

A STUDY ON THE PERFORMANCE OF TOP INDIAN HOTELS



G. Madan Mohan , Mussarat Ahmed

Assistant Professor , Doctorate Fellow
Department of Management Studies Pondicherry University
Department of Management Studies Pondicherry University

ABSTRACT

Performance of a company can be gauged using many parameters such as Gross Profits, Net profits, Earnings per Share, Profits After Tax, Operating Profits, Return on Capital Employed, Return on Net Worth, etc. However, it is universally accepted that turnover of a firm is the strong parameter highlighting its performance. Positive trend in the growth of sales of a firm indicates better growth prospects for it. Sales of a company signposts its size and growth potentials. A list of Indian hotels which are topping the list based on value of sales has been collected and performance of these hotels during 2004, 2008, 2013 and 2004-13 have been ranked using Data Envelope Analysis. Analysis reveals that performance of the hotels has been fluctuating over the study period, though their performance is highly encouraging during the last year of 2013.

Practical Implications: This study proposes to analyse the performance of top Indian hotels during the past ten years 2004-2013. A distinction can be made between the better performing hotels and those performances of which may be enhanced in the future. Managers of these hotels should device strategies for better utilization of their assets to generate effective turnover.

Keywords: Assets & Liabilities, Data Envelop Analysis, Efficiency, Hotels, India, Sales.

Paper type: Empirical Research paper

INTRODUCTION

Performance of a company can be gauged using many parameters such as Gross Profits, Net profits, Earnings per Share, Profits after Tax, Operating Profits, Return on Capital Employed, Return on Net Worth, etc. Inter and Intra firm comparisons can be made using various tools such as ratios to assess the growth of a firm and also compare its growth with competitors. However, it is universally accepted that turnover of a firm is the strong parameter indicating its performance. Positive trend in the growth of sales of a firm

indicates better growth prospects for it. It is the Sales of a company which sign-posts its size and growth potentials. The growth potential of hotels can best be gauged based on their sales turnover studied in the light of their assets and liabilities structure. A list of Indian hotels which are topping the list based on value of sales is displayed in table 1.

Table 1: Top Nine Hotels in Terms of Sales (Amount in Crores of Rs.)

Year	IHCL	EIHL	MHDRL	HLVL	ITDCL	CCIL	OHL	Taj	AHNL
2004	668.32	668.32	70.87	195.41	274.19	23.42	111.45	87.66	204.01
2005	847.63	847.63	101.71	265.51	341.14	34.02	131.18	115.47	258.27
2006	1116.15	1116.15	152.72	336.39	349.35	65.03	162.39	188.92	329.27
2007	1540.86	1540.86	232.31	393.69	530.84	153.86	191.75	242.94	413.78
2008	1764.51	1764.51	352.73	536.4	436.83	314.24	216.01	257.45	513.83
2009	1619.57	1619.57	393.06	471.94	372.76	292.93	214.83	237.48	641.9
2010	1473.29	1473.29	468.75	449.18	271.59	212.44	192.82	228.25	145.09
2011	1673.45	1673.45	487.13	464.04	367.18	216.71	234.7	259.28	240.58
2012	1808.73	1808.73	573.83	571.84	397.63	244.49	263.09	253.97	226
2013	1875.86	1875.86	658.54	653.86	410.03	314.52	290.04	252.7	216.16

Abbreviations: IHCL-Indian Hotels Company Limited, EIHL- EIH Limited, MHDRL-Mahindra Holy Day & Resorts Limited, HLVL-Hotel Leela Venture Limited, ITDCL-India Tourism Development Corporation Limited, CCIL-Country Club India Limited, OHL-Oriental Hotels Limited, Taj-Taj GVK Hotels & Resorts Limited, AHNL-Asian Hotels (North) Limited.

