

Operational efficacy and Performance of select Hotels listed on the Bombay Stock Exchange (BSE) of India.

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Abstract: Globally, India ranked 8th in terms of GDP for the service sector. In India, the service part is a huge contributor with Gross Value Added evaluated at 96.54 lakh crore INR in 2020-21. This paper attempts to study the liquidity conditions and also examine the relationship between liquidity and profitability of 4 selected hotels, resorts & restaurants from BSE based on net profit, viz. Mahindra Holidays, Indian Hotels, EIH (East India Hotel), and Westlife Development for 4 financial years using accounting ratios (Current ratio, ROE, ROA and Net profit ratio) and Correlation analysis. Furthermore, a descriptive statistical tool is applied. In terms of liquidity analysis for the selected companies, Motaal's ultimate rank test for testing liquidity is employed. The study concludes that, more or less, the liquidity positions of selected companies are maintained and there exists a positive relationship between liquidity and profitability positions of the hotels undertaken in the present study.

Keywords: Liquidity, profitability, Motaal's test of liquidity

1. Introduction

The largest and fastest-growing sector in India is the service sector which has the highest labor productivity. The services sector in India is not only contributing to the national income but has also attracted large Foreign Direct Investment creating large employment possibilities. In India, the services sector comprises a wide variety of activities such as trade, hotels and restaurants, transport, financing, insurance, etc. The largest recipient of Foreign Direct Investment in India is the service part with an inflow of US \$ 83.14 billion between the periods April 2000 to June 2020.

The hospitality industry is extensive and diverse around the globe. It includes a huge range of secondary services. This industry is dynamic and changes according to the needs of the guest, who decide the pace and variety of services. Increasing competition in this industry has resulted in satisfied guests and improved services. The prominent part of growth in the services sector are the Indian Tourism and hospitality industry. In India, Tourism sector created around 39 million jobs (8.0% of total employment in the country). Hotels and restaurants play a vital role in boosting tourism sector. In terms of investment in travel and tourism globally, India ranked third largest with an inflow of US \$45.7 billion in 2018. This sector has received FDI inflow of US \$15.89 billion between April 2000 and June 2021. Hotel industry in India has emerged as one of the primary sectors which are boosting the economic growth of the country. It has predicted to have a value of INR 1210.87 billion by 2023 end as the arrivals rate of



foreign tourists and business delegates would be at peak. Amongst all Indian states, Kerala is visualized to be the leading hospitality service provider followed by Maharashtra, Gujarat, Rajasthan and Tamil Nadu. The introduction of GST has affected the hotel industry owners as due to it the final cost has decreased with reduction in the profit margins as well .

Liquidity analysis is a tool used for testing the liquidity state of the business. It checks the health of the business in terms of short-term debt paying capacity a business has. Liquidity position can be known through various accounting ratios like current ratio, quick ratio, absolute quick ratio, etc. Besides, Motaal's Ultimate rank test of liquidity is a model used for testing the liquidity condition of the business. Whereas, profitability analysis tests the earning capacity of the business both in terms of sales and investment using accounting ratios. Liquidity and profitability are very much interrelated, it is said that if liquidity position is highly maintained then it will affect the profitability of the business and vice-versa. More than enough attention towards profit maximization may lead to weaken liquidity position of the firm. There is a tradeoff between profitability and liquidity of a firm, which should be studied for maximizing the profit of the firm without limiting the liquidity position.

2. Statement of the problem:

Understanding a company's revenue flow and its ability to pay its bills in the near term are both determined by liquidity analysis. A higher figure implies sound financial standing, while a lower number suggests financial hardship. The analysis of available cash or liquid assets at a given time helps to arrange the working capital needs of the business. The trade-off between liquidity and profitability has emerged as a major problem for any business. It all comes down to managing your current assets and current liabilities in a manner that will ensure maximum profitability. Therefore, the researchers try to examine the liquidity status and also examined the relationship between liquidity and profitability of some selected Hotels which are stated in the methodology section.

