali Hills, crowned with sand dunes of Jaisalmer and Bikaner, scenic and serene beauty, warrior princes – the land of royal creatures bird watchers. The rich culture, heritage and most hospitable people make journey to Rajasthan a most enjoyable experience of life for foreign and domestic tourists. The customs and traditions, fairs and festivals, handicrafts, art and music reflect the very broad spectrum of the Rajasthani culture where much of the Rajasthan thought, philosophy and culture is being reflected in all over the state. Tourism industry is considered as an apex industry in the state with many economic benefits like foreign exchange earnings, regional development, infrastructure development, promotion of local handicrafts and increasing standard of living. The state government has already realized the potentials of this industry for the economic development in the state and has adopted vital measures to promote tourism in the state adopting schemes like "Padharo Mhare Desh" means Rajasthan invites you. Over the last two decades, Rajasthan has emerged as one of the leading state in India and Rajasthan was the third preference of tourist after Goa and Kerala as travel destination in India. The growth rate of tourism in the state of Rajasthan has shown that tourists arrivals both domestic and foreign in the state of Rajasthan is increasing annually and it increase 0.83 crore to 2.68 crore from the year 2001 to 2010 which indicates that more attention had been made to this sector in the state plans.

Tourism is to be organized on industry segments like accommodation, marketing, transportation and trade association. Most of the states in India including Rajasthan have a tourism organization consisting of Department Of Tourism for policy and regulatory matters; directorate and tourism development corporations for implementation of commercial aspects. In the state Rajasthan, Rajasthan Tourism Development Corporation Ltd. acts as assisting wing of tourism department and supervises the commercial side by providing infrastructural and service facilities like accommodation, transport, catering midway facilities and package tours. As Rajasthan occupies unique place for tourism in India and various measures has been taken by

Ministry of Tourism and Government of Rajasthan to improve tourism in state which results that state Rajasthan won various National awards for tourism such as National Tourism Award for Best State/UT for Tourism related programmes from the year 2007-08 to 2009-10.

#### ABOUT RAJASTHAN TOURISM DEVELOPMENT CORPORATION Ltd.

Rajasthan Tourism Development Corporation Ltd.(RTDC) is a sister concern of Department Of Tourism – Rajasthan, acts as an apex body for tourism development in the state which is registered under Companies Act 1956 with its head quarter at Jaipur. This company is incorporated on 24th November, 1978 as a wholly owned Government Company to promote tourism in the State of Rajasthan and to cater incoming foreign and domestic tourists by way of providing accommodation, catering, transport, package tours and bar facilities. To enhance the experience of the tourist's, the Corporation works with the motto of R – Respect, T – Trustworthiness, D - Dedication and C – Care. Since the inception of RTDC, the tourism industry in the state got movement. RTDC has tried to achieve its objectives by establishing a network of tourist accommodation in all the important tourist centers, providing the midway, cafeterias, yatrikas facilities along the important national highways and the major link roads. RTDC portrays role of a developer, facilitator and catalyst in the development of tourism industry in the state by providing various services such as operating chain of hotels and motels, organizing package tours and fairs & festivals, arranging package tours in luxury trains such as Palace on Wheel & Royal Rajasthan on Wheels and providing entertainment facilities such as city sightseeing, boating and sound & light shows.

#### OBJECTIVES OF THE STUDY

This study intends to analyze the Profitability of Rajasthan Tourism Development Corporation Ltd. (RTDC) over a period of five years (2005-06 to 2009-10).

#### RESEARCH METHODOLOGY

The present study has been carried out at the micro level, with reference to Rajasthan Tourism Development Corporation Ltd. (RTDC), of the State of Rajasthan from the period 2005-06 to 2009-10 as the period of reference. This study mainly based on secondary data taken from published annual reports of RTDC which have been collected from registered office. The collected data are duly edited, classified and analyzed using all type of relevant statistical techniques and employing the most appropriate parametric and non-parametric test. The hypotheses were tested at 5% level of significance by employing "t" –test.

#### PERIOD OF THE STUDY

This research study is based on secondary data taken from annual reports of RTDC collected from the registered office of RTDC. The present study is made for Five years from 2005-06 to 2009-10.

#### STATISTICAL TOOLS

The following statistical tools are applied for the study:

- Mean
- Standard deviation
- Coefficient of variance
- Small sample "t" test

#### LIMITATIONS OF THE STUDY

- This study is based on secondary data derived from annual reports and accounts of RTDC and as such its findings depends entirely on the accuracy of such data.
- The present study is largely based on Ratio Analysis which has its own limitations which also apply to the study.
- The study is limited to five years data only so scope for the study is limited.
- As this study is limited only to profitability analysis of RTDC, this study will not be relevant to other Tourism Development Corporation in India.

