

PROJECT REPORT

“Financial Analysis of Air India”

Submitted to

G.S College of Commerce & Economics, Nagpur

Affiliated to

Rashtrasant Tukadoji Maharaj, Nagpur University, Nagpur

In partial fulfilment for the award of the degree of

BACHELOR OF BUSINESS ADMINISTRATION

Submitted by:

Mohd. Sufiyan Mohd Sharique Sheikh

Under the guidance of:

Dr. Pragati Pandey

G.S College of Commerce & Economics, Nagpur

Academic Year 2023-24



G.S College of Commerce & Economics, Nagpur

Academic Year 2023-24



CERTIFICATE

This is to certify that “**Mohd Sufiyan Mohd Sharique Sheikh**” has submitted the project report titled “**Financial Analysis of Air India**”, towards partial fulfilment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he/she has ingeniously completed his/her project as prescribed by **Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur**

Dr. Pragati Pandey
(Project Guide)

Dr. Afsar Sheikh
(Co-Ordinator)

Place: Nagpur, Maharashtra

Date:

G.S College of Commerce & Economics, Nagpur

Academic Year 2023-24



DECLARATION

I hereby declare that the project with title “**Financial Analysis of Air India**” has been completed by me in partial fulfilment of **BACHELOR OF BUSINESS ADMINISTRATION** degree as prescribed by **Rashtrasant Tukadoji Maharaj University, Nagpur** and this has not been submitted for any other examination and does not form the part of any other course undertaken by me

Mohd Sufiyan Mohd Sharique Sheikh
(Research Student)

Place: Nagpur, Maharashtra

Date:

G.S College of Commerce & Economics, Nagpur

Academic Year 2023-24



ACKNOWLEDGEMENT

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to **Dr. Praveen Mustoor, Principal, G.S. College of Commerce & Economics, Nagpur.**

I am extremely thankful to my **Project Guide Dr. Pragati Pandey** for his/her guidance throughout the project. I tender my sincere regards to **Co-Ordinator, Dr. Afsar Sheikh** for giving me outstanding guidance, enthusiastic suggestions and invaluable encouragement which helped me in the completion of the project.

I will fail in my duty if I do not thank the non-Teaching staff of the college for their co-operation. I would like to thank all those who helped me in making this project complete and successful.

Mohd Sufiyan Mohd Sharique Sheikh
(Research Student)

Place: Nagpur, Maharashtra

Date:

INDEX

CHAPTER NO.	PARTICULARS	PAGE NO.
1	Introduction	1
2	Company Profile	6
3	Literature Review	13
4	Problem Definition	16
5	Need of Study	18
6	Objectives of Study	20
7	Limitations of Study	22
8	Research Methodology	24
9	Hypothesis	26
10	Data Analysis & Interpretation	28
11	Hypothesis Testing	40
12	Findings	42
13	Conclusion	44
14	Bibliography	46
15	Annexure	48

CHAPTER 1
INTRODUCTION

INTRODUCTION

India's civil aviation industry has experienced remarkable growth and transformation in recent years, emerging as one of the fastest-growing sectors within the country's economy. This growth is propelled by various factors, including increasing urbanization, rising disposable incomes, government initiatives, and advancements in technology



Over the past three years, the industry has witnessed significant expansion across its various segments, positioning itself as a key driver of economic development and connectivity both domestically and internationally.

INDUSTRY SEGMENTATION AND DYNAMICS

The civil aviation industry in India can be broadly segmented into three main categories, each playing a crucial role in facilitating air travel and cargo transportation:

1. SCHEDULED AIR TRANSPORT SERVICE

This segment encompasses both domestic and foreign airlines operating scheduled flights within India and to international destinations. With the liberalization of air travel policies and the introduction of initiatives like the UDAN (Ude Desh Ka Aam Nagrik) scheme, which aims to enhance regional connectivity, scheduled air transport services have experienced substantial growth. This has led to increased competition among airlines, improved service quality, and expanded route networks, thereby enhancing accessibility and convenience for passengers

2. NON-SCHEDULED AIR TRANSPORT SERVICE

The non-scheduled air transport service includes charter operators, air taxi operators, and other air transport companies catering to specific and on-demand flight requirements. This segment caters to a diverse range of clientele, including corporate travellers, tourists, and individuals seeking personalized travel experiences. The flexibility and convenience offered by non-scheduled operators have contributed to their popularity, particularly among high-net-worth individuals, business executives, and leisure travellers seeking bespoke travel solutions

3. AIR CARGO SERVICE

The air cargo segment involves the transportation of goods and mail via air carriers, facilitating swift and efficient logistics solutions for businesses across various industries. With the exponential growth of e-commerce and global trade, the demand for air cargo services has surged, driven by the need for expedited delivery times and reliable supply chain management. Additionally, advancements in cold chain logistics have further boosted the transportation of perishable goods, pharmaceuticals, and other time-sensitive commodities via air freight, underscoring the critical role of air cargo in facilitating trade and commerce.

MARKET OUTLOOK AND GROWTH PROJECTIONS

India's civil aviation industry is poised for continued growth and expansion in the coming years, with promising indicators pointing towards a robust future. According to forecasts by the International Air Transport Association (IATA), India is projected to surpass both China and the United States to become the world's largest air passenger market by 2030. This exponential growth trajectory is underpinned by several factors, including demographic trends, urbanization, increasing affluence, and a burgeoning middle class with a propensity for air travel.

Furthermore, the rising demand for air travel and cargo services has led to a surge in the number of airplanes operating within the sector. This proliferation of aircraft fleets underscores the industry's capacity expansion efforts to meet growing passenger and freight volumes, enhance operational efficiency, and maintain safety standards. Additionally, investments in airport infrastructure, airspace management, and technological innovations such as NextGen Air Traffic Management systems are poised to further catalyse industry growth and enhance the overall passenger experience.

GOVERNMENT INITIATIVES AND POLICY SUPPORT

The Indian government has played a pivotal role in fostering the growth and development of the civil aviation industry through strategic initiatives and policy interventions. Initiatives such as the Regional Connectivity Scheme (RCS) and the National Civil Aviation Policy (NCAP) aim to promote affordability, accessibility, and sustainability in air travel while fostering regional connectivity and infrastructure development



Moreover, regulatory reforms and liberalization measures have encouraged private sector participation, foreign direct investment (FDI), and innovation within the aviation ecosystem. These efforts have led to the emergence of new airlines, the expansion of existing carriers, and the modernization of airport infrastructure to accommodate growing passenger and cargo volumes effectively.

CHALLENGES AND OPPORTUNITIES

Despite the significant strides made by India's civil aviation industry, several challenges persist, necessitating concerted efforts from stakeholders to address them effectively. Key challenges include infrastructure constraints, airspace congestion, regulatory bottlenecks, fluctuating fuel prices, environmental concerns, and the need for skilled manpower.

However, these challenges also present opportunities for innovation, collaboration, and sustainable growth. Investments in infrastructure modernization, fleet expansion, digitalization, and talent development can enhance the industry's resilience, competitiveness, and sustainability in the long run. Furthermore, the adoption of green aviation technologies, such as sustainable aviation fuels (SAFs) and electric aircraft, can mitigate the industry's environmental footprint while fostering a more sustainable aviation ecosystem.