3. Review of literature and research gap:

The trends in liquidity management and their impact on profitability on BHEL for a period of 11 years based on secondary data collected from annual report. Various statistical test such as T-test, F-test, Durbin-Watson test and Chi-square test are also conducted. Besides, liquidity and profitability ratios were used to analyze the liquidity management impacting profitability. The study found that the company maintain adequate amount of net working capital throughout the study period. The slope of regression line reveals both positive and negative impact of the independent variables on the profitability of the company . Evaluated the profitability related to sales and equity share of five selected steel companies using secondary source of data. Correlation analysis, F-test, ANOVA test was conducted for statistical analysis. The study concluded that Tata Company is more efficient in earning profit in comparison to other selected companies. On the other hand, Visa steel operating expense ratio is too high and therefore its profitability is lower comparing to all. One of study was conducted taking five leading Indian cement companies to take insights of liquidity management using methodologies such as mean, S.D, Coefficient of variation, ratio analysis and Motaal's Ultimate rank test. The study found that all the five leading Indian cement companies have very poor liquidity management which in future may lead to financial trouble . Analyzed and compared the profitability of three public sector Oil Company's viz. BPCL, HPCL and IOCL with the help of profitability analysis by using important profitability ratios such as Operating profit ratio, Gross profit ratio, Net profit ratio, return on capital employed. In the study it was disclosed that operating profit, gross profit margin and other ratios as well in all three companies had a negative compound annual growth rate. Thus, it was concluded that the overall profitability of all three selected companies measured through ratios is satisfactory and adequate. Tried to analyze the financial performance and investment opportunities with special reference to Cement Industries by examining the financial performance by using Tobin's Q ratio and also, they try to study the importance of performance & investment opportunities. Financial ratios were used in nine selected manufacturing companies to know the financial performance and specially Tobin Q ratio were used to analyze investment opportunities. The study has resulted that alone Tobin Q ratio and financial performance cannot give the true value of investment. Has attempted to study the effect of liquidity management on profitability in Public and Private Bank in India using secondary data such as annual report, RBI

bulletin, websites and magazines. Under the study, 27 public sector banks and 20 private sectors have been considered. For measuring the effects, regression analysis was done. Besides regression, correlation analysis and F-test were undertaken. The study has resulted that there is no significant relationship between liquidity and profitability and the study has concluded that liquidity has a significant negative influence on the profitability as measured by ROA and ROE ratio. Examined financial performance of Indian cement companies with reference to five selected cements companies by analyzing liquidity position and profitability considering secondary source of data of five financial years. The tools used for analysis are current ratio, quick ratio, absolute liquid ratio, gross profit ratio, net profit ratio, operating profit ratio and return on long term funds. According to this study liquidity position is affected in all the five selected cement companies and following an aggressive working capital policy. In terms of profit, though all the companies under the study are earning profit to some extent but there is still more scope for their growth. Has stated that financial health of the family is also dependent on the firm size. Small business profitability is also dependent on the structure of initial capital as excessive debts leads to liquidity challenges. This study focused on the dissimilarities between large and small firms in terms of undercapitalization. Factors of analysis of this particular study were profitability, debt, solvency and liquidity. Financial liquidity was mentioned in this study as essential for the survival of small firms as mostly such firms fail due to low financing. It was found that the result of ANOVA f-statistic comparing current ratio for the selected period was significant and large which indicates that there is a big difference between the small and large firms in terms of current ratio. Quick ratio was no exception of current ratio. It was also mentioned that even though the small firms were found low liquid but such low liquidity was not resulting in low cash according to the findings as current ratio may misinterpret small firm's actual liquidity because it overlooks the makeup of current liability and assets accounts. There was also significant difference found in case of Debt to asset ratio between large and small firms where small firms are high on debt with low profit margin. Focused on the fact that liquidity and profitability is vital for the stability and growth of a business. This study was conducted on the listed companies of Bucharest Stock Exchange with the help of past 10 year's data. Econometric analysis like multivariate regression were conducted for reliable and significant result. It was found that Romanian companies felt minimal the impact of financial crisis as during that period their opportunities to invest was limited. The findings of the study also indicated the impact of taxation on the companies' profitability. The panic caused by the various financial instabilities led to excessive amount of liquidity maintenance in the companies and eventually it resulted in low investing. One of the most commonly mentioned questions of corporate finance literature is Does liquidity impact on profitability? This particular question was tried to be addressed by . This study examined the impact of liquidity on profitability of Polish IT companies. The results showed a significant relationship between the profitability and liquidity.

3.1 Research Gap:

After an extensive literature review, it was evident that studies related to liquidity position as well as the relationship of liquidity and profitability were conducted in most of the sectors, as compared to fields like hotels, resorts & restaurants. Thus, this study tries to throw light on the gap in the said area by studying the liquidity positions of selected hotels, resorts & restaurants, and will also try to examine the relationship between liquidity and profitability. This study is expected to present the significance of liquidity on the profitability of businesses associated with hotels, resorts and restaurants.