Snapshot of Top Indian Hotels

1. **Indian Hotels Company Limited (IHCL):** IHCL was incorporated on 1902 and it established its first hotel, TajMahal Palace & Tower, on 1903 in Mumbai. Since then, the company has undertaken a massive expansion drive with the establishment of the “Taj Hotels Resorts and Palaces Group”, comprising of numerous subsidiary companies, both in India and abroad. IHCL gained immense popularity by converting Indian imperial palaces into world class luxury hotels such as the Taj Lake Palace in Udaipur, the Rambagh Palace in Jaipur and UmaidBhawan Palace in Jodhpur. The company has

distinct achievements such as opening the country's first international five star deluxe beach resort, the Fort Aguada Beach Resort in Goa on 1974 and operating star hotel services in all the five metropolitan cities of Mumbai, Delhi, Kolkata, Bangalore and Chennai. The company established Taj Sheba Hotel in Yemen, Taj Exotica Bentota in Sri Lanka, undertook many foreign management contracts (such as Taj Palace Hotel in Dubai, developing high end Luxury Resorts with 100 and 206 keys in Mexico and British Virgin Islands respectively and establishing a Taj Luxury Hotel in Marrakech, Morocco), acquired on lease, The Pierre, a prominent hotel in New York, acquired the "W' hotel" in Sydney (which was later renamed as "Blue, Woolloomooloo Bay"), Ritz Carlton in Boston and Taj Campton Place in San Francisco, established Taj Exotica Hotel in Ras Al Khaimah, United Arab Emirates with the partnership of Saraya Islands, established the Taj Tashi Bhutan in coalition with Tashi Group, established the Vivanta in Maldives, Pierre in New York, the TAJ Cape Town and BanjarTola in Kanha and Taj Cape Town in South Africa, expanding its presence globally. The company has emerged as a prominent hotel service provider both in and outside India, through its subsidiaries. The Taj Group possesses an inventory to the tune of 103 hotels with 12243 rooms.

2. **EIH Limited (EIH):** A flagship company of Oberoi group, the company was incorporated on 1949 as a public limited company. The first hotel established by the company was The Oberoi Intercontinental (renamed as Oberoi) in New Delhi on 1965, since which there was no looking back. this company has expanded tremendously since then in India, shaping as one of the largest chains of hotels in India, engaged in the business of luxury hotels, restaurant, management contracts and travel and tours, providing airline catering, management of restaurants and airport bars, travel and tour services, car rentals, project management and corporate air charters under the brand name of "Oberoi and Trident". The company has made a mark in the international level with the establishment of an international luxury resort, "The Oberoi Lombok" in Indonesia, opening of luxury resort hotel in the Himalayas, construction of the 252 key Oberoi hotels in Dubai, and undertaking of management contracts of Oberoi Luxury Hotels in Abu Dhabi, Oman, Greece and Mauritius. The exemplary services offered by the company won it the rating of best first class hotel brand in India at the Galileo-Express Travel World Awards, 2007.
3. **Mahindra Holyday & Resorts India Limited (MHDRL):** A part of USD 6.7 billion Mahindra Group, the company was incorporated on 1996 as a private limited company and later converted into public limited company on 1998. With the establishment of first resort at Munnar on 1998, followed by a second at Goa on 1999, the company succeeded in expanding tremendously and has emerged as one of the leading leisure hospitality service providers in India, offering quality family holidays through a diversified range of products and services such as Club Mahindra Holidays, Zest, Club Mahindra Fundays, Mahindra Homestays and clubmahindra. The company ventured into the foreign market with the entry of a long-term lease for an international resort in Pattaya, Thailand. Provision of innovative facilities to customers such as launching of Svaastha spa and Gourmet express option in dining programme in some resorts won the company status of Business Superbrand in 2009 by the Brand Council of India and the flagship brand 'Club Mahindra Holidays' was selected as a Consumer Super brand.
4. **Hotel Leela Venture Limited (HLVL):** Incorporated on 1981, the company is one of the leading players in Indian hospitality industry. The company established its first 5-star

deluxe hotel “LeelaPenta” in Mumbai (renamed as LeelaKempinski on 1988) and witnessed commendable growth, diversifying into leisure and business sectors. The company ventured into the foreign segment by striking a collaboration deal with Preferred Hotels in USA, Global Hotel and Penta Hotels in UK to set up and operate 5-star hotels and undertaking management contract with Four Seasons Hotel, Canada.