CHAPTER 2
COMPANY PROFILE

COMPANY PROFILE



Air India Ltd, a renowned full-service airline, has undergone significant transformation under the ownership of **Tata Sons Pvt Ltd**. With a rich legacy and global reach, Air India serves as a symbol of India's aviation prowess and connectivity. The acquisition by Tata has ushered in a new era of opportunity and revitalization for the airline, with a strategic focus on enhancing operations, service quality, and market competitiveness



CORPORATE OVERVIEW

Established as a subsidiary of **Tata Sons Pvt Ltd**, Air India operates as a full-service carrier, serving a diverse portfolio of destinations across the globe. With a comprehensive route network encompassing 84 destinations, including 44 domestic and 40 international destinations spanning five continents, Air India has established itself as a prominent player in the global aviation landscape. The airline's headquarters are located in New Delhi, India, strategically positioned to serve as a gateway to the vibrant Indian subcontinent and beyond

FLEET COMPOSITION AND CAPABILITIES

Air India boasts a modern and versatile fleet comprising a mix of wide-body and narrow-body aircraft, tailored to meet the diverse needs of passengers and cargo transportation.

The fleet includes:

- Airbus A319, A320, A320 Neo, A321, A321 Neo, A350
- Boeing 787-8, 777-200LR, B777-300ER



This diverse fleet enables Air India to optimize route economics, passenger comfort, and operational efficiency while adhering to the highest safety standards and regulatory requirements. Additionally, through strategic code-share agreements and joint initiatives with fellow Star Alliance members, Air India extends its reach and connectivity, enhancing the travel experience for its customers worldwide

OPERATIONAL PERFORMANCE AND GROWTH TRAJECTORY

In recent years, Air India has demonstrated robust growth and performance, marked by a steady increase in passenger volumes and market share. Since FY22, the airline has witnessed a remarkable surge in passenger numbers, with an impressive year-on-year growth rate of 33%, culminating in the carriage of over 40 million passengers. This upward trajectory underscores Air

India's resilience, adaptability, and customer-centric approach in navigating the dynamic aviation landscape

MISSION AND VISION

At the heart of Air India's operations lies a steadfast commitment to excellence, innovation, and customer satisfaction. Guided by a compelling mission and vision, the airline aspires to:

Mission: To be the preferred airline of choice, delivering unparalleled service, safety, and reliability to our passengers while contributing positively to India's economic growth and global connectivity

Vision: To redefine the aviation experience by leveraging cutting-edge technology, operational efficiency, and a customer-centric approach, thereby setting new benchmarks for excellence in the global aviation industry

These guiding principles underscore Air India's dedication to excellence, continuous improvement, and sustainability, positioning the airline as a trusted partner for travellers, stakeholders, and the communities it serves.

LOGO AND LIVERY



The emblem of the rebranded airline features a striking red flying swan, incorporating elements from Air India's iconic 'The Centaur' logo, while integrating the revered 'Konark Chakra' in vibrant orange. Positioned within the silhouette of the swan, the 'Konark Chakra' symbolizes the rich

cultural heritage of India. This revamped logo takes centre stage on the tail of the aircraft, symbolizing the fusion of tradition and modernity.

The aircraft's exterior boasts an ivory hue, paying homage to its heritage, while retaining the signature red streak of Air India. Parallel to each other, vibrant orange and red speed lines adorn the fuselage, subtly representing the amalgamation of distinct identities into a unified brand. Emblazoned across the tail is the brand name 'Air India,' reaffirming its legacy and prominence in the aviation industry.

Adding a touch of regal elegance, the windows are adorned with painted red palace-style carvings, resonating with the airline's slogan, "your palace in the sky." This intricate detailing adds to the allure and grandeur of the aircraft's exterior, reflecting the airline's commitment to providing passengers with an unparalleled flying experience.

THE MAHARAJA



Originating as a symbol of opulence and refinement, the Maharaja emblem personifies gracious hospitality and luxurious living. Evolving over time, the Maharaja acquired distinctive features, including his trademark oversized moustache, adorned turban, and aristocratic nose. These defining characteristics encapsulate the essence of Indian hospitality and cultural richness, embodying the airline's commitment to delivering exceptional service and comfort to passengers.

The Maharaja's portrayal serves as a nostalgic reminder of Air India's storied history and enduring legacy in the aviation industry. As an enduring symbol of elegance and sophistication, the Maharaja continues to captivate passengers worldwide, symbolizing the timeless allure of Air India's unparalleled service and hospitality.

STRATEGIC INITIATIVES AND REVITALIZATION EFFORTS

Tata's acquisition of Air India in FY22 heralded a new chapter in the airline's storied history, marked by ambitious revitalization efforts aimed at enhancing competitiveness, efficiency, and customer experience. Leveraging Tata's extensive experience and resources in diverse sectors, Air India is poised to undergo a comprehensive transformation across various facets of its operations, including:

- 1. Service Excellence:** Air India is committed to elevating service standards and passenger experience through personalized service, enhanced amenities, and innovative offerings tailored to diverse traveller preferences.
- 2. Operational Efficiency:** Streamlining operational processes, optimizing route networks, and embracing digitalization are integral to Air India's strategy for improving efficiency, reducing costs, and enhancing overall performance.
- 3. Fleet Modernization:** With a focus on fleet renewal and modernization, Air India aims to enhance aircraft reliability, fuel efficiency, and environmental sustainability, while ensuring the highest levels of safety and comfort for passengers.
- 4. Network Expansion:** Expanding its footprint in key domestic and international markets, Air India seeks to strengthen connectivity, unlock new growth opportunities, and foster economic development through enhanced air transport infrastructure.
- 5. Talent Development:** Investing in talent acquisition, training, and development is essential to fostering a culture of excellence, innovation, and employee engagement within Air India, driving organizational success and customer satisfaction.

By implementing these strategic initiatives and harnessing Tata's expertise and resources, Air India is poised to emerge as a leading player in the global aviation industry, redefining the benchmark for excellence and innovation.

Air India's journey under Tata's ownership represents a compelling saga of transformation, revitalization, and growth. With a rich legacy, global reach, and unwavering commitment to excellence, the airline is well-positioned to chart a course toward sustainable success and leadership in the dynamic aviation landscape. By embracing innovation, operational excellence, and customer-centricity, Air India is poised to soar to new heights, setting new standards of excellence and shaping the future of aviation in India and beyond.

CHAPTER 3
LITERATURE REVIEW

LITERATURE REVIEW

1. Nishi Nagar (2021)

In her study "FINANCIAL PERFORMANCE OF AIR INDIA AND THE IMPACT OF COVID-19 ON THE TRANSPORTATION INDUSTRY". The study aimed to analyze the financial performance of Air India and provided a clear understanding of the impact of COVID-19 on the transportation sector, particularly the Aviation Industry. The primary objective of the study was to conduct a financial analysis of Air India with the help of some financial tools such as ratio analysis. The secondary objective of the study was to research the impact of COVID-19 on the transportation industry. The study helped in analyzing the profitability, solvency, and liquidity position of the company, i.e., whether the company could fulfil its short-term and long-term financial requirements. The study also helped in understanding the impact COVID-19 had on the transportation sector and what changes occurred in the sector.

