

**A COMPARATIVE STUDY OF FINANCIAL  
PERFORMANCE OF RADISSON HOTEL AND  
HYATT REGENCY HOTEL LTD.**



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## **RECOMMENDATION**

This is to certify that the Thesis

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Entitled:

**A Comparative Study of Financial Performance of  
Radisson Hotel and Hyatt Regency Hotel Ltd.**

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Regards  
Anju Kattel  
Researcher

## **DECLARATION**

I hereby declare that the work report in this thesis entitled. “A comparative study of financial performance of Radisson and Hyatt Regency hotel Limited.” Submitted to office of Dean, Faculty of management , TU is my original work done in the form of Partial fulfillment of the requirement of the master’s degree in business study (M.B.S.) under the supervisions Dr. Silu Bajracharya associate professor of Shanker Dev Campus.

Regards

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## **ABBREVIATION**

%	-	Percentage
AD	-	Anno domino
BS	-	Bikram Sambat
FY	-	Fiscal year
GDP	-	Gross Domestic product
HAN	-	Hotel association of Nepal
i.e	-	That is
NEPSE-		Nepal Stock Exchange
NRB	-	Nepal Rastra Bank
RS	-	Rupees
TU	-	Tribhuvan University
USA	-	United state of America
WTO	-	World Tourism Organization

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# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

Nepal is one of the richest countries in the world in terms of bio-diversity due to its unique geographical position and altitude variation. The elevation of the country ranges from 60 meters above sea to the highest point of the Mt. Everest 8848 meters, all within a distance of 150 kilometers resulting in climatic conditions from sub-tropical to arctic.

Nepal is a country of its natural beauty, which is treated as domestic resources to earn the foreign currency and it plays an important role in economic development of the country. Many tourism industries are running in Nepal to contribute economic as well as tourism development of the country although most people are living below the poverty line due to the various factor like rugged terrain land, rock position, poor resources, endowment, institutional weakness and moreover Nepal. The hotel and lodging services is one of the importance service sectors and its contribution to the economy in ever growing.

The tourism industry is rapidly developing in a competitive way around the world. To maintain the large number of tourist we need large number of hotels. Tourism is a very important sector and it has much to offer to the people. It can give us immediate socio-economic benefit out of small investment.

Although, Nepal is a place for a lot of attraction for tourism, it was close till 1950 AD for all foreign and there were not any hotel, transportation and other services. After 1956 AD tourism development started plan wise in Nepal. Around 1951-1952 AD, the first hotel was established in Jawalakhel, Lalitpur named Nepal Hotel. But it was closed within short period because of the bad consequences. Hotel Coronation was the first commercial hotel of Nepal and now it is changed into snowline Hotel. Hotel Association Nepal (HAN) was established in the year 1966 AD, when it had just eight hotels and all them in Kathmandu itself. In the first ten years of its existence, due to the early stage of the industrial age as well as the membership

being extremely homogenous the HAN was able to make its mark on the governmental regulatory and social up gradation aspects of tourism. The period of 1970 to early 1980 AD was prolific year for tourism growth and its spread. It was in this period that all categories of star rated hotels grown not only within the confines of Kathmandu but also spread its wing beyond the valley such as Pokhara , Chitwan and the outer districts. Till then tourism was still within the confines of sustainability and hotels helped in the growth of other segments of the tourism industry.

The 1980's ushered in the idea of a borderless world and as such trade and commerce began to flow from one part of the world to the next. The tourism industry, the very heart of the concept of borderless economy, obviously began to get its full share of benefit. On the other hand, the concept of international standards therefore, of an international network of marketing came to the forefront of this industry. So, in the last few decades Kathmandu and Pokhara with rest of Nepal has seen mushrooming of world class hotels. At presents 235 hotels have got the membership form HAN i.e. 154 hotels in Kathmandu, 21 in pokhara and 60 in other locations.

## **1.2 The Hotel Industry**

While going to origination of the hotel industry in the world, 'Hotel' or 'Inn' is defined by British law as a "Place where a benefited traveler can receive food and shelter. He is in a position to pay for it and is in fit condition to be received." Hence, a hotel must provide food beverage and lodging to travelers on payment and has in turn, the right to refuse if the traveler is drunk, disorderly, unkempt or not in position to pay for the service.

In the other word, an establishment that provide food, shelters and other amenities for the comfort and convenience of the guest with a view of making a profit, is called a hotel.