#### REVIEW OF LITERATURE

Mr. Suresh Dhaka (1991) attempts a study to analyze overall activities, function and performance of RTDC. The main thrust

of this research is personnel management in the RTDC and analyzing personnel policies and practices adopted by RTDC. The major problem finds in this research is that RTDC face a problem of shortage of employees, no timely recruitment and selection, lack of sound knowledge of tourism by top management officers and rate of transfer is more at highest post like chairman, managing director and executives. The major suggestions made by research is that RTDC should adopt effective policy and programme for personnel department, arrange training and refresher courses for their employees and formulate and implement effective wage and salary administration, incentive scheme and performance appraisal system.

Ms. Deepika Gupta (2008) made a study on Evaluating Economic Impact Assessment and Physical Carrying Capacity at Tourist Destination Areas of Rajasthan. The study considers Tourism in Rajasthan, role of RTDC and various TRC (Tourist Reception Centers) and role of human resources towards tourism. The major suggestions made by researcher are to increase tourism facilities at every point such as railway stations, bus stand and airports, to encourage role of private sector in tourism and make a development of historical monuments, wildlife parks, pilgrim centers and historical sites.

Mr. Ajay Tiwari (1992) conduct a study on all the operating activities of RTDC like accommodation, transportation, trains, tours and packages, hotels and bars and boating facilities. This study analyzes financial data from the year 1979-80 to 1989-90 of RTDC and identified that the Corporation does not make any serious effort to develop any programme on hotel management and tourist guidance. The researcher concluded that financial performance of the corporation has improved and corporation successfully reduced expenses and increase revenues.

#### PROFITABILITY ANALYSIS OF RTDC

For the purpose of profitability analysis of RTDC various profitability ratios has been calculated from the financial data provided by registered office of RTDC. The major profitability ratios of the study are as follows:

- Gross Profit ratio (G.P. ratio)
- Net Profit ratio (N.P. ratio)
- Return On Capital Employed ratio (ROCE)
- Return On Owners Equity ratio (ROOE)
- Earnings Per Share (EPS)

**Table 1 PROFITABILITY RATIO OF RTDC From 2005-06 to 2009-10 (values in percentage)**

Year	G.P. Ratios	N.P. Ratio	ROCE Ratio	ROOE Ratio	EPS
2005-2006	53.18	6.10	11.02	12.29	122.53
2006-2007	43.08	0.74	3.83	1.85	18.82
2007-2008	45.39	0.10	0.65	0.27	2.76
2008-2009	45.05	-16.23	-26.42	-47.11	-454.42
2009-2010	39.51	-34.91	-441.79	315.85	-1381.86
Total	226.21	-44.20	-452.71	283.15	-1692.17
Average	45.242	-8.84	-90.542	56.63	-338.434
Standard Deviation	4.48	15.03	176.08	131.23	558.34
Coefficient of Variance %	9.90	-170.02	-194.47	231.73	-164.98

Source: Computed from the Annual reports of RTDC, Jaipur, Rajasthan.

The Table 1 reveals the profitability ratios of RTDC from 2005-06 to 2009-10. The Gross Profit Ratio of RTDC has been presented in above table shows fluctuating trends. It ranged between 39.51 per cent in the year 2009-10 and 53.18 per cent in the year 2005-06 with an average ratio of 45.242 per cent. From above table it is observed that Gross Profit Ratio of RTDC is increasing from the year 2005-06 to 2009-10 due to increasing trends in profitability and operating receipts from various activities such as receipt from accommodation, catering, transport and boating, fairs and festivals and income from running heritage trains, income from sale of beer, other miscellaneous income such as interest on deposit and profit on sale of fixed assets. But it is seen from the overall trends that Gross Profit Ratio of corporation is fluctuating with mean value

of 45.242, standard deviation of 4.48 and coefficient of variance of 9.90 per cent.

The Net Profit Ratio indicates the ability of management to operate the business with sufficient success not only to recover revenues of the period, but also to pay all operating, personnel and administrative expenses and also left margin of reasonable compensation to the owners for providing their capital at risk. In RTDC, the Net Profit Ratio shows fluctuating trend. It ranged between -34.91 per cent in the year 2009-10 and 6.10 per cent in the year 2005-06 with an average ratio of -8.84 per cent. From the year 2006-07 to 2009-10 Net Profit Ratio of corporation goes at declining rate due to increasing overall expenditures such as operating expenditure, personnel expenditure, administrative expenditure, depreciation and financial charges such as interest. Hence the Net Profit Ratio of RTDC goes in a declining trends during the study period with mean of -8.84, standard deviation of 15.03 and coefficient of variance of -170.02 per cent.

The ROCE Ratio expresses the relationship between profit earned and capital employed to earn that profit. In RTDC, this ratio shows fluctuating trends. It ranged between -441.79 per cent in the year 2009-10 and 11.02 per cent in the year 2005-06 with an average ratio of -90.542 per cent. As the capital employed of RTDC comprises equity share capital, reserves & surplus, P & L a/c (credit b/c), deferred revenue grants, secured and unsecured loan. As it is shown from above table this ratio goes negative in the year 2008-09 and 2009-10 due to decrease in overall profitability of corporation because of increase in interest expenses and payment of arrears of Vllth pay commission which results in decrease in profitability and therefore an overall ratio goes to negative. The corporation has mean value of -90.542, standard deviation of 176.08 and coefficient of variance of -194.47 per cent.