It examined the steps taken by the transportation sector to recover from the damage caused by the pandemic restrictions and the new strategies formed by the industry to resume operations alongside the pandemic restrictions. Different ratios such as Net Profit Ratio, Gross Profit Ratio, Current Ratio, Quick Ratio, Capital Turnover Ratio, Proprietary Ratio, Debt to Equity Ratio, and Total Assets to Debt Ratio were calculated to study the financial performance of Air India Limited. The research paper helped in identifying the reasons behind the failure of Air India Limited and provided some measures to overcome the losses.

The financial performance of Air India was unsatisfactory throughout the study period. The company was under a debt trap of Rs. 60,000 according to the reports of 2020. The Net Profit Ratio of the company during the study period of four years ranging from 2015-16 to 2018-19 was negative, indicating that the company was suffering from Net Losses throughout the study period.

2. Deepak Kumar, University of Lucknow (2018)

In his study “Scenario of Air India”. Throughout the analysis of this case study, the primary focus was on understanding Air India's competitive strategies and revenue-generation initiatives. Specifically, the study aimed to explore how Air India competed with private companies in the aviation sector, including its pricing strategies and customer engagement efforts. Additionally, the investigation delved into the feasibility of opening new routes to boost revenue streams and extend the airline's reach. Evaluating Air India's brand image relative to its competitors was another crucial aspect, involving assessments of service quality and customer satisfaction levels. Strategies for achieving optimal results in challenging market conditions were also explored.

To gather relevant insights, primary data was collected through personal interviews with key individuals. Secondary data from sources like Air India Travel Magazine and annual reports supplemented this research. The aim was to provide comprehensive recommendations based on a thorough analysis, supporting Air India's strategic decision-making and enhancing its competitive edge in the aviation industry.

Air India's operational philosophy diverged from mere profit maximization, given its status as a public limited company. Rather than singularly pursuing financial gains, the airline placed significant emphasis on customer service and the expansion of its route network to better connect remote areas across the nation. This approach reflected a broader commitment to fulfilling its public service mandate, catering to the diverse needs of passengers while contributing to the socio-economic development of India.

CHAPTER 4
PROBLEM DEFINITION

PROBLEM DEFINITION

India stands as the third largest and swiftly expanding airline market globally, with a substantial annual passenger traffic of 327.8 million during the fiscal year FY23. Notably, Air India, as the nation's flag carrier, boasts a storied history and holds the distinction of being one of the oldest players in the market. With the recent takeover by the Tata Group, the airline is poised for even greater growth potential in the future.

Given these circumstances, this study assumes paramount importance as it seeks to delve into the current financial standing of Air India. Furthermore, it aims to scrutinize the feasibility and efficacy of the growth refurbishment plans envisioned by the Tata Group for the airline. By conducting a thorough analysis, this study aims to provide valuable insights that can inform strategic decisions and pave the way for sustainable growth and success in the dynamic aviation landscape of India

CHAPTER 5
NEED OF STUDY

NEED OF STUDY

1. Insight into Current Market Position and Market Share:

- This study aims to provide insights into where Air India stands in the aviation market, including its competitive landscape, market share, and positioning relative to other carriers.

2. Analysis of Current Financial Status:

- Assessing the financial health of Air India is essential for gauging its sustainability and viability in the industry. This study will delve into Air India's financial statements, key performance indicators, and other relevant metrics to provide a comprehensive analysis of its financial status.

3. Financial Performance Evaluation:

- This study seeks to evaluate Air India's financial performance by examining critical indicators including revenue growth, profitability, liquidity, solvency, and efficiency ratios. By analyzing these metrics, we aim to gain insights into the airline's financial health, operational efficiency, and overall sustainability.

CHAPTER 6
OBJECTIVES OF STUDY

OBJECTIVES OF STUDY

The objectives of this study encompass a multifaceted examination of Air India's financial landscape and strategic trajectory:

The primary goals of this study are as follows: -

1. To review the financial well-being of Air India
2. To scrutinize the cash flow of Air India
3. To assess Air India's financial performance by examining critical indicators including revenue growth, profitability, liquidity, solvency, and efficiency ratios
4. To inspect the key developments made by Air India since the Tata Group Takeover

CHAPTER 7
LIMITATIONS OF STUDY

LIMITATIONS OF STUDY

- The comprehensive evaluation of Air India's financial well-being may be limited by the availability and accuracy of financial data provided by the airline
- The survey conducted among college-level individuals was hindered by a limited number of respondents who had prior experience traveling with Air India, resulting in a constrained dataset reflecting only a small segment of the audience.
- Scrutinizing the cash flow dynamics of Air India may be constrained by limited access to detailed financial records or proprietary information.
- Without complete transparency from the airline, it may be challenging to thoroughly assess cash flow trends and management practices
- Assessing the likelihood of success of Air India's future reconditioning proposals involves making predictions about the airline's performance and the effectiveness of proposed strategies. However, unforeseen external factors, changes in market conditions, or implementation challenges may impact the accuracy of these predictions
- Inspecting the key developments made by Air India since the Tata Group takeover may be limited by the availability of post-acquisition data.
- Considering the limited timeframe of the study and the dependency on release of relevant information, there may be constraints on analyzing the full extent of changes and initiatives undertaken by the airline under new ownership

CHAPTER 8
RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

Secondary Data:

Due to the nature of the topic being focused solely on financial analysis, secondary data will be sourced primarily from reputable sources to supplement and validate the findings obtained from primary data collection. The following sources will be utilized:

- **Financial News Sites:** These platforms will provide valuable information regarding Air India's financial performance, market trends, and industry analysis. Insights gathered from financial news sites will contribute to the evaluation of the airline's financial stability and market position.
- **Air India's Official Website:** Air India's official website will serve as a crucial source of information regarding the airline's policies, services, routes, and corporate announcements. Accessing official documents and reports available on the website will enhance the understanding of Air India's strategies and initiatives.
- **Online Media Houses:** Online media houses often publish articles, reports, and analyses related to Air India, covering a wide range of topics such as operational updates, industry developments, and customer feedback. These sources will provide additional perspectives and context to the research findings.
- **YouTube Content Creators:** YouTube content creators who specialize in aviation and travel-related content may offer unique insights and perspectives on Air India's services, customer experiences, and industry trends. Analyzing content from these creators can provide valuable qualitative data to complement the research findings and enrich the understanding of public perception.

