

**EFFECTS OF FORMAL STRATEGIC PLANNING ON FINANCIAL PERFORMANCE IN
INDIAN RAILWAY CATERING TOURISM CORPORATION**

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ABSTRACT

Indian Railway Catering and Tourism Corporation as a public sector undertaking under the Ministry of Railways was setup in 1999 with the objective of professionalizing catering services and promoting domestic and international tourism. It has since then grown manifold and diversified its objectives beyond catering and tourism services. IRCTC has launched various tourism products and services for promotion of tourism industry in India. It is best known for changing the face of railway ticketing in India. Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) is a Public Sector Enterprise under Ministry of Railways. IRCTC was incorporated on 27th September, 1999 as an extended arm of the Indian Railways to upgrade, professionalize and manage the catering and hospitality services at stations, on trains and other locations and to promote domestic and international tourism through development of budget hotels, special tour packages, information & commercial publicity and global reservation systems. While discharging its mandate, the Company has made a significant mark in its passenger-services oriented business lines like setting up of Food Plazas on Railway premises, 'Railneer', Rail Tour Packages and Internet Ticketing' bringing great deal of professionalism into the operations. In addition to above, IRCTC is managing on Board Catering Services in *Rajdhani / Shatabdi / Duronto* and Mail / Express Trains and Static Catering Units such as Refreshment Rooms, AVMs, Book Stalls, Milk Stalls, Ice Cream Stalls, *Petha & Peda* Stalls etc. across the Indian Railway Network.¹

Keywords: *Finance, Assets, Shareholders fund*

FINANCIAL PERFORMANCE ANALYSIS

Financial performance represents firm's overall financial health over a given period of time. Financial performance analysis is the process of determining the operating and financial evaluation of a firm from accounting and financial statements. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. Financial evaluation will examine the data enclosed inside financial statements with the aim to facilitate valuable information to aid in management decisions. A company's accounts and statements contain a great deal of information. Exploring the full connotations enclosed inside the statements lies at the heart of financial analysis. Overall, a central focus of financial analysis is evaluating the company's ability to earn a return on its capital that is at least equal to the cost of that capital, to profitably grow its operations, and to generate enough cash to meet obligations and pursue opportunities.

REVIEW OF LITERATURE

Sathyanarayana S, Sumithra Sreenath, and Swathi Shanbhag (2017) in their study have proposed a model for IRCTC with quality dimensions such as tangibility, empathy and reliability to boost service quality and overall performance. Thus the railways can to win the customers loyalty. As the results of the current study indicates

¹<https://www.quora.com/What-is-the-function-of-IRCTC>

that reliability is the most crucial factor with a gap score of 1.4423, therefore, the IRCTC officers should render a highly reliable service quality to their customers in terms of handling customers' inquiries and complaints during peak hours, booking services, refund process, quality of food served in terms of quality, timely delivery and packaging².

OBJECTIVES OF THE STUDY

1. To analyze the financial performance of IRCTC services.
2. To offer suggestions to improve the financial performance

SCOPE OF THE STUDY

The study has taken into account the financial performance of IRCTC. The annual report of IRCTC was taken to collect the data nationwide.

ANALYSIS AND RESULTS

SOLVENCY RATIO

Solvency ratio is also known as Debt Coverage Ratio. This ratio is found out between total assets and external liabilities of the company. The external liability covers both the long term as well as short term liabilities of the firm. There are circumstances arising to find out solvency of the company for very short period also. For immediate solvency Liquidity Ratio and Absolute Liquid Ratio are calculated.

Solvency generally refers to the capacity or ability of the business to meet its short-term and long-term obligations. If a company is in a position to pay its long-term liabilities easily, it is said to possess long term solvency. If a company's financial position is strong to pay current liabilities, it is regarded as short term solvency. It measures the proportion of total assets provided by the firm to the creditors. If the value of total assets is more than the value of external liabilities, the company is considered as solvent.

DEBT EQUITY RATIO

The financing of total assets of a business concern is done by owners' equity (also known as internal equity) as well as outside debts (known as external equity). How much fund has been provided by the owners and how much by outsiders in the acquisition of total assets is a very significant factor affecting the long-term solvency position of a concern.

In other words, the relationship between borrowed funds and owners' capital is a popular measure of the long-term financial solvency of a firm. This relationship is shown by the debt-equity ratio.