ROOE Ratio is a single most important ratio for judging the profitability of an organization in terms of return to the owners. This ratio reflects that how much the firm has earned on the funds invested by the shareholders. In RTDC, ROOE ratio shows fluctuating trends. It ranged between -47.11 per cent in the year 2008-09 and 315.85 per cent in the year 2009-10 with an average ratio of 56.63 per cent. As from the above table it is observed that ROOE ratio in the year 2008-09 is negative due to high rate of loss in that year by which overall trends of ratio declines. While in case of remaining study period profitability of corporation is positive by which Return on Owners Equity ratio of that period shows positive sign. The corporation has mean value of 56.63, standard deviation of 131.23 and coefficient of variance of 231.73 per cent.

EPS Ratio is a ratio which shows net profit available for owners of organization after paying all outside liabilities. This ratio is expressed in the rupee form of net profit earned by owners as per rupee on share price which they invested in organization. In RTDC, the EPS ratio is positive from the year 2005-06 to 2007-08 while in remaining years of the study period it is negative which shows non availability of profit for owners of corporation. As from the above table it shows that EPS ratio ranged between Rs. -1381.86 in the year 2009-10 to Rs. 122.53 in the year 2005-06 with an average of Rs. -338.434. As EPS of corporation is negative and very less in the year 2009-10 due to high rate of loss in that year because of huge amount of operating expenditure and financial charges of corporation. The corporation has mean value of -338.434, standard deviation of 558.34 and coefficient of variance of -164.98 per cent.

#### Chart 1 PROFITABILITY RATIO OF RTDC

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**Table: 2 TEST FOR PROFITABILITY ANALYSIS OF RTDC**

Sr. No.	Particulars	Calculated Value	Table Value @ 5% Level of Significance	Decision
1	Gross Profit Ratio	22.08	±2.776	Null Hypothesis is rejected
2	Net Profit Ratio	-1.46	±2.776	Null Hypothesis is accepted
3	Return on Capital Employed Ratio	-1.16	±2.776	Null Hypothesis is accepted
4	Return on Owner's Equity Ratio	0.95	±2.776	Null Hypothesis is accepted
5	Earning Per Share Ratio	-1.36	±2.776	Null Hypothesis is accepted

The Table 2 indicates test of hypothesis related to profitability analysis of RTDC under the different heads such as Gross Profit Ratio, Net Profit Ratio, Return on Capital Employed Ratio, Return on Owner's Equity Ratio and Earning Per Share Ratio. The Gross Profit Ratio of RTDC indicates that calculated value of 't' is 22.08 which is in the rejection region, and thus Null Hypothesis is rejected at 5 per cent level of significance and we can conclude that, there is significant difference in the Gross Profit Ratio of RTDC over the period. The Table 2 also reveals that Net Profit Ratio, Return on Capital Employed Ratio, Return on Owner's Equity Ratio and Earning Per Share Ratio of RTDC falls in acceptance region which means there is no any significant difference between these ratios during the study period. Hence this study indicates that the management of RTDC is able to earn satisfactory return on owner's fund and it efficiently utilizes the funds supplied by its owners and creditors.

#### FINDINGS & SUGGESTIONS ON PROFITABILITY ANALYSIS:

- The profitability of RTDC is adequate to earn reasonable return for its owners and to face all its operating, personnel and administrative expenses.
- The overall profitability analysis reveals that all ratios except gross profit ratio fall in acceptance region which implies that RTDC has enough revenue to face all its outside liabilities and to improve its overall performance.
- The RTDC also needs to take measures to put control on increasing various expenses such as operating, personnel and head office administrative expenses so that overall profitability will improve.
- The RTDC should improve its performance by improving its various operating activities such as accommodation service, catering service, transport & boating, fairs and festivals and running heritage trains so that it will give good services to tourists and increasing its revenue.
- The RTDC tries to increase owner's fund compare to borrowed fund so that interest expenses has decline and overall return to owner's should increase.

#### CONCLUSION

In present era tourism and activities related to tourism is become an integral part of any economy hence it is important for government and all private entrepreneurs to give significant consideration to this sector, so that it become useful for government to increase revenue, to provide more developed and fast services to tourists and to increase overall growth of the tourism sector. The profitability analysis of RTDC represent that overall performance of RTDC is satisfactory and it utilize owner's and borrowed fund significantly which results that overall profitability of RTDC goes high therefore it gives positive effects to return on capital employed ratio, return on owners equity ratio and earnings per share ratio of RTDC and it helps to corporation and government of Rajasthan to enhance their role in tourism sector and to improve their overall performance.