5. **India Tourism Development Corporation Limited (ITDC):** Established on 1966, this company, owned by the Ministry of Tourism, Government of India, is engaged in providing Hospitality, retail and Education services, consisting of providing Duty Free Travel Solutions, Advertising Solutions, Event Management, Engineering Consultancy, Education and Training. The Ashok Hotel has the privilege of hosting all VIP movements such as members of Commonwealth Games Associations (CGAs), the Commonwealth Games Federation (CGF), International Sports Federations, Technical Delegates and the International Olympic Committee (IOC) and family members of Commonwealth Games participants. The Ashok Group of Hotels commands an overall inventory of 680 rooms.
6. **Country Club (India) Limited (CCIL):** The CCIL, formerly known as Amrutha Inns, was incorporated as private company on 1991 and later converted to public company on 1992. The hotel was constructed on a European Medieval architectural style to provide facilities such as health club, swimming pool, business Centre etc. to members of the club.
7. **Oriental Hotels Limited (OHL):** Promoted by the Reddy group of South India, the company established Taj Coromandel, the flagship hotel, on 1974. The OHL has ventured into foreign business by establishing Finolhu Island Resort in Maldives and acquiring controlling stake in Coramandel Hotels, St. James Court Hotel of London, Taj Lanka Resorts Limited of Sri Lanka and Taj Maldives Pte. Limited of Maldives.
8. **TajGVK Hotels & Resorts Limited (Taj):** Incorporated on 1995 as a joint venture company between Indian Hotels Company Limited of Tata group and the Hyderabad-based GVK Group, The Company is engaged in the hospitality and tourism industry. The company currently has operations in Hyderabad, Chandigarh and Chennai. The company has the privilege of establishing the first branded five star hotels in Chandigarh, “Taj Chandigarh”.
9. **Asian Hotels (North) Limited (AHNL):** Incorporated on 1980, the company established accommodation for the 1982 Asian Games guests. The company commenced its full-fledged commercial services on 1983 and developed into a leading player in the Indian hospitality industry operating a chain of deluxe category hotels under the brand “Hyatt Regency Hotels”. The company has ventured into Delhi, Mumbai and Kolkata. The hotels of this company provides distinct services such as High Speed Internet, Swimming Pool, Fitness Centre, Business Centre, Boutiques, Salon and Restaurants offering a wide variety of dining options. The company’s promoters constitute three major groups of Jatia Group, Gupta Group and Saraf Group which have gained control over Asian Hotels (North) Limited, Asian Hotels (West) limited and Asian Hotels (East) limited respectively.

A brief description about the different companies constituting the hotel industry in India reveals that most of the companies have expanded in leaps and bounces and this has arouse an interest in the researcher to analyse the performance of each of these companies and compare their efficiency to arrive at the better performing ones.

For this purpose, the researcher has used Data Envelope Analysis (DEA) and ascertained the performance efficiency scores of these companies with reference to various parameters and finally, ranked these companies according to these scores.

In this exercise, the researcher has analyzed the performance of nine hotels using Data Envelope Analysis (DEA). DEA is a nonparametric method used to empirically measure productive efficiency of decision making units (DMUs). DEA is referred to as "balanced benchmarking" (Sherman and Zhu, 2013). While benchmarking, the efficient DMUs, as defined by DEA, may not necessarily form a "production frontier", but rather lead to a "best-practice frontier" (Cook, Tone and Zhu, 2013). One can combine the relative strengths of Non-parametric and parametric tests in a hybrid method (Tofallis, 2001) where DEA identifies the frontier units and then a smooth surface is fitted to these, allowing the estimation of best-practice relationship between multiple outputs and multiple inputs. DEA benchmarks the firms only against the best performers. The most efficient firms constitute the "Composite Producer" permitting the arrival of an effective solution for every level of input or output (Berg 2010).