CHAPTER 9
HYPOTHESIS

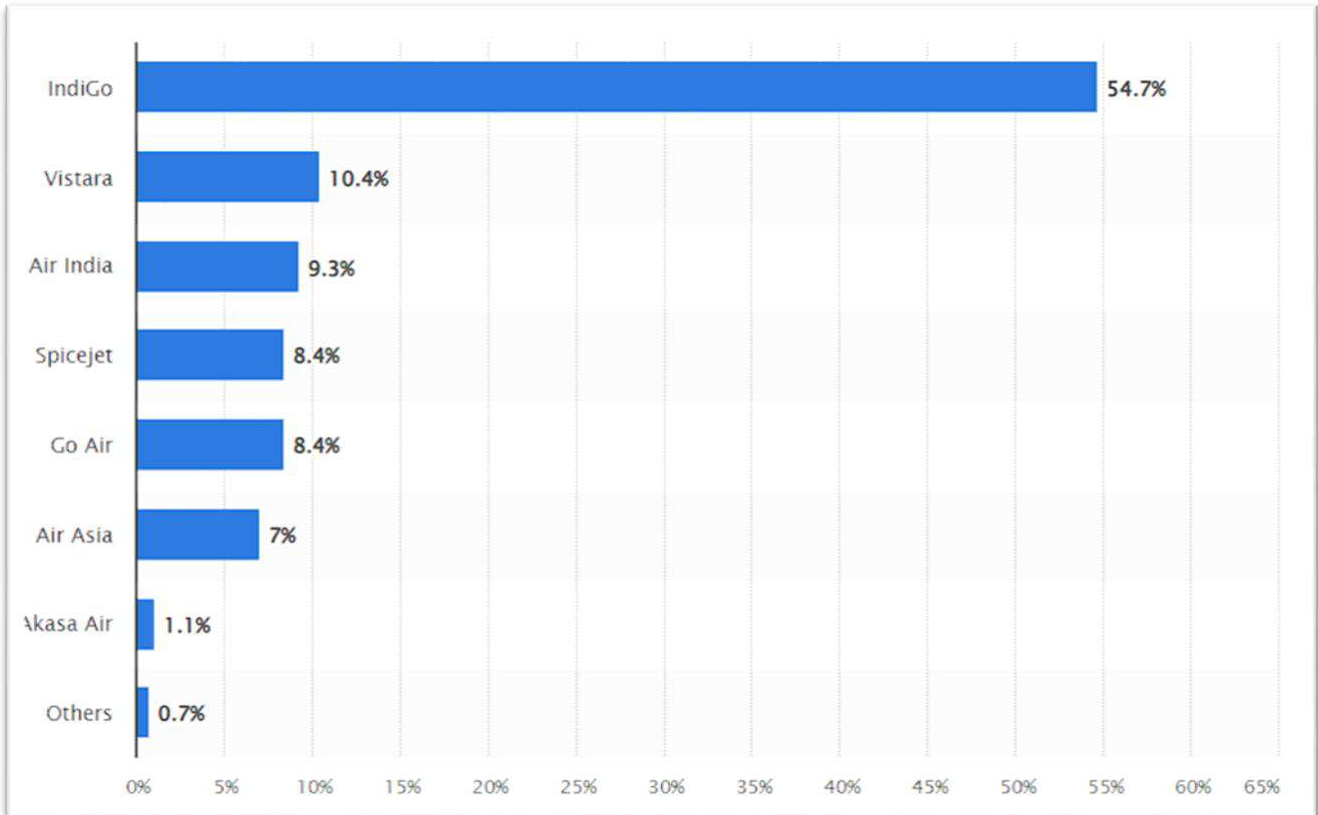
HYPOTHESIS

Hypothesis: Relevance of Historical Performances before Tata Group Takeover

- **H0** - All historical performances of Air India before the Tata Group takeover are not considered relevant. In other words, the airline's past performance and trends do not provide valuable insights or guidance for assessing its future trajectory under new ownership.
- **H1** - All historical performances of Air India before the Tata Group takeover are considered relevant. This implies that analyzing the airline's past performance is essential for understanding its overall trajectory, identifying patterns, and making informed decisions about its future strategies and prospects

CHAPTER 10
DATA ANALYSIS AND
INTERPRETATION

DATA ANALYSIS AND INTERPRETATION



DOMESTIC MARKET SHARE OF AIRLINES IN INDIA (FY23)

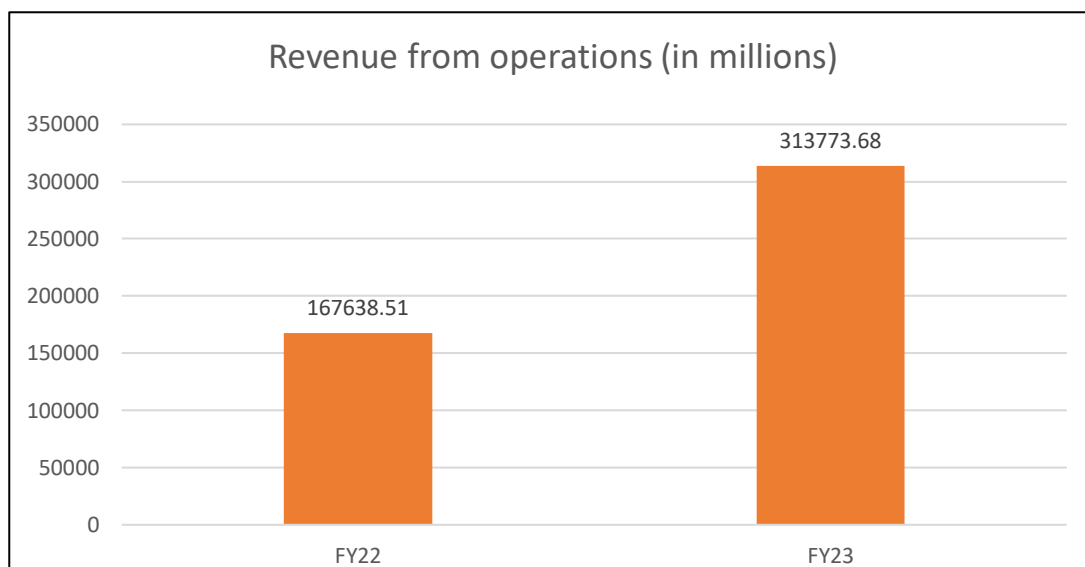
INTERPRETATION: -

As per the data given above, the **Market share of Air India in FY23 is 9.3%** which ranks on the 3rd position whereas the **top 2 market leaders are Vistara and Indigo Airlines** where **Vistara has 10.4%** and **Indigo has a huge 54.7% market share.**

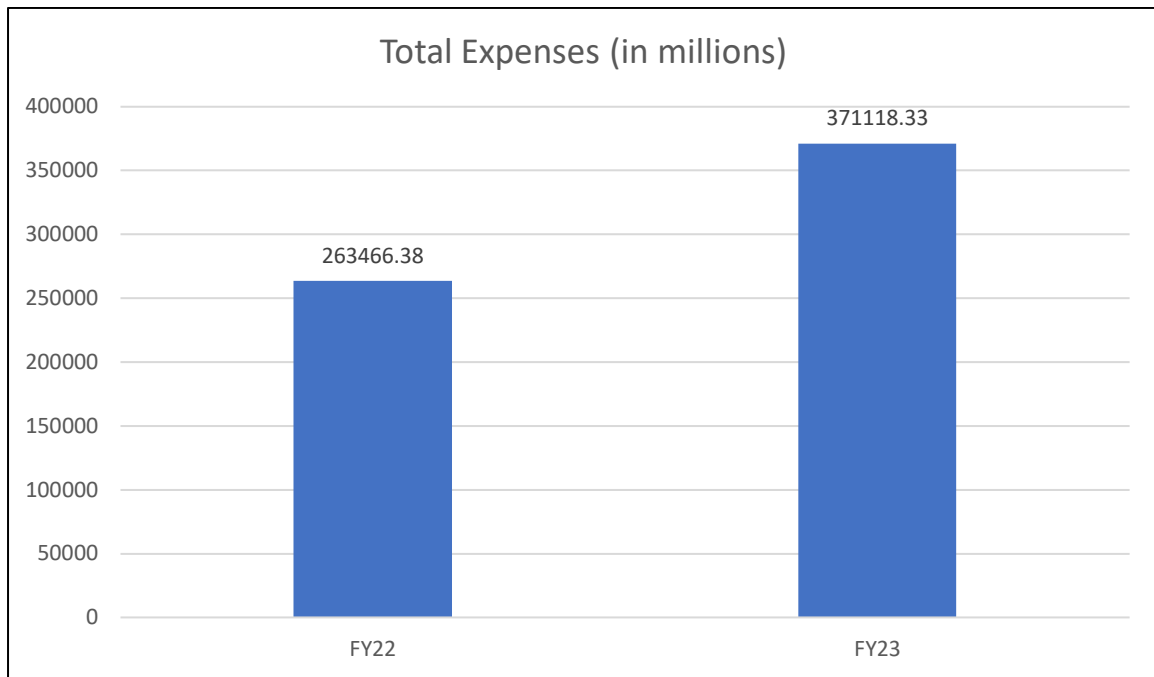
Upon analysing the Profit & Loss Statement, the following observations have been made: -



