

A Comparative Study of Financial Analysis of Jet Airways and IndiGO

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Abstract:

Aviation industry is one of the growing industries in India. However, in recent years many companies in the industry are struggling for the survival. The main objective of this research is to compare the financial data of the two Airlines of Aviation Industry on the base of Annual Reports of Jet Airways and IndiGo.

The present study analyzes the profitability of the Air India which is Government owned company and Indigo Air lines which is private sector company.

Keywords: Aviation Industry, Financial Analysis and Financial Performance

Introduction

Air transport is one of the world's largest and the fastest growing industries and has tremendous impact on the nation's economy. The base of the economic structure of a country whether developed or developing can be strengthened by bring in modernization in its transport system in which air transport plays a pivotal role in the domestic and international communications. An Airline is a company which provides transport services for travelling passengers and freight. Airlines plays a vital role is to be the fastest growing industries of the largest and fastest growing industries of the world. Civil aviation industry in India has come a long way since the Air Corporation Act was repealed services category. Air transport can rightly be described as the third dimension in transportation. Aviation has evolved as one of the world's largest and the most important high technology industry.

About Jet Airways

Air India is the Indian domestic airline and the headquarters which is situated at Mumbai, Maharashtra, India. The airline was founded by nonresident businessmen chairman Naresh Goyal in 1993. It is the second largest airline in India after IndiGo with 17.8% passenger market share. This airline operates flights to 52 destinations from its main hub at Chatrapati Shivaji International Airport and Secondary hubs at Indira Gandhi International Airport. It is incorporated in April 1992 as a limited liability company; the airline began operations as an air taxi operator in 1993. Jet Airways Company's is "The Joy of Flying". Jet Airways provides First class and as per its features, its seats convertible to fully flat bed, personal LCD TVs and in seat power supply. Premiere class in domestic flights offers recliner seats with larger leg rooms and also provides Economy classes which also provide Personal LCD behind each seat.

About INDIGO

Indigo was founded in 2006 as a private company by Rahul Bhatia of InterGlobe Enterprises and Rakesh Gangwal. Indigo is a low cost headquartered at Gurgaon, India. It is the largest airline in India by passengers' carried and fleet size, with a 41.3% domestic market share as of June 2018. The airline became the largest Indian carrier in passenger market share in 2012. In December 2010, Indigo replaced state run carrier Air India as the third largest airline in India, behind Kingfisher Airlines and Jet Airways with a passenger market share of 17.3%. Being a low cost carrier, IndiGo offers only economy class seating. To keep fares low, IndiGo does not provide complimentary meals on any of its flights, though it does have a buy on board in flight meal programme.

Objectives

The key objectives of Airlines and IndiGo includes-

- To compare the financial performance of Air India and IndiGo Airlines.

Review of Literature

Parmar. M. (2016) in his study titled 'Procurement and Development Practices In Selected Airline Companies In India' concluded that the future of aviation industry is good as well as choosing right people and making them more qualitative and quantitative would be more effective for the industry. He suggested that the airlines companies should develop three key productive drivers in the areas of fuel, aircraft and labour.

Ali .S (1994) in his study titled, "A Comparative Study of the Financial Performance of Air India Corporation and Indian Airlines Corporations", he concluded that Air Corporations have done a best job of the work position distribution and Job analysis. And also explained that that the Aviations Groups have given the best to their employees in term of pay scale and other benefits. He suggested that Government should try to put relaxation on prices of Fuel because as studied our India's cost of fuel is much higher than the other country.

Thomas. J. (2009) in his study titled that, "HRD in Airline Industry: A Comparative Study of Public and Private Domestic Airlines in India". He concluded that the private sector Airlines are paid less wages to their employees compared to Air India like Public sector Airlines. And also concluded that Air India staff is more positive regarding the training programs conducted by the airline than the private sector airlines. He suggested that Private sector airlines should improve in their policies, trainings and development programs.

V. Thenmozhi, (2010) in his study titled that, "Financial Performance of Indian Airlines and Air India". He concluded that on the base of comparative analysis Air India shows a good sign of liquidity, Stock turnover ratio, working capital ratio than Indian Airlines. He suggested that the company should increase the profitability and Aviation industry should grow at a much better rate than now.