Objectives of the Study

1. To give a short description about top Indian hotels;
2. To analyze the comparative efficiency of these hotels during the ten year period of 2004-13.

Methodology

The proposed study is descriptive in nature, purely based on secondary data, collected from Money control.com website. Financial data pertaining to the ten year period of 2004-13 of top nine Indian hotelsnamely, Indian Hotels Company, EIH Limited, Mahindra Holy Day & Resorts, Hotel Leela Venture, India Tourism DC, Country Club India, Oriental Hotels, Taj GVK Hotels & Resorts and Asian Hotels (North) have been collected and represented suitably and analyzed using Data Envelope Analysis and Mean, employing the statistical package of SPSS and DEA.

DEA has been employed to rank the efficiency of these nine hotels, using the liabilities (consisting of Net Worth, Borrowed funds and Current Liabilities) as input variables and sales as output variable for the years of 2004, 2008, 2013 and 2004-13 in the first instance, and Sales as output variable and assets structure (consisting of Fixed assets, current assets and investments) as input variables for the same period, in the second instance.

RESULTS AND DISCUSSION

Table 2: 2004 Ranking (Sales as Output Variable and Assets as Input Variables)

Hotel	Score	Rank
Indian Hotels Company	0.451	4
EIH Hotel	0.321	8
Mahindra Holy Day & Resorts	0.347	7
Hotel Leela Venture	0.351	6
India Tourism DC	0.374	5
Country Club India	0.179	9
Oriental Hotels	0.493	3
Taj GVK Hotels & Resorts	1.000	1
Asian Hotels (North)	1.000	1

Mean	0.502
------	-------

It can be inferred from Table 2 that using Net Sales as Output variable and Assets as Input variables, Asian Hotels (North) and Taj GVK Hotels & Resorts have performed exceptionally well during 2004, followed by the other seven hotels. However, the other seven hotels have performed below the mean performance, suggesting that the two hotels of Taj GVK Hotels & Resorts and Asian Hotels (North) are the only hotels among the nine which have performed well during 2004.

Table 3: 2008Ranking (Sales as Output Variable and Assets as Input Variables)

Hotel	Score	Rank
Indian Hotels Company	1.000	1
EIH Hotel	0.540	5
Mahindra Holy Day & Resorts	1.000	1
Hotel Leela Venture	1.000	1
India Tourism DC	0.191	8
Country Club India	0.171	9
Oriental Hotels	0.261	7
Taj GVK Hotels & Resorts	1.000	1
Asian Hotels (North)	0.443	6
Mean	0.623	

It can be inferred from Table 3 that using Net Sales as Output variable and Assets as Input variables, Hotel Leela Venture, Taj GVK Hotels & Resorts, Indian Hotels Company and Mahindra Holy Day & Resorts have performed exceptionally well during 2008, followed by the other five hotels. However, the latter five companies have performed below the mean level, suggesting that the four hotels alone have performed well during the recession hit year.

Table 4: 2013Ranking (Sales as Output Variable and Assets as Input Variables)

Hotel	Score	Rank
Indian Hotels Company	0.875	4
EIH Hotel	0.696	6
Mahindra Holy Day & Resorts	0.478	8
Hotel Leela Venture	1.000	1
India Tourism DC	1.000	1
Country Club India	0.311	9
Oriental Hotels	0.831	5
Taj GVK Hotels & Resorts	1.000	1
Asian Hotels (North)	0.577	7
Mean	0.752	

It can be inferred from Table 3 that using Net Sales as Output variable and Assets as Input variables, Taj GVK Hotels & Resorts, India Tourism DC and Hotel Leela Venture have performed remarkably well during 2013 followed by Indian Hotels Company and Oriental

Hotels and the other four hotels. The performance of the last four hotels has been below par level, indicating that six hotels have performed well during 2013.