4. Research Methodology:

In BSE under sectoral classification, Hotels, resorts & restaurants, there are 54 companies listed, out of which four companies are selected randomly for the study. Randomly selected companies are Mahindra Holidays, Indian Hotels, EIH (East India Hotels), and Westlife Development. The study is descriptive and analytical. Data analysis is entirely based on secondary data and secondary data are collected from publicly available company reports and online databases. For testing the pre-set hypothesis, correlation has been used. Descriptive statistical tools are also used in this study. For determining the liquidity status of the selected companies, Motaal's ultimate rank test of liquidity model has been adopted. Motaal's has developed a comprehensive test known as Motaal's Ultimate Rank test of liquidity,

wherein ranking is used for measuring liquidity (*Panigrahi, 2013*). The following three ratios are considered under it. They are-

1. Working capital to Current asset ratio = Working capital/ Current asset x 100.
2. Stock to Current asset ratio = Stock/ Current asset x 100
3. Liquid assets to current asset ratio = Liquid asset / Current asset x 100

Conclusion are drawn on the following basis-

- ❖ Higher the value of the 1 & 3 ratio, relatively the liquidity position will be favorable and vice-versa.
- ❖ Lower the value of second ratio (i.e., 2), liquidity position will be favorable and vice-versa.
- ❖ Finally, ranks are assigned following the principle that lower the points scored, more favorable the liquidity position will be and vice versa.

5. Results and discussion:

Pearson's coefficient of correlation was done at a 5% confidence interval, considering ratios for four financial years (2017-18, 2018-19, 2019-20 & 2020-21):

Mahindra Holidays:

Correlation coefficient (Current Ratio, ROE) = 0.66

Correlation coefficient (Current Ratio, ROA) = 0.99

Correlation coefficient (Current Ratio, Net profit) = 0.94

The above correlation values show the relationship between liquidity ratio and profitability ratio. The correlation of current ratio with net profit ratio and ROA was found to be very highly positive and the correlation of current ratio and ROE was found to be moderately positive.

Indian hotels:

Correlation coefficient (Current Ratio, ROE) = 0.69

Correlation coefficient (Current Ratio, ROA) = 0.66

Correlation coefficient (Current Ratio, Net profit) = 0.74

The above correlation coefficient shows that current ratio with ROE & ROA was found to be moderately positive while current ratio with net profit shows that they are highly positively correlated.

EIH:

Correlation coefficient (Current Ratio, ROE) = (0.98)

Correlation coefficient (Current Ratio, ROA) = (0.98)

Correlation coefficient (Current Ratio, Net profit) = (0.96)

*Figure in bracket indicates negative values.

The above correlation values show that the relationship between liquidity ratio and profitability ratio is very highly negatively correlated. It may be due the poor performance in the financial year 2020-21 as in this particular year ROE, ROA and Net profit value were negative besides having a strict current and liquid ratio.

Westlife Development:

Correlation coefficient (Current Ratio, ROE) = 0.49

Correlation coefficient (Current Ratio, ROA) = 0.56

Correlation coefficient (Current Ratio, Net profit) = 0.46

The correlation coefficient of the current ratio with ROE & Net profit ratio is positively low while with ROA is moderately positive.

Thus, from the above correlation coefficient values of all selected companies, we reject the null hypothesis and conclude that there exists a significant relationship between liquidity and profitability.

Table 1: Liquidity details of Mahindra Holidays:

Year	CA	CL	WC	Stock	Liquid assets	Current ratio	Liquid ratio	WC to CA (%)	Stock to CA (%)	Liquid assets to CA (%)
Mar-18	1518.54	469.02	1049.52	569.52	945.13	3.24	2.01	69.11	37.50	62.24
Mar-19	1804.65	749.68	1054.97	520.14	1280.73	2.41	1.71	58.46	28.82	70.97
Mar-20	2081.94	874.87	1207.07	552.09	1528.48	2.38	1.71	57.98	26.52	73.42
Mar-21	1994.83	908.99	1085.84	554.27	1436.13	2.19	1.58	54.43	27.78	71.99
Mean	1849.99	750.64	1099.35	549.01	1297.62	8.58	1.75	59.99	30.15	69.65
Growth	476.29	439.97	36.32	-15.25	491	-1.05	-0.43	-14.68	-9.72	9.75
Growth (%)	31.36	93.80	3.46	-2.67	51.95	-32.41	-76.60	-77.75	-25.92	15.67
S. D	216.07	199.84	73.57	21.14	256.26	6.98	0.17	6.34	4.99	5.04
C.V (%)	11.68	26.62	6.69	3.85	19.75	81.38	9.71	10.56	0.17	7.24