The word hotel is a very new word, which was taken by the emerging nation of Europe, especially Switzerland. It was in Europe that the birth of an organized hotel industry took place in the shape of chalet sand small hotels, which provides service by the aristocracy of the day.

In different countries the name of hotel was different. In early England they were used 'Inns' or 'Taverns'. Normally the name 'Inn' was reserved for the finer establishment catering nobility and clergy. The house frequented by common man was known as taverns. In France, it was 'hotelleries' In America lodging homes were called "Inn or Coffee House". The word "Hotel" was used in England in about 1760 after a passage over 80 years.

The real growth of the modern hotel industry took place in the USA beginnings with the opening of city hotel in New York in 1774. This was the first building specially created for hotel purpose. This made the most competition between different cities and resulted in good hotel industry. Some of the finest hotels of the USA were in this era, but the real growth in hotel industry came in the early twentieth century. This period also saw the beginning of chain professional to manage the business.

### **1.3 Type of Hotels**

The hotels are classified to suit the standard of guest. Guest has a right to choose the hotels of their standards. Hotels are classified into categories according to the following basic factors.

- A. Location
- B. Number of rooms
- C. Type of plan rooms rates that are quoted
- D. Type of clientele
- E. Length of guest stay
- F. facilities that it offers

#### **A. Categorization by locations**

- i. Downtown Hotel:** It is located in the heart of city. Rates in these hotels are normally high due to the rate of return on investment (ROI) computed on these capital intensive hotels. Normally business clientele prefer such hotel.

ii. **Resort Hotel**

It is located in the hills or at beaches. It is mainly patronized by vacationers. Basic facilities are provided and the rates offered are often on American plan i.e. room plus all meal included.

iii. **Airport Hotel:**

As the name suggests, these hotels are situated at the airport and are ideal for transit passengers who have only a few hours in the city making it impossible for them to stay in downtown hotel. Rate charges for room only i.e. European plan.

iv. **Motel:**

This type of hotel is located on highways, they provide modest board and lodging to highway travelers. The length of stay is usually overnight; thus, rates quoted are on European plan i.e. room only.

v. **Inns:**

They are smaller in size with modest board and lodging facilities. They locate anywhere within or outside the city.

**B. Categorization by Number of Rooms**

Hotel with 25 rooms and less may be termed “small”, those with 25 to 100 may be called ‘medium’, and those with 101 to 300 are called “large”. Hotel with over 300 rooms are called ‘very large’.

**C. Categorization by type of plan**

Hotels are classified according to the type of plan, they offer, Nepal has hotels on European plan, American plan or continental plan. These plans are decided by the hotel on variety of factors including type of clientele (Businessmen, families, conference or group) length of stay and average customers preference.

**D. Categorization by the clientele**

This categorization is based on the type of patronage. Rates are European plan for businessman and American plan for groups and family. Such hotels are normally situated in resort cities.

**E. Categorization by Length of Guest stay.**

It is different from hotels to and guest i.e. Transient hotels, Residential hotels and Semi residential hotel.

**F. Categorization by facilities the Hotel offers:**

- i. Five star hotel – Luxury hotels
- ii. Four star hotel – First class hotels
- iii. Three star hotel – Lower middle class hotels
- iv. One star hotel – Moderate class hotels

(Andrews Sudhir, 1998)

Numbers of hotel in Nepal according to facilities:

<b>Types</b>	<b>No</b>
Non Stars Hotels	3,548
One Stars Hotels	19
Two Stars Hotels	32
Three Stars Hotels	19
Four Stars Hotels	10
Five Stars Hotels	6

(Survey of Hotels and Lodges Nepal 2003-2004, Center Bureau of Statistics)

**Name of Five Star Hotels are:-**

1. Hyatt Regency Kathmandu  
Kathmandu -6 Buddha, Kathmandu, Nepal  
Phone No: 4461-123
2. Hotel DEL “Annapurna”  
Kathmandu -1, Durbar Marga, Kathmandu, Nepal  
Phone No: 4221-711
3. Hotel Everest International

Kathmandu- 10, New Baneshwor, Kathmandu, Nepal

Phone No: 4780-100

4. Radisson Hotel Kathmandu

Kathmandu -2, Lazimpat, Kathmandu, Nepal

Phone No: 4411-818

5. Soaltee Crown Plaza

Kathmandu -13, Soaltee Moad, Kathmandu, Nepal

Phone No: 4273-999

6. Yak and Yeti Hotel Limited

Kathmandu -1, Durbar Marga, Kathmandu, Nepal

Phone No: 4248-999

## **1.4 Introduction of Hotels**

Out of the five star hotels in Nepal, Radisson Hotel Kathmandu and Hyatt Regency Kathmandu has been chosen for the study. A brief introduction of selected hotels is presented below.