- The airline reported a loss of **₹113,879.56 million**, up **21.7116 per cent** from the previous fiscal year, FY22, which had a loss of **₹93,565.10 million** after accounting for write-offs and exceptional items.



- Its revenues from operations almost doubled to **₹313,773.68 million** in FY23 from **₹167,638.51 million** the same time last year.

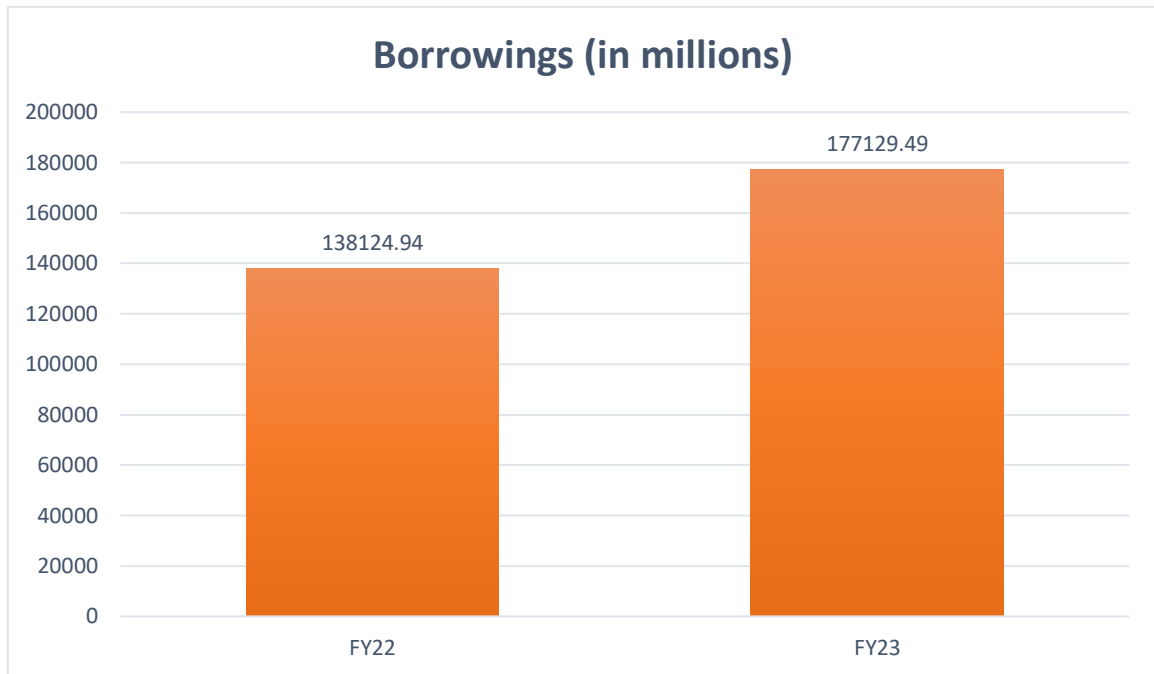


- The company's total expenses for the fiscal year ending on March 31, 2023, increased by approximately **40.8 per cent**, reaching **₹371,118.33 million**, up from **₹263,466.38 million**.

The escalation observed can be attributed to a multitude of factors, prominently encompassing noteworthy exceptional items. The airline has allocated funds towards the refurbishment and induction of aircraft, technological enhancements, and the augmentation of workforce, among other initiatives

Upon analysing the Balance Sheet Statement, the following major observations have been made:-

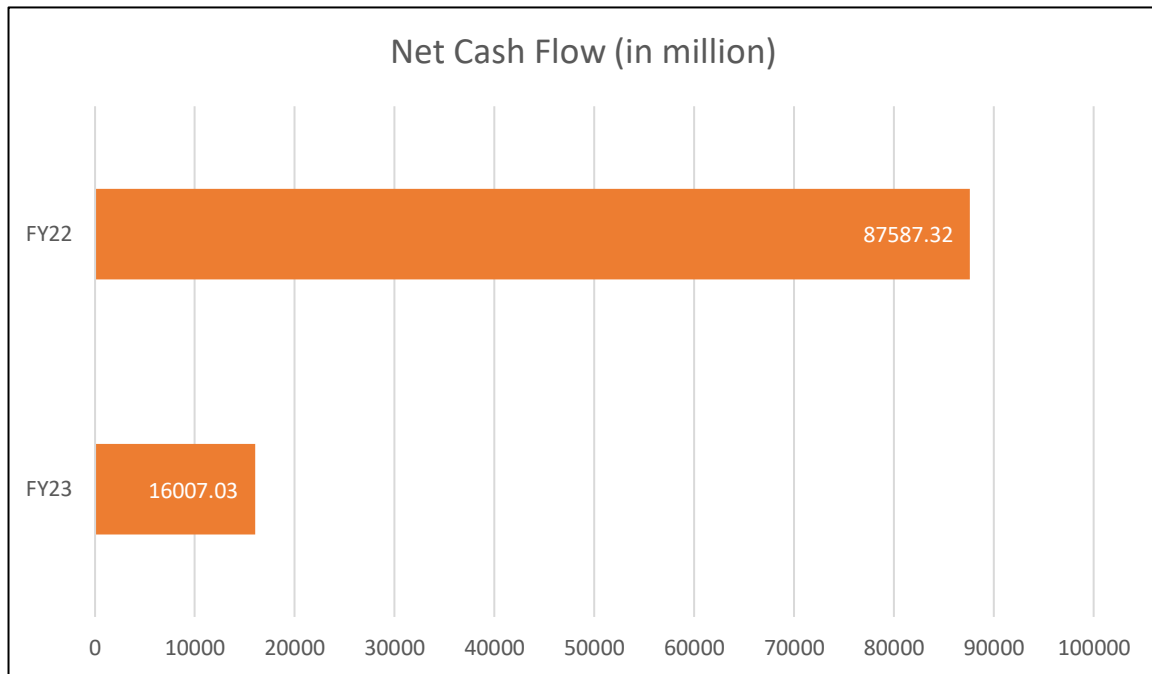
- The total number of assets in **FY23** have also gone up to **₹541,218.06 million** from **₹492,598.30 million** in **FY22**



The airline's borrowings in **FY23** have risen by **28.2%** to **₹177,129.49 million** from **₹138,124.94 million** in the previous year **FY22**

- The total non-current liability of the company has drastically surged to **₹151,473.34 million** in **FY23** which is approximately **59.3%** higher from **₹95,062.43 million** in the same time last year **FY22**
- The total equity and liability of the company in **FY23** has been up by **9.87%** to **₹541,218.06 million** from **₹492,598.30 million** in **FY22**

Upon analysing the Cash Flow Statement, the following major observations have been made:-



The net cash flow of the operating activities has seen a dip from **₹87,587.32 million FY22 to ₹16,007.01 million in FY23**

- The purchase of investments of Air India rose to **₹269,493.58 million in FY23** which was just **₹17,642.80 million in FY22 which is approximately 1427.5%**
- The net cash and cash equivalent of Air India at the beginning of the year FY22-23 was **₹14,033.78 million**
- The net cash and cash equivalent of Air India at the end of the year FY22-23 was **₹8,065.54 million only**

❖ FINANCIAL RATIOS: -

Financial ratios are crucial metrics used to evaluate a company's financial performance and health by analyzing its financial statements. These ratios provide valuable insights into various aspects of a company's operations, profitability, liquidity, efficiency, and solvency.