Source: Author's calculation

The data above includes financial metrics and ratios for a company over four years (Mar-18 to Mar-21), along with averages (Mean), growth figures, growth percentages, standard deviation (S.D), and coefficient of variation (C.V). Current Assets increased steadily from ₹1518.54M in Mar-18 to ₹2081.94M in Mar-20 but dipped slightly to ₹1994.83M in Mar-21. The Overall growth in CA is ₹476.29M (31.36%), with a moderate standard deviation of ₹216.07M and low variation (C.V = 11.68%). The CL rose significantly from ₹469.02M in Mar-18 to ₹908.99M in Mar-21, almost doubling (93.8% growth). This substantial growth in liabilities explains the declining liquidity ratios over the years. The WC, calculated as CA - CL, increased marginally over the years, from ₹1049.52M in Mar-18 to ₹1207.07M in Mar-20 but declined slightly in Mar-21 to ₹1085.84M. The WC grew by ₹36.32M (3.46%) over the period, showing stability but limited overall growth. The value of stock declined marginally from ₹569.52M in Mar-18 to ₹554.27M in Mar-21, with a small negative growth of ₹15.25M (-2.67%). The **Liquid Assets** increased significantly from ₹945.13M in Mar-18 to ₹1436.13M in Mar-21, showing a growth of ₹491M (51.95%). The **Current Ratio** decreased steadily from 3.24 in Mar-18 to 2.19 in Mar-21, indicating reduced overall liquidity but still above the standard benchmark of 2. The **Liquid Ratio** declined from 2.01 in Mar-18 to 1.58 in Mar-21, showing reduced immediate liquidity over time.

The **WC to CA (%)** declined from 69.11% in Mar-18 to 54.43% in Mar-21, suggesting a shrinking cushion of working capital relative to current assets. The **Stock to CA (%)** dropped from 37.50% in Mar-18 to 27.78% in Mar-21, indicating reduced reliance on inventory. And the **Liquid Assets to CA (%)** increased from 62.24% in Mar-18 to 71.99% in Mar-21, showing a shift toward more liquid resources. Statistically, higher deviations in CL (₹199.84M) and liquid assets (₹256.26M) indicate more variability in these metrics, while stock shows more consistency (S.D = ₹21.14M). The Liquidity ratios have high C.V (81.38% for the current ratio and 9.71% for the liquid ratio), indicating significant variability in these measures. While Stock has a very low C.V of 3.85%, confirming its stability.

In terms of Growth, CA (31.36%) grew moderately, while CL grew sharply (93.8%). This imbalance caused a decline in liquidity ratios and a reduction in WC's proportional significance to CA. Liquid assets grew substantially (51.95%), reflecting a strategic shift toward maintaining more liquid funds. Stock and WC exhibited negative or minimal growth, indicating stagnation in certain operational aspects.

The company has experienced robust growth in current assets, liquid assets, and current liabilities over the years, but the rapid increase in liabilities has weakened its liquidity position. Although liquid assets have increased as a proportion of current assets, the declining WC to CA percentage and ratios suggest a need for improved working capital management. The stability in stock levels and the proportional increase in liquid assets highlight a focus on reducing inventory dependence and increasing liquidity reserves.

Table 2: Liquidity details of Indian hotels:

Year	CA	CL	WC	Stock	Liquid assets	Current ratio	Liquid ratio	WC to CA (%)	Stock to CA (%)	Liquid assets to CA (%)
Mar-18	930.24	917.64	12.6	85.72	789.44	1.01	0.86	1.35	9.21	84.86
Mar-19	872.74	1534.07	-661.3	80.40	687.73	0.57	0.45	-75.77	9.82	90.45
Mar-20	1111.19	1194.62	-83.43	93.61	958.72	0.93	0.80	-7.51	8.42	88.71
Mar-21	986.05	1862.35	-876.3	92.88	839.56	0.53	0.45	-88.87	9.42	85.14
Mean	975.05	1377.17	-402.1	88.15	818.86	0.76	0.64	-42.7	9.22	87.29
Growth	55.81	944.71	-863.7	7.16	50.12	-0.48	-0.41	-87.52	0.21	0.28
Growth (%)	5.99	102.95	-6854.76	8.35	6.35	-47.52	-51.32	-6482.96	2.28	0.33
S. D	101.87	410.08	1028.40	6.28	112.62	2.18	0.22	109.25	0.59	2.74
C.V (%)	10.45	29.78	-255.76	7.12	13.75	82.73	34.94	-255.86	6.42	3.14