TABLE 1 :: DEBT-EQUITY RATIO
(Rs. in Lakhs)

Year	Debts	Shareholders' Fund	Ratio (Times)
2009-10	3,279.54	16,275.66	0.20
2010-11	3,772.12	21,141.04	0.18
2011-12	1,848.56	24,670.17	0.07
2012-13	1,308.56	29,177.32	0.04
2013-14	3,191.52	34,691.69	0.09
2014-15	1,925.07	44,425.30	0.04
2015-16	1,760.15	54,207.30	0.03
2016-17	1,179.42	77,833.88	0.02
2017-18	1,202.52	94,536.86	0.01
2018-19	2,287.20	1,06,701.88	0.02
Mean	2175.47	50366.11	0.07
SD	933.66	32146.36	0.06

CV	42.92%	63.83%	85.71%
CAGR	-3.54 %	20.69 %	-20.57 %

Source: IRCTC Annual Reports from 2009-10 to 2018-19

The debt- equity ratio of IRCTC was highest in the year 2009- 2010 with the value of 0.20 times. The lowest value of the ratio was in the year 2017-2018 with 0.01 times. From the year 2009 - 2010 the proportion of long term debt was less which indicates the opportunity to take the advantage of trading on equity. The data indicates the company is having huge amount of equity capital as compared to its total debt. The average value of the long- term equity was 0.07. The standard deviation is 0.06 and co-efficient of variation was 85.71 per cent which showed high fluctuation in long term debt equity ratio during the study period. The CAGR is -20.57 per cent which indicates negative trend which represents that the debt capital of IRCTC was in declining trend.

PROPRIETARY RATIO

Proprietary ratio represents the relationship between shareholders funds to total assets of an organisation. This ratio shows the long-term or future solvency of the business. It is calculated by dividing shareholders funds by the total assets.

TABLE 2 :: PROPRIETARY RATIO

(Rs. in Lakhs)

Year	Shareholders Fund	Total Assets	Ratio (times)
2009-10	16,275.66	16,275.66	1.00
2010-11	21,141.04	70779.09	0.30
2011-12	24,670.17	77706.81	0.32
2012-13	29,177.32	86785.88	0.33
2013-14	34,691.69	96454.38	0.36
2014-15	44,425.30	116211.29	0.38
2015-16	54,207.30	143704.88	0.38
2016-17	77,833.88	182663.41	0.43
2017-18	94,536.86	230005.78	0.41
2018-19	1,06,701.88	258842.17	0.41
Mean	50366.11	127942.94	0.43
SD	32146.36	72026.53	0.19
CV	63.83%	56.30	44.19
CAGR	20.69 %	31.87%	-8.53%

Source: IRCTC Annual Reports from 2009-10 to 2018-19

The Proprietary Ratio was highest in the year 2009-2010 with the value of one. The lowest value of the ratio was in the year 2012 -2013 with 0.24 times. The average value of the Proprietary Ratio was 0.43. The standard deviation is 0.19 and co-efficient of variation was 44.19 per cent which showed fluctuation in Proprietary Ratio during the study period. The CAGR is -8.53 per cent which indicates negative trend.

FIXED ASSETS TO SHAREHOLDERS' FUND RATIO

The relationship between fixed assets and shareholders' funds is calculated to find the percentage of the owners' funds invested on fixed assets.

TABLE 3 : FIXED ASSETS TO SHAREHOLDERS' FUND RATIO

(in Rs. Lakhs)

Year	Fixed Assets	Shareholders Fund	Ratio (times)
2009-10	8836.15	16,275.66	0.54

2010-11	9203.21	21,141.04	0.44
2011-12	10708.14	24,670.17	0.43
2012-13	11839.81	29,177.32	0.41
2013-14	12648.88	34,691.69	0.36
2014-15	17179.66	44,425.30	0.39
2015-16	17280.33	54,207.30	0.32
2016-17	18722.72	77,833.88	0.24
2017-18	18982.32	94,536.86	0.20
2018-19	18225.30	1,06,701.88	0.17
Mean	14362.65	50366.11	0.35
SD	3892.80	32146.36	0.11
CV	27.10%	63.83%	31.43%
CAGR	7.51%	20.69 %	-10.91%

Source: IRCTC Annual Report s from 2009-10 to 2018-19

The Fixed Assets to Proprietary Ratio was highest in the year 2012-2013 with the value of 0.54 times. The lowest value of the ratio was in the year 2018 -2019 with 0.17 times. The average value of the Fixed Assets to Proprietary Ratio was 0.35. The standard deviation is 0.11 and co-efficient of variation was 31.43 per cent which showed fluctuation in Fixed Assets to Proprietary Ratio during the study period. The CAGR is -10.91 per cent which indicates negative trend.