Table 5: 2004-13Ranking (Sales as Output Variable and Assets as Input Variables)

Hotel	Score	Rank
Indian Hotels Company	0.875	4
EIH Hotel	0.696	6
Mahindra Holy Day & Resorts	0.478	8
Hotel Leela Venture	1.000	1
India Tourism DC	1.000	1
Country Club India	0.311	9
Oriental Hotels	0.831	5
Taj GVK Hotels & Resorts	1.000	1
Asian Hotels (North)	0.577	7
Mean	0.752	

It can be inferred from Table 5 that using Net Sales as Output variable and Assets as Input variables, India Tourism DC, Hotel Leela Venture and Taj GVK Hotels & Resorts have performed outstandingly well during the entire ten year period of 2004-13, while Indian Hotels Company and Oriental Hotels have performed above the mean performancelevel and the four hotels of EIH Hotel, Asian Hotels (North), Mahindra Holy Day & Resorts and Country Club India have performed below par level during the ten year period.

Table 6: 2004Ranking (Sales as Output Variable and Liabilities as Input Variables)

Hotel	Score	Rank
Indian Hotels Company	0.708	7
EIH Hotel	0.669	8
Mahindra Holy Day & Resorts	1.000	1
Hotel Leela Venture	0.488	9
India Tourism DC	1.000	1
Country Club India	0.794	6
Oriental Hotels	1.000	1
Taj GVK Hotels & Resorts	1.000	1
Asian Hotels (North)	1.000	1
Mean	0.851	

It can be inferred from Table 6 that using Net Sales as Output variable and Liabilities as Input variables, India Tourism DC, Mahindra Holy Day & Resorts, Asian Hotels North, Oriental Hotels and Taj GVK Hotels & Resorts are the five hotels which have performed exceptionally well during 2004, while the other five hotels have performed below par.

Table 7: 2008Ranking (Sales as Output Variable and Liabilities as Input Variables)

Hotel	Score	Rank
Indian Hotels Company	0.875	6
EIH Hotel	0.842	7
Mahindra Holy Day & Resorts	1.000	1
Hotel Leela Venture	0.572	9

India Tourism DC	1.000	1
Country Club India	1.000	1
Oriental Hotels	0.976	5
Taj GVK Hotels & Resorts	0.844	8
Asian Hotels (North)	1.000	1
Mean	0.901	

It can be inferred from Table 7 that using Net Sales as Output variable and Liabilities as Input variables, Asian Hotels (North), India Tourism DC, Country Club of India and Mahindra Holy Day & Resorts have performed remarkably well while Oriental Hotels has performed above par level and the other four hotels have performed below par during 2008.

Table 8: 2013Ranking (Sales as Output Variable and Liabilities as Input Variables)

Hotel	Score	Rank
Indian Hotels Company	0.864	6
EIH Hotel	1.000	1
Mahindra Holy Day & Resorts	1.000	1
Hotel Leela Venture	0.664	7
India Tourism DC	1.000	1
Country Club India	0.541	8
Oriental Hotels	1.000	1
Taj GVK Hotels & Resorts	1.000	1
Asian Hotels (North)	0.321	9
Mean	0.821	

It can be inferred from Table 8 that using Net Sales as Output variable and Liabilities as Input variables, Mahindra Holy Day & Resorts, India Tourism DC, EIH Hotel, Oriental Hotels and Taj GVK Hotels & Resorts are the five hotels which have performed enormously well while Indian Hotels Company has performed reasonably well during 2013 and the other three hotels have performed below par.