Source: Author's calculation

The above data represents the financial performance of an Indian hotel over four years (Mar-18 to Mar-21). Key metrics like **current assets (CA)**, **current liabilities (CL)**, **working capital (WC)**, stock, liquid assets, liquidity ratios, and proportions are analyzed, along with growth, statistical measures, and variability. In CA, a marginal growth

of ₹55.81M (5.99%) over four years, increasing from ₹930.24M in Mar-18 to ₹986.05M in Mar-21, with a Standard deviation (S.D.) of ₹101.87M, reflecting low variability, with a coefficient of variation (C.V.) of 10.45%. The **CL** showed a significant increase from ₹917.64M in Mar-18 to ₹1862.35M in Mar-21, showing growth of ₹944.71M (102.95%) with an S.D. of ₹410.08M, indicating high variability (C.V. = 29.78%). The **WC** was consistently negative from Mar-19 onwards, with a sharp decline to ₹-876.3M in Mar-21. The growth reflects a dramatic fall of ₹-863.7M (-6854.76%), signaling a severe deterioration in the hotel's short-term financial health. Extremely high variability (S.D. = ₹1028.40M; C.V. = -255.76%), driven by fluctuating liabilities. The **Stock** increased slightly from ₹85.72M in Mar-18 to ₹92.88M in Mar-21, growing by ₹7.16M (8.35%). The Stability is confirmed by low S.D. (₹6.28M) and C.V. (7.12%). The **Current Ratio** declined from 1.01 in Mar-18 to 0.53 in Mar-21, well below the benchmark of 2, signaling worsening short-term solvency. The Growth is negative (-47.52%), with high variability (S.D. = 2.18; C.V. = 82.73%). The **Liquid Ratio** dropped from 0.86 in Mar-18 to 0.45 in Mar-21, showing a sharp decline (-51.32%) in immediate liquidity. The **WC to CA (%)** dropped significantly from 1.35% in Mar-18 to -88.87% in Mar-21, highlighting increasing dependence on external funds for operations. The **Stock to CA (%)** is consistently low (around 9–10%), with a slight increase over time (growth = 2.28%). The **Liquid Assets to CA (%)** maintains a high proportion (85–90%) with stable growth (0.33%), signifying a focus on maintaining liquidity. While CA grew modestly (5.99%), CL surged (102.95%), leading to negative WC and liquidity issues. The **Liquid Assets and Stock** both grew modestly, indicating stable operations, but this was insufficient to offset the increase in liabilities. The **Liquidity Ratios** significant declines in the current and liquid ratios point to weakening short-term solvency, which may pose operational risks.

The Indian hotel is facing significant challenges with its short-term financial health such as **sharp increase in Liabilities, deteriorating liquidity, stability in Stock and Liquid Assets.**

The hotel should focus on managing debt and current liabilities to restore positive WC and improve liquidity. Improving operational efficiency and reducing dependence on external financing can help stabilize financial ratios. Boosting CA through increased revenue streams or asset utilization can offset liability growth. The overall financial trajectory reflects a critical need for strategic intervention to ensure sustainable operations and financial health.

Table 3: Liquidity details of EIH:

Year	CA	CL	WC	Stock	Liquid assets	Current ratio	Liquid ratio	WC to CA (%)	Stock to CA (%)	Liquid assets to CA (%)
Mar-18	323.84	509.5	-185.66	50.223	259.33	0.64	0.51	-57.33	15.51	80.08
Mar-19	345.90	592.0	-246.1	48.199	279.96	0.58	0.47	-71.15	13.93	80.94
Mar-20	331.32	539.46	-208.14	60.955	258.41	0.61	0.48	-62.82	18.40	77.99
Mar-21	188.95	345.30	-156.35	51.367	129.24	0.55	0.37	-82.56	27.18	68.40
Mean	297.50	496.56	-199.07	52.68	231.74	0.59	0.46	-68.46	18.75	76.85
Growth	-134.89	-164.2	29.31	1.14	-130.09	-0.09	-0.14	-25.23	11.67	-11.68
Growth (%)	-41.65	-32.23	15.78	2.27	-50.16	-14.06	-27.45	-44.01	75.24	-14.58
S. D	72.94	106.45	37.85	5.66	69.05	0.04	0.06	10.98	5.91	5.77