### **1.4.1 Radisson Hotel Kathmandu**

Radisson Hotels & Resources, one of the world's leading, full-service global hotel companies, operators, manages and franchises more than 410 hotels and resorts in 6countries. Radisson continues to expand its presence in key markets in the Americas, Asia pacific and Europe, the Middle East and Africa, reaching new markets and customers. A key to the success of Radisson's growth has been its connectivity to the global travel industry and its many sophisticated management systems and business building tools in such areas as reservation delivery including emerging areas of electronic commerce, customer rewards, sales and marketing, operations, training and public relations, to foster the success of its hotels. The company's business delivery technology reaches into 125 countries.

Radisson Hotels & Resorts, with headquarters in Minneapolis, Minn., is one of the lodging brands of Carlson Hotels Worldwide. Carlson Hotels Worldwide is part of Carlson Companies, Inc., one of America's largest privately-owned corporations.

Radisson hotels are named after the famous French explorer, Pierre Esprit Radisson, who visited many parts of the Upper Midwest and Canada during the 17<sup>th</sup> century.

Radisson Hotel Kathmandu is the brand name of Oriental Hotels Ltd. which is established under the company. Oriental Hotel Ltd is listing on 21<sup>st</sup> August 2001 as a hotel companies in securities board, Nepal. It started its preliminary operation from 6<sup>th</sup> November 1998 with 40 rooms and fully fledged operation from end of 1999 and starting of 2000 with 172 rooms and all facilities of five star hotel's standard.

With a prime location the heart of Kathmandu adjacent to the Narayanhiti Museum and near major attractions, the Radisson Hotel Kathmandu offers the kind of warm hospitality, inviting atmosphere and topnotch services sure to please business and leisure travelers alike.

The Fun café, an all-day dining restaurant at the Radisson Hotel Kathmandu, features tempting menu items and themed buffets offering both Western and Asian specialties. The Radisson Hotel Kathmandu also offers the Olive Garden for Italian dishes and Terrace Café for poolside snacks and beverages. Exotic cocktails served in a relaxing atmosphere are featured at the Hotel Kathmandu's Corner Bar.

The ideal Kathmandu location for meeting and social events up to 800 people, the Radisson Hotel Kathmandu Provides flexible, well-appointed meeting and banquet space, with the expertise of the professional Hotel Radisson staff, meetings at the Hotel Radisson are sure to go off without a hitch.

#### **1.4.2 Hyatt Regency Hotel Kathmandu**

There are 213 Hyatt hotels and resorts (over 90,000 rooms) in 43 countries around the world operating under the Hyatt, Hyatt Regency, Grand Hyatt and Park Hyatt brands. Currently, there are an additional 29 Hyatt hotels and resorts under development, including 10 new hotels in China. In January 2005, Global Hyatt Corporation also added an additional 143 U.S. Properties to its growing portfolio with the acquisition

of the upscale, limited service American Suites hotel chain. These properties will be renovated and repositioned under the new Hyatt Place select service brand in 2006.

Since the opening of Hyatt Regency Maui in 1980, Hyatt Hotels & Resorts has become known as a leader in the creation operation of dramatic luxury resort as well. These include, for example, Hyatt Regency Kauai in Hawaii; Hyatt Regency La Manga in southern Spain; Bali Hyatt and Grand Hyatt Bali in Indonesia“ Hyatt regency Cheju on the southern coast of Korea; Hyatt Regency Sanctuary Cove and Hyatt Regency Coolum Spa & Resort in Australia’s Queensland state; Hyatt Regency Guam in Micronesia; Hyatt Regency Thessaloniki in Greece, Hyatt Regency Kathmndu, Nepal, and Hyatt Regency Hua Hin in Thailand.

Today, Hyatt Hotels & Resorts specialize in deluxe hotels with meeting facilities and special services for the business traveler, operators’ hotels in major and secondary cities, airport locations, and leading resort areas throughout the world. In many cities Hyatt Hotels & Resorts has made significant contribution to revitalizing the area and spurring business and population growth. With the new hotels under development, Hyatt International Cooperation will be creation more than 20,000 job opportunities throughout the world.

Hyatt Regency Kathmandu is the band name of Taragaun Regency Hotels Ltd. which is established under the company Act 2053 as a public limited company Taragaun Regency Hotels Ltd. is listing