Here are some key financial ratios commonly used for analysis:

1. Liquidity Ratio

2. Profitability Ratio

3. Efficiency Ratio

4. Solvency Ratio

1. Liquidity Ratios: These ratios assess a company's ability to meet its short-term obligations.

- **Current Ratio:** It compares current assets to current liabilities, indicating the company's ability to cover its short-term liabilities with its short-term assets. A ratio above 1 suggests the company can meet its short-term obligations.
- **Quick Ratio (Acid-Test Ratio):** This ratio is similar to the current ratio but excludes inventory from current assets since inventory may not be easily convertible to cash. It provides a more conservative measure of liquidity.

2. Profitability Ratios: These ratios measure the company's ability to generate profits relative to its revenue, assets, and equity.

- **Gross Profit Margin:** It represents the percentage of revenue that exceeds the cost of goods sold and is a measure of a company's efficiency in production.

- **Net Profit Margin:** This ratio shows the percentage of revenue that remains as net income after all expenses, including taxes and interest.
- **Return on Assets (ROA):** It indicates the company's ability to generate profit from its assets, showing how efficiently management is using its assets to generate earnings.

3. Efficiency Ratios: These ratios measure how effectively a company utilizes its resources.

- **Asset Turnover Ratio:** It indicates how efficiently a company uses its assets to generate revenue, showing the company's ability to generate sales from its assets.
- **Inventory Turnover Ratio:** This ratio measures how many times a company's inventory is sold and replaced over a specific period, indicating how effectively the company manages its inventory.

4. Solvency Ratios: These ratios assess a company's ability to meet its long-term obligations.

- **Debt-to-Equity Ratio:** It compares a company's total debt to its shareholders' equity, indicating the proportion of financing that comes from debt relative to equity.
- **Debt Ratio:** The debt ratio compares a company's total debt to its total assets. It shows the percentage of a company's assets that are financed by debt. A higher debt ratio indicates higher financial leverage and may signal increased financial risk, while a lower ratio suggests a more conservative capital structure

❖ **RATIO ANALYSIS: -****1. Debt to Equity Ratios**

The Debt-to-Equity Ratio is a fundamental financial ratio that compares a company's total debt to its total equity, serving as an indicator of the company's leverage. Here's how you calculate it:

$$\text{Debt to Equity Ratio} = \text{Total Debt} / \text{Total Equity}$$

- **Total Debt:** This includes all of a company's short-term and long-term debt obligations, such as bank loans, bonds, and any other forms of debt.
- **Total Equity:** This represents the total value of shareholders' equity, including retained earnings and contributed capital

In Air India's case, with reference to the balance sheet and other financial statements: -

- The total debt of the company is roughly around **₹4,43,640.39 million**
- The total equity of the company is **₹97,577.67 million**

Therefore,

$$\text{Debt To Equity Ratio of Air India} = 4,43,640.39 / 97,577.67 = \mathbf{4.54 \text{ times}}$$

Note: The debt-to-equity in Air India's Case is extremely high meaning that the company is mostly being run on debt funds which is an unfavourable situation

2. Asset Turnover Ratio

The Asset Turnover Ratio is a financial metric used to measure how efficiently a company utilizes its assets to generate revenue. It indicates the number of sales generated for each unit of assets the company possesses. Here's how you calculate it:

$$\text{Asset Turnover Ratio} = \text{Net Sales} / \text{Average Total Assets}$$

- **Net Sales:** This represents the total revenue generated by the company after deducting any sales discounts, returns, and allowances.
- **Average Total Assets:** This is the average value of a company's total assets over a specific period, typically calculated by adding the total assets at the beginning and end of the period and dividing by two

In Air India's case, with reference to the balance sheet and other financial statements: -

- The net sales or revenue from operations of Air India is roughly **₹313,773.68 million**
- The Average total assets are roughly around **₹541,218.06**

Therefore,

$$\text{Asset Turnover Ratio of Air India} = 313,773.68 / 541,218.06 = \mathbf{0.5 \text{ times}}$$

Note: The company's asset turnover ratio clearly indicates the total assets are not generating enough revenue at the end of the year

3. Current Ratio:

The Current Ratio is a financial metric used to evaluate a company's short-term liquidity and its ability to meet its short-term liabilities with its short-term assets. It's calculated by dividing the company's current assets by its current liabilities. The formula is as follows:

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

- **Current Assets:** These are assets that are expected to be converted into cash or used up within one year or one operating cycle, whichever is longer. Examples include cash, accounts receivable, inventory, and short-term investments.
- **Current Liabilities:** These are obligations that are due within one year or one operating cycle. Examples include accounts payable, short-term loans, and current portions of long-term debt

In Air India's case, with reference to the balance sheet and other financial statements: -

- The current assets are roughly around **₹146,504.78 million**
- The current liabilities of Air India are **₹292,167.05 million**

Therefore,

$$\text{Current ratio of Air India} = 146504.78 / 292167.05 = \mathbf{0.5014 \text{ times}}$$

Note: A Current Ratio of 0.5 is not desirable for the firm because it means that they do not have enough current assets to cover the short-term obligations towards their creditors

4. Return on Equity (ROE): -

Return on Equity (ROE) is a financial ratio that measures a company's profitability relative to its shareholders' equity. It indicates how efficiently a company generates profits from the capital invested by its shareholders. The formula to calculate ROE is:

$$\text{ROE} = \text{Net Profit} / \text{Average Shareholders' Equity} \times 100$$

- **Net Income:** This represents the company's total profits after deducting all expenses, including taxes, interest, and operating expenses.
- **Average Shareholders' Equity:** This is the average value of shareholders' equity over a specific period, typically calculated by adding the shareholders' equity at the beginning and end of the period and dividing by two. Shareholders' equity includes retained earnings and contributed capital.