C.V (%)	24.52	21.44	-19.01	10.70	29.80	6.56	13.22	-16.04	31.54	7.51
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Source: Author's calculation

The financial data for the company over the period Mar-18 to Mar-21 provides insights into its performance, particularly in terms of current assets (CA), current liabilities (CL), working capital (WC), stock, liquid assets, and various liquidity metrics. The **CA** decreased from ₹323.84M in Mar-18 to ₹188.95M in Mar-21, a decline of ₹134.89M (-41.65%). This decline indicates weakening asset growth, with a high standard deviation (S.D.) of ₹72.94M, reflecting significant variability (C.V. = 24.52%). The **CL** reduced from ₹509.5M in Mar-18 to ₹345.30M in Mar-21, a drop of ₹164.2M (-32.23%). The decline in liabilities could reflect efforts to reduce short-term obligations, but it was not sufficient to reverse the negative WC trend. The **WC** remained consistently negative, though the deficit improved slightly from ₹-185.66M in Mar-18 to ₹-156.35M in Mar-21. The WC deficit narrowed by ₹29.31M (15.78%) over the period, though the improvement was modest. The high S.D. of ₹37.85M (C.V. = 19.01%) shows moderate fluctuations in WC.

The Stock fluctuated slightly but remained stable, with an increase from ₹50.223M in Mar-18 to ₹51.367M in Mar-21, showing minimal growth of ₹1.14M (2.27%). Stock as a percentage of CA increased significantly, from 15.51% in Mar-18 to 27.18% in Mar-21, suggesting a growing reliance on inventory as CA declined. Low variability in stock (S.D. = ₹5.66M; C.V. = 10.70%) indicates effective inventory control. The **Liquid Assets** decreased significantly from ₹259.33M in Mar-18 to ₹129.24M in Mar-21, a reduction of ₹130.09M (-50.16%). Liquid assets as a percentage of CA declined from 80.08% in Mar-18 to 68.40% in Mar-21, suggesting reduced liquidity reserves. High variability (S.D. = ₹69.05M; C.V. = 29.80%) highlights inconsistency in managing liquid resources. The **Current Ratio** declined from 0.64 in Mar-18 to 0.55 in Mar-21, below the standard benchmark of 2. The drop (-14.06%) reflects deteriorating short-term solvency. Variability is low (S.D. = 0.04; C.V. = 6.56%), indicating consistent but weak performance. The **Liquid Ratio** dropped more sharply, from 0.51 in Mar-18 to 0.37 in Mar-21 (-27.45%), showing a significant decline in immediate liquidity. Higher variability (S.D. = 0.06; C.V. = 13.22%) compared to the current ratio suggests less stability in immediate liquidity management.

The WC to CA (%) declined from -57.33% in Mar-18 to -82.56% in Mar-21, reflecting worsening financial health and greater dependence on external financing to meet obligations. Severe negative growth (-44.01%) shows the company's inability to improve its working capital relative to assets. The **Stock to CA (%)** increased significantly from 15.51% in Mar-18 to 27.18% in Mar-21, showing a heavier reliance on inventory. High growth (75.24%) contrasts with the general downward trend in liquidity. The **Liquid Assets to CA (%)** declined from 80.08% in Mar-18 to 68.40% in Mar-21, a reduction of 14.58%, indicating weakening liquidity reserves relative to assets.

WC's extreme negative values and moderate variability (C.V. = 19.01%) underline persistent financial stress. Both the current and liquid ratios exhibit low variability, but their consistently poor values highlight a lack of improvement in short-term solvency. The significant reduction in CA (-41.65%) and liquid assets (-50.16%) is alarming, as these are critical for meeting short-term obligations. While CL decreased (-32.23%), the reduction was not sufficient to offset the drop in CA, resulting in continued negative WC. Stock increased modestly (2.27%) and now represents a larger proportion of CA, indicating a shift in asset composition. Both the current and liquid ratios experienced negative growth, with declines of -14.06% and -27.45%, respectively, pointing to deteriorating liquidity.