Table 1 Financial data of Jet Airways and IndiGo

(Rupees in Millions)

Years	Jet Airways			IndiGo		
	Net Profit	Operating Expenses	Revenue	Net Profit	Operating Expenses	Revenue
2011-12	466	1,30,748	1,29,510	6,503.25	32,378.82	38,254.09
2012-13	(12,361)	1,65,016	1,51,730	1,278.76	56,541.65	55,524.04
2013-14	(4,855)	1,79,952	1,74,031	7,873.47	84,650.91	92,030.80
2014-15	(36,678)	2,06,594	1,77,134	3,169.91	1,09,692.68	1,11,165.84
2015-16	(18,137)	2,13,359	2,02,807	13,041.72	1,24,733.96	1,39,253.36
2016-17	11,735	2,08,162	2,19,109	19,861.61	1,37,723.52	1,61,399.09
2017-18	14,825	2,15,585	2,30,408	16,591.88	1,72,252.30	1,85,805.00
2018-19	(7,676)	2,47,259	2,39,583	22,423.24	2,08,411.16	2,30,203.87

(Source: Annual Reports of Jet Airways and IndiGo Airlines various issues)

As per the Annual Reports of last 8 years of Jet Airways, Net Profit is 466 millions in 2011 which is year by year fluctuating till the last year of 2018. In 2012 it is decreased by 12,361 million as (Net loss) and then fluctuating and at last year in 2018 which the amount is (7676) million it is Net loss. In the same way, In Operating Expenses in 2011-12 there is 1,30,748 million which is increasing till the year 2015-16 then it started decreasing with 2,08,162 million in the year 2016-17 and again increasing till the year 2018-19 with 2,47,259 million. Also in Revenue of Jet Airways in 2011-12 there is 1,29,510 million then it is continuous increasing up to last year 2018-19 which is 2,39,583 million in 2018-19. So as per survey of all the numerical data the Revenue of Jet Airways is year by year increasing.

As per the Annual Reports of last 8 years of IndiGo, Net Profit is 6503.25 million in 2011-12 which is year by year fluctuating and at the last year in 2018 it is 22,423.24 million. In Operating Expenses, there is 32,378.82 million in 2011-12 which is year by year increasing up to last year and it reaches 2,08,411.16 million in 2018-19. And in Revenue also as per the Operating Expenses which is year by year increasing up to last year in 2018. In 2011-12 there is 38,254.09 million which is increasing by 2,30,203.87 million at the last year of 2018-19. It shows best position of the company.

Finally, making comparison between both the companies of Airlines Jet Airways and IndiGo. It is identified that Jet Airways achieved more profit compared to IndiGo in last 8 years (2011 to 2018).

H_0 = There is no significance difference between the net profit of Jet Airways and IndiGo

H_1 = There is no significance difference between the net profit of Jet Airways and IndiGo

Table-2 Paired Samples Statistics for Jet Airways and Indigo

	Mean	N	Std. Deviation	Std. Error Mean
Net Profit of Air India	-6585.1250	8	16562.90956	5855.87283
Net Profit of Indigo	11342.9800	8	7831.47469	2768.84443

Table 3 – Paired differences for

	Paired Differences					t	Df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Net Profit Air India Indigo	-17928.10	13878.38	4906.74	-29530.72	-6325.48	-3.654	7	.008

Discussion:

It can be observed from the above table that the p value of t test is 0.008 which is less than 0.05 at 5 % level of significance which rejects the null hypothesis. It can be concluded that there is significant difference between the net profit of Air India and Indigo airlines during the last 8 years.

H_0 = There is no significance difference between the Revenue of Jet Airways and Indigo

H_1 = There is no significance difference between the Revenue of Jet Airways and Indigo

Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 Revenue of Air India	190539.0000	8	38995.39393	13786.95374
Revenue of Indigo	126704.5113	8	65356.19491	23106.90431

Paired Samples Test

	Paired Differences					T	d f	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Revenue of Air India Revenue of Indigo	63834.48875	28048.98	9916.81	40384.95	87284.02	6.437	7	.000

Discussion:

It can be observed from the above table that the p value of t test is 0.000 which is less than 0.05 at 5 % level of significance which rejects the null hypothesis. It can be concluded that there is significant difference between the revenue of Air India and Indigo airlines during the last 8 years.

Conclusion:

Airlines Industries plays a vital role in Air Transport Era. As per the Comparative Research of two Airlines of Jet Airways and Indigo, both Aviation Industries tries to provide the best services to the costumers and as per profitability base Jet Airways achieved more profits compared to Indigo and provides best services to the Costumers. However, the scope of the Aviation Industries should be expanded further to make more and more Profits and give best efforts in these Industries.

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