In Air India's case, with reference to the balance sheet and other financial statements: -

- The net income of Air India is roughly **₹-(113,811.62) million**
- The average shareholder's equity is **₹97,577.67 million**

Therefore,

$$\text{Return on Equity} = \frac{\text{₹}-(113,811.62)}{97,577.67} \times 100 = - \text{₹}116.63$$

Note: A negative ROE for Air India indicates that the company's net income is insufficient to cover the shareholders' equity, suggesting a lack of profitability and potentially inefficient utilization of equity capital

CHAPTER 11
HYPOTHESIS TESTING

HYPOTHESIS TESTING

Hypothesis: Relevance of Historical Performances before Tata Group Takeover

- **H0** - All historical performances of Air India before the Tata Group takeover are not considered relevant. In other words, the airline's past performance and trends do not provide valuable insights or guidance for assessing its future trajectory under new ownership.
- **H1** - All historical performances of Air India before the Tata Group takeover are considered relevant. This implies that analyzing the airline's past performance is essential for understanding its overall trajectory, identifying patterns, and making informed decisions about its future strategies and prospects

As per the analysis of the financial statements of Air India, the company is found to be in severe debts and has a debt-to-equity ratio of 4.5 times (approx.) which indicates that the airline is majorly being funded by debt funds which is a highly unfavourable condition for a company to be in. Given the capital-intensive nature of the aviation industry, there is an increased demand for capital to sustain and operate the business effectively. Although, the airline has managed to double its revenue, the airline has still booked a huge loss of ₹113,879.56 million, up by 21.71 % from the previous fiscal year, FY22, which had a loss of ₹93,565.10 million.

Considering all of these aspects, **H1 is considered to be true** as the historical performance of Air India will pose a huge challenge for the Tata group to bring the airline in a stable position in the market.

CHAPTER 12
FINDINGS

FINDINGS

1. Air India's market share in FY23 is 9.3%, ranking third, with Vistara at 10.4% and Indigo at 54.7%.
2. The airline reported a loss of ₹113,879.56 million in FY23, up 21.7116% from FY22.
3. Revenues from operations nearly doubled to ₹313,773.68 million in FY23 from ₹167,638.51 million in FY22.
4. Total expenses for FY23 increased by approximately 40.8% to ₹371,118.33 million.
5. Airline's borrowings in FY23 rose by 28.2% to ₹177,129.49 million from ₹138,124.94 million in FY22.
6. The debt-to-equity ratio indicates Air India is heavily reliant on debt funding, which is unfavourable.
7. A Current Ratio of 0.5 indicates insufficient current assets to cover short-term obligations towards creditor
8. According to the recent reports of customers travelling through the airline and many experts' speculations it is clearly being seen that Air India is making some drastic changes in its operations
9. Tata Group that took control of Air India in January 2022 had placed orders for 470 aircraft from Airbus and Boeing at \$70 billion earlier this year. Its Boeing aircraft order for 220 aircrafts comprised 190 Boeing 737MAX narrowbody planes, 20 Boeing 787 Dreamliners and 10 Boeing 777X
10. Air India has also worked on the new logo and spent \$400 million refurbishing its entire fleet to incorporate the new logo.

CHAPTER 13
CONCLUSION

CONCLUSION

In conclusion, the study has provided valuable insights into the current market position and financial status of Air India, as well as the strategic direction under the Tata Group's stewardship. Despite facing stiff competition and enduring financial challenges, Air India has shown resilience and determination in its efforts to revitalize and strengthen its operations.

The analysis revealed that while Air India's market share remains modest compared to industry leaders, its recent initiatives, including strategic aircraft orders and fleet refurbishments, demonstrate a commitment to modernization and growth. The partnership with the Tata Group has brought renewed optimism, with ambitious plans for fleet expansion and service enhancements.

However, challenges persist, particularly in financial sustainability and operational efficiency. The airline's heavy reliance on debt funding and the need for improved cash flow management underscore the importance of prudent financial strategies moving forward.

Moreover, the findings highlight the significance of customer satisfaction and perception, with positive indications regarding improvements in service quality and on-time performance. The willingness of customers to recommend Air India and their overall satisfaction rates signal potential for continued progress and success.

In light of these insights, it is evident that Air India is on a transformative journey, guided by a vision for excellence and innovation. As the airline continues to navigate a dynamic and competitive industry landscape, the implementation of strategic initiatives and prudent financial management will be crucial in realizing its full potential and securing a sustainable future.

CHAPTER 14
BIBLIOGRAPHY

BIBLIOGRAPHY

1. <https://www.thehindubusinessline.com/economy/logistics/air-indias-losses-up-by-18-per-cent-in-fy23-revenues-double/article67473586.ece>
2. <https://simpleflying.com/two-years-as-a-private-airline-air-india-journey-so-far/>
3. <https://www.globaldata.com/company-profile/air-india-ltd/>
4. https://www.business-standard.com/industry/news/air-india-s-accumulated-losses-at-fy23-end-estimated-at-rs-14-000-crore-123080300220_1.html
5. <https://www.statista.com/statistics/575207/air-carrier-india-domestic-market-share/>
6. <https://www.airindia.com/in/en/corporate-information.html>
7. <https://www.bseindia.com/stock-share-price/air-india-ltd/908air31b/948559/financials-results/>
8. <https://www.airindia.com/content/dam/air-india/image/company-information/air-india-notice-and-annexures-2.pdf>
9. https://en.wikipedia.org/wiki/Air_India_Limited
10. <https://www.thehindubusinessline.com/economy/logistics/air-india-completes-two-under-tata-group-management/article67776226.ece#:~:text=Mumbai%2C%20Jan%2025%20Air%20India,India%20on%20January%2027%2C%202022.>
11. <https://www.airindia.com/in/en/experience/airindia-fleet.html>