The company faces significant financial challenges, with persistently negative working capital, declining liquidity ratios, and reduced current assets and liquid reserves. While liabilities have decreased, the overall financial health remains weak. The current and liquid ratios are consistently below safe levels, signaling the risk of default on short-term obligations. The persistent WC deficit indicates heavy reliance on external funding or delayed payments to creditors. The increasing reliance on stock and declining liquid assets may hinder the company's flexibility in responding to financial pressures. To cover the above challenges, the company needs to reduce liabilities further and increase CA through better asset utilization or revenue growth, rebuild liquid reserves to strengthen the liquid ratio and ensure short-term solvency, avoid over-reliance on stock, which ties up funds and reduce liquidity flexibility and

reduce operational costs to improve profitability and free up funds for liquidity. Without corrective actions, the company's short-term financial stability may remain at risk.

Table 4: Liquidity details of Westlife Development:

Year	CA	CL	WC	Stock	Liquid assets	Current ratio	Liquid ratio	WC to CA (%)	Stock to CA (%)	Liquid assets to CA (%)
Mar-18	10.85	0.04	10.81	33.68 2	-22.83	271.25	-570.75	99.6 3	310.4 1	- 210.41
Mar-19	11.31	0.05	11.26	40.99 4	-29.68	226.2	-593.6	99.5 5	362.4 2	- 262.42
Mar-20	483.15	0.05	483.1	41.13 6	442.01	9663	8840.2	99.9 9	8.51	91.48
Mar-21	486.17	0.05	486.1 2	46.52 9	439.64 1	9723.4	8792.8 2	99.9 9	9.57	90.43
Mean	247.87	0.15	247.8 2	40.59	207.28	4970.96	4117.1 7	99.7 9	172.7 2	- 133.11
Growth	475.3	0.01	475.3 1	12.85	462.47	9423.1 5	9363.5 7	0.36	- 300.84	300.8 4
Growth (%)	4380.6 4	25	4396. 9	38.14	2025.7 1	3473.9 7	1640.5 7	0.36	-96.91	142.9 8
S. D	273.42	0.22	273.4 2	5.28	269.68	5452.8 5	5426.3 7	0.24	190.2 0	202.5 7
C.V (%)	110.31	149.0 7	110.3 3	12.99	130.11	109.69	131.80	0.24	110.1 2	- 152.18

Source: Author's calculation

The above data represents the financial performance and liquidity metrics of **Westlife Development Ltd.** over four years (Mar-18 to Mar-21) and includes key calculated statistics such as mean, growth, growth percentage, standard deviation (S.D.), and coefficient of variation (C.V.). The **Current Assets (CA)** has significant growth from ₹10.85 Cr in Mar-18 to ₹486.17 Cr in Mar-21 (growth: ₹475.3 Cr, growth rate: 4380.64%). The large jump between Mar-19 and Mar-20 reflects a substantial change in the company's asset structure. The **Current Liabilities (CL)** has minimal growth from ₹0.04 Cr in Mar-18 to ₹0.05 Cr in Mar-21 (growth: ₹0.01 Cr, growth rate: 25%). This indicates a relatively stable liability position. Thus, the **Working Capital (WC)** has significantly improved, from ₹10.81 Cr in Mar-18 to ₹486.12 Cr in Mar-21, reflecting better liquidity management and an increase in net resources available for operations.

In Stock, it has a gradual growth in inventory from ₹33.68 Cr in Mar-18 to ₹46.53 Cr in Mar-21. Growth in stock is relatively modest (₹12.85 Cr, 38.14%) compared to other variables. The company's liquid assets shifted from negative values (-₹22.83 Cr in Mar-18) to ₹439.64 Cr in Mar-21. This indicates improved cash and cash equivalents management, likely driven by better operational efficiency or capital inflows.

The Current Ratio has a steady increase from 271.25 in Mar-18 to 9723.4 in Mar-21. While this indicates strong liquidity, the extreme values suggest excess current assets compared to liabilities, pointing to underutilized resources. The liquid ratio also improved from -570.75 in Mar-18 to 8792.82 in Mar-21. The negative ratio in earlier years indicates a previous shortfall in liquid assets to meet short-term obligations, which was resolved significantly

by 2021. The **WC to CA (%)** remains consistently high, close to 99.99%, indicating that the majority of current assets are being used as working capital. The **Stock to CA (%)** declined from 310.41% in Mar-18 to 9.57% in Mar-21. This reflects reduced reliance on inventory as a component of current assets, likely replaced by an increase in other liquid components. The **Liquid Assets to CA (%)** improved from -210.41% in Mar-18 to 90.43% in Mar-21, indicating a stronger liquid position relative to total current assets.