CURRENT ASSETS TO SHAREHOLDERS FUND RATIO

Current Assets to Proprietors Fund Ratio show the relationship between current assets and shareholders' funds. The purpose of this ratio is to calculate the percentage of shareholders' funds invested in Current Assets.

TABLE 4 : CURRENT ASSETS TO PROPRIETORS FUND RATIO
(Rs. in Lakhs)

Year	Current Assets	Shareholders Fund	Ratio
2009-10	60,514.81	16,275.66	3.72
2010-11	66,935.48	21,141.04	3.17
2011-12	52,775.90	24,670.17	2.14
2012-13	57,396.27	29,177.32	1.97
2013-14	68,100.38	34,691.69	1.96
2014-15	85,354.27	44,425.30	1.92
2015-16	123,465.74	54,207.30	2.28
2016-17	154557.42	77,833.88	1.99
2017-18	202390.55	94,536.86	2.14
2018-19	225872.17	1,06,701.88	2.12
Mean	109736.30	50366.11	2.34
SD	60693.03	32146.36	0.57
CV	55.31%	63.83%	24.36%
CAGR	14.08%	20.69 %	-5.47%

Source: IRCTC Annual Reports from 2009-10 to 2018-19

The Current Assets to Proprietary Ratio was highest in the year 2009-2010 with the value of 3.72 times. The lowest value of the ratio was in the year 2014 -2015 with 1.92 times. The average value of the Current Assets to Proprietary Ratio was 2.34. The standard deviation is 0.57 and co-efficient of variation was 24.36 per cent which showed fluctuation in Current Assets to Proprietary Ratio during the study period. The CAGR is -5.47 per cent which indicates negative trend.

FINDINGS

The debt- equity ratio of IRCTC was the highest in the year 2009- 2010 with the value of 0.18 times. The lowest value of the ratio was in the year 2017-2018 with 0.01 times. The Compound Growth Annual Rate (CAGR) is -21.66 per cent which indicates negative trend which represents that the debt capital of IRCTC is in declining trend.

The Proprietary Ratio was the highest in the year 2017-2018 and 2018-19 with the value of 0.41 times. The lowest value of the ratio was in the year 2010-2011 with 0.30 times. The CAGR is 5.95 per cent which indicates positive trend.

The Fixed Assets to Shareholders' fund ratio was the highest in the year 2012-2013 with the value of 0.56 times. The lowest value of the ratio was in the year 2018 -2019 with 0.17 times. The CAGR is -10.91 per cent which indicates negative trend.

The Current Assets to Shareholders Fund Ratio was the highest in the year 2009-2010 with the value of 3.72 times. The lowest value of the ratio was in the year 2014 - 2015 with 1.92 times. The CAGR is -5.47 per cent which indicates negative trend.

SUGGESTIONS

- Ø Since IRCTC is a monopoly organization, there is no competition and borrowings of IRCTC are very less. Therefore, it is clear that IRCTC can issue more number of debentures & bonds. It is also suggested that private debt can be mobilized to an optimum level.
- Ø It is recommended that in order to be a customer friendly company there should be constant innovation using modern technology.
- Ø It is recommended that IRCTC should evolve high standards of business ethics, quality management and effective cost control measures.

CONCLUSION

Indian Railways is the only railway service provider in the country operated by Ministry of Railways, Government of India. It enjoys pure monopoly. It is the world's fourth largest railway network is in India. Indian railways provide a convenient, reliable, accessible and economical means of public transport. Accordingly, the researcher gives some insights into the financial performance. It's found that service sector is doing well than production sector. Therefore it is necessary to improve the revenue of production department. However, findings of this study will be helpful for the managers in strategy making and future planning. Thereby, increasing the focus on quality and consistent service orientation will best serve the needs of the travelling public at large.

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