CHAPTER 15
ANNEXURE

ANNEXURE :-

Air India Limited
Standalone Statement of Cash Flow for the year ended 31 March 2023
 (All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
A. Cash flow from operating activities		
Loss before tax	(113,879.56)	(93,575.10)
Adjustments for :		
Foreign exchange (gain)/ loss (net)	7,712.10	(2,436.90)
Depreciation and amortization expense	30,574.57	41,880.00
Impairment of assets	51,030.63	25,300.00
Allowance for credit risk, credit impairment and doubtful advances	569.93	626.50
Bad debts and advances written off	-	2,150.40
Provision for shortfall in PF Trusts	-	58.30
Provision for diminution in value of assets held for sale	10,415.47	-
Liabilities no longer required written back	(6,304.12)	(19,539.40)
Net fair value gains on financial assets mandatorily measured at fair value through profit or loss (FVTPL)	(95.20)	(41.55)
Net gain on sale of financial assets	(451.68)	(1.95)
Net (gain)/loss on disposal of property, plant & equipment and asset held for sale	5,949.24	(2,681.60)
Dividend income from investments mandatorily measured at fair value through OCI	(21.84)	(26.20)
Interest income (on bank deposits, advances to subsidiary companies & others)	(1,986.65)	(4,814.60)
Interest on lease liabilities and maintenance, redelivery and overhaul provision	1,746.10	2,264.70
Interest on compound financial instruments	79.90	-
Interest on borrowing and other finance cost	9,087.62	33,743.80
Operating (loss) / profit before working capital changes	(5,623.49)	(17,093.60)
Adjustments for changes in working capital:		
(Increase) / decrease in inventories	(1,679.55)	199.30
Decrease / (increase) in trade and other receivables	631.41	(292.40)
Increase / (decrease) in trade and other payables	23,314.75	(69,746.72)
Cash generated from operating activities	16,643.12	(86,933.42)
Taxes paid	(636.11)	(653.90)
Net cash flow from/(used in) operating activities	16,007.01	(87,587.32)
B. Cash flow from investing activities		
Purchase of property, plant & equipment (including sale and lease back and capital advance)	(43,985.22)	(120,863.90)
Proceeds from sale of property, plant & equipment (including assets held for sale and sale and lease back)	9,597.43	10,917.50
Purchase of investments	(269,493.58)	(17,642.80)
Proceeds from sale of investments	191,311.94	3,295.60
Payment for acquisition of subsidiaries	(36,483.36)	-
Decrease / (increase) in deposits with banks (net)	5,041.77	(531.30)
Interest received (on bank deposits, advances to subsidiary companies & others)	2,310.11	4,653.70
Advance to subsidiaries (net of amount recovered)	6,405.33	(4,636.50)
Dividend received	21.84	26.70
Net cash flow used in investing activities	(135,273.94)	(124,801.50)
C. Cash flow from financing activities		
Repayment of borrowings	(138,124.94)	(481,289.70)
Proceeds from borrowings	197,127.35	183,124.90
Payment of principal portion of lease liabilities	(17,393.77)	(21,131.10)
Payment of interest portion of lease liabilities	(1,561.44)	(1,847.70)
Payment of guarantee fee	-	(25,605.70)
Receipts from Air India Assets Holding Ltd. ('AIAHL') towards restructuring	-	607,314.20
Receipts from parent - operational funding	-	19,440.00
Receipts from AIAHL - interest and prepayment premium reimbursed	-	16,593.70
Interest and prepayment premium paid	(8,697.80)	(75,464.60)
Proceeds from issue of 7.4% preference shares - I	50,000.00	-
Proceeds from issue of equity shares	26,950.00	-
Net cash flow from financing activities	113,299.45	221,134.50
Net (decrease) / increase in cash and cash equivalents during the year (A+B+C)	(5,967.48)	8,745.68
Effects of exchange rate changes on cash and cash equivalents	(0.76)	(6.00)
D. Cash and cash equivalents at the beginning of the year	14,033.78	5,294.10
E. Cash and cash equivalents at the end of the year	8,065.54	14,033.78

Notes:

- For details of components of cash and cash equivalents, refer to Note 16.
- Cash and cash equivalents includes Rs. 5,136.06 million (previous year Rs. 3,320.90 million) held in foreign currency which can be repatriated back by the Company subject to procedural compliances in local jurisdictions.

CASH FLOW STATEMENT OF AIR INDIA FY 2022-23

Air India Limited

Standalone Statement of Profit and Loss for the year ended 31 March 2023

(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	Note	For the year ended 31 March 2023	For the year ended 31 March 2022
Income			
Revenue from operations	27	313,773.68	167,638.51
Other income	28	9,568.92	27,552.78
Total income		323,342.60	195,191.29
Expenses			
Aircraft fuel expenses		152,989.16	67,298.14
Aircraft repair and maintenance cost		48,753.56	35,084.36
Airport fees and charges		37,982.68	24,732.76
Employee benefit expenses	29	27,394.24	23,270.35
Finance costs	30	11,092.95	38,719.38
Depreciation and amortization expense	31	30,574.57	41,879.97
Foreign exchange (gain)/ loss (net)		11,527.71	4,657.16
Other expenses	32	50,803.46	27,824.26
Total expenses		371,118.33	263,466.38
Loss before exceptional items and tax		(47,775.73)	(68,275.09)
Exceptional items	33	(66,103.83)	(75,300.01)
Loss before tax		(113,879.56)	(93,575.10)
Tax expense			
Deferred tax charge/ (credit)	14	-	1,990.00
Total tax expense		-	1,990.00
Loss for the year		(113,879.56)	(95,565.10)
Other comprehensive income			
Items that will not be reclassified to Profit & Loss			
Re-measurement of the defined benefit plans		(170.74)	(396.15)
Changes in the fair value of equity instruments through other comprehensive income ('FVTOCI')		238.68	45.68
Other comprehensive income/(loss) for the year (net of tax)		67.94	(350.47)
Total comprehensive income/(loss) for the year		(113,811.62)	(95,915.57)
Earnings per equity share of face value of Rs. 10 each	45		
Basic		(Rs. 3.44)	(Rs. 2.93)
Diluted		(Rs. 3.44)	(Rs. 2.93)
Summary of significant accounting policies	3		
The accompanying notes form an integral part of the Standalone Financial Statements	1 -53		

PROFIT AND LOSS STATEMENT OF AIR INDIA FY 2022-23

Air India Limited

Standalone Balance Sheet as at 31 March 2023

(All amounts are in Indian Rupees in millions, unless otherwise stated)

Particulars	Note	As at 31 March 2023	As at 31 March 2022
ASSETS			
Non-current assets			
(i) Property, plant & equipment	4	209,282.23	297,159.45
(ii) Right-of-use assets	5	62,556.10	71,112.36
(iii) Investment properties	6	-	-
(iv) Capital work-in-progress	8	556.35	-
(v) Other intangible assets	7	0.69	1.78
(vi) Intangible assets under development	9	-	-
(vii) Financial assets			
a) Investments	10	45,755.81	9,034.49
b) Other financial assets	12	2,189.83	17,343.96
(viii) Income tax assets (net)	14	2,111.00	1,474.89
(ix) Deferred tax assets (net)	14	26,435.23	26,435.23
(x) Other non-current assets	13	42,863.70	26.31
Total non-current assets		391,750.94	422,588.47
Current Assets			
(i) Inventories	15	8,106.80	6,427.25
(ii) Financial assets			
a) Investments	10	92,917.32	14,344.13
b) Trade receivables	11	10,041.36	15,317.23
c) Cash and cash equivalents	16	8,065.54	14,033.78
d) Bank balances other than (c) above	17	2,717.77	7,612.60
e) Other financial assets	12	11,956.41	2,144.91
(iii) Other current assets	13	12,699.58	9,876.02
Total current assets		146,504.78	69,755.92
Assets held-for-sale	26	2,962.34	253.91
Total assets		541,218.06	492,598.30
EQUITY AND LIABILITIES			
Equity			
(i) Equity share capital	18	353,602.20	326,652.20
(ii) Other equity	19	(256,024.53)	(158,181.57)
Total equity		97,577.67	168,470.68
Liabilities			
Non-current liabilities			
(i) Financial liabilities			
a) Borrowings	24	54,009.76	-
b) Lease liabilities	25	80,403.39	69,954.81
(ii) Provisions	22	16,748.60	23,439.05
(iii) Other non-current liabilities	23	311.59	1,668.57
Total non-current liabilities		151,473.34	95,062.43
Current liabilities			
(i) Financial liabilities			
a) Borrowings	24	177,129.49	138,124.94
b) Lease liabilities	25	15,468.50	10,772.07
c) Trade payables	20	-	-
- Total outstanding dues of micro and small enterprises		178.03	146.60
- Total outstanding dues of creditors other than micro and small		29,375.67	29,138.22
d) Other financial liabilities	21	7,975.91	10,026.88
(ii) Other current liabilities	23	56,480.26	39,076.87
(iii) Provisions	22	5,609.19	1,779.61
Total current liabilities		292,167.05	229,065.19
Total equity and liabilities		541,218.06	492,598.30
Summary of significant accounting policies	3		
The accompanying notes form an integral part of the Standalone Financial Statements	1 -53		

BALANCE SHEET OF AIR INDIA FY 2022-23