Table 9: 2004-13Ranking (Sales as Output Variable and Liabilities as Input Variables)

Hotel	Score	Rank
Indian Hotels Company	0.864	6
EIH Hotel	1.000	1
Mahindra Holy Day & Resorts	1.000	1
Hotel Leela Venture	0.539	8
India Tourism DC	1.000	1
Country Club India	0.541	7
Oriental Hotels	1.000	1
Taj GVK Hotels & Resorts	1.000	1
Asian Hotels (North)	0.242	9
Mean	0.799	

It can be inferred from Table 9 that using Net Sales as Output variable and Liabilities as Input variables, Taj GVK Hotels & Resorts, Oriental Hotels, India Tourism DC, EIH Hotel

and Mahindra Holy Day & Resorts have performed vastly well while Indian Hotels Company has performed significantly well during the ten year period of 2004-13. The other three hotels have performed below the par level during the ten year period.

Inferences

It can be observed from the study that India Tourism DC and Mahindra Holy Day & Resorts have performed exceptionally well during 2004, 2008, 2013 and 2004-13 when liabilities are used as input variables. However, when assets are used as input variables, the latter company has performed well only during 2008 while the former has performed well during 2013 and 2004-13.

Taj GVK Hotels & Resorts has performed excellently during 2004, 2008, 2013 and 2004-13 when assets are used as input variables and during 2004, 2013 and 2004-13 when liabilities are used as input variables. The company has displayed a below par performance during the solitary year of 2008. Oriental Hotels has performed admirably well during 2004, 2013 and 2004-13 while reasonably well during 2008 if liabilities are used as input variables and reasonable performance during 2013 and 2004-13 if assets are used as Input variables. EIH Hotel has performed excellently during 2013 and 2004-13 if liabilities are used as input variables while it has performed below par during all the periods if assets are used as input variables.

Hotel Leela Venture has performed excellently during 2008, 2013 and 2004-13 if assets are used as input variables and below par during all the periods if liabilities are used as input variables.

Country Club India has displayed excellent performance during the solitary year of 2008 if liabilities are used as input variables and below par performance during all other study periods.

Asian Hotels (North) has performed excellently well during 2004 and 2008 if liabilities are used as input variables and the solitary year of 2004 if assets are used as input variables.

Finally, Indian Hotels Company has displayed a below par performance during 2004 if assets are used as input variables and during 2004 and 2008 if liabilities are used as input variables.

Conclusion

It can be concluded from the study that India Tourism DC and Mahindra Holy Day & Resorts are the two hotels which have displayed consistently good performance. Performance of most of the hotels has been fluctuating during the study period. However, most hotels have performed pretty well during the recession hit year of 2008 and are also showing signs of improvement in performance in the last year of 2013. Hence, it can be concluded that Indian hotels are heading towards a bright future considering their performance during 2013.

REFERENCES

1. Money Control (<http://www.moneycontrol.com>).
2. Gunjan M. Sanjeev (2007). "Measuring Efficiency of the hotels & Restaurants Sector- the case of India" International Journal of Contemporary Hospitality Management. Vol.19 No.5, 2007 pp. 378387.
3. Cook, W.D., Tone, K., and Zhu, J., Data envelopment analysis: Prior to choosing a model, OMEGA, 2013 (in press)
4. Berg, S. (2010). "Water Utility Benchmarking: Measurement, Methodology, and Performance Incentives." International Water Association.

5. Tofallis, C. (2001) "Combining two approaches to efficiency assessment". Journal of the Operational Research Society 52 (11), 1225–1231.
6. Sherman, H.D., and Zhu, J., Analyzing performance in service organizations, Sloan Management Review, Vol. 54, No. 4 (Summer 2013), 37-42.
7. Capitaline:<http://www.capitaline.com/user/framepage.asp?id=1>
8. <http://www.tajhotels.com>
9. <http://www.eihltd.com>
10. <http://www.clubmahindra.com>
11. <http://www.theleela.com>
12. <http://www.countryclubindia.net>
13. <http://www.tajgvk.in>
14. <http://www.orienthot.co.in>
15. <http://www.theashokgroup.com>
16. <http://www.asianhotelsnorth.com>