The average across the four years shows a healthy financial position, with an average working capital of ₹247.82 Cr and average liquid assets of ₹207.28 Cr. **The Standard Deviation (S.D.)** has high variability in key variables like CA (₹273.42 Cr), WC (₹273.42 Cr), and liquid assets (₹269.68 Cr), indicating significant changes over time.

The Current Assets show remarkable growth (4380.64%), driven by a surge in working capital and liquid assets. The Stock grew modestly (38.14%), while liquid assets skyrocketed (2025.71%). This shows a strategic focus on enhancing cash reserves over inventory. The growth in the current ratio and liquid ratio (3473.97% and 1640.57%, respectively) underscores significant improvements in liquidity, but extreme values may indicate inefficient use of assets. The negative liquid assets and liquid ratio in earlier years (Mar-18, Mar-19) indicate challenges in managing cash flow. The volatility in liquidity ratios suggests inconsistent financial planning or adjustments in asset allocation. The Westlife Development Ltd. has shown a dramatic improvement in liquidity and working capital, with a strong focus on increasing liquid assets. The reduced reliance on stock and the significant growth in liquid assets highlight a strategic shift towards improving operational liquidity. The extreme values in liquidity ratios suggest potential inefficiencies or underutilization of resources, which may need strategic balancing.

Table 5: Motaal's Comprehensive Test of Liquidity:

Company	WC to CA (%)	Rank	Stock to CA (%)	Rank	Liquid asset to CA (%)	Rank	Total rank	Ultimate Rank
Mahindra Holidays	59.99	2	30.15	2	69.65	4	8	2
Indian hotels	-42.7	3	9.22	4	87.29	2	9	3
EIH	-68.46	4	18.75	3	76.85	3	10	4
Westlife Development	99.79	1	172.72	1	133.11	1	3	1

Source: Author's calculation

From the above table i.e., Motaal's Comprehensive Test of Liquidity shows that Westlife Development Ltd. awarded rank 1 which indicates that it is the most liquid company among the four selected companies of the study. Mahindra Holidays & Indian Hotels ranked 2nd & 3rd respectively which indicates that they have maintained moderate liquidity positions. EIH ranked 4th means having very unfavorable liquidity position.

6. Conclusion:

In India, Hotel industry has emerged as one of the primary sectors which are boosting the economic growth of the country. For the above stated reason, it has become necessary to analyze their financial aspects. For effective operational efficiency, it is important to check the liquidity position of the industry. It is also said that for uninterrupted operations in day-to-day activities, companies should maintain their liquidity position but again if the liquidity position is highly maintained then there will be blockage of fund. In this study, the researcher tries to examine the liquidity position of four hotels listed in BSE and for checking their liquidity position, Motaal's Comprehensive test of liquidity is done. In this test model ranking is used for measuring liquidity. Through this model it has concluded that the overall liquidity position of all selected hotels is satisfactory where Westlife Development Ltd ranked 1st having more favorable liquidity position among all. Further in this study the relationship between liquidity and profitability is also

examined as it is said that liquidity affects profitability because of the blockage of funds which is kept idle. For checking the relationship between liquidity and profitability, correlation analysis was done. If the coefficient of correlation is nearer to 1, it is said that there exist a strong relationship between the variables i.e., liquidity and profitability and if it is below 0.5 then it is said that the relationship between the variables is very weak and may conclude that there exist no relationship between the variables so in the present study it is seen that most of coefficient of correlation values are greater than 0.5 and therefore it may be concluded that there exist relationship between liquidity and profitability.

7. Limitations & Further scope of the study:

The study includes the following limitations-

- Out of 54 hotels, resorts & restaurants listed in BSE only four hotels, resorts & restaurants are selected so it may not reflect the true picture of the liquidity positions of this industry. Therefore, leaving a future scope in the said area by taking more hotels, resorts & restaurants.
- The study incorporates data for only four financial years, which may not be sufficient to conclude the results. The data for more financial years has not been found by the researcher so to make it precise, the said four years have been considered.
- The results of the study depend on the reliability of the data provided on the official websites of the selected hotels, resorts & restaurants, which are used in the study.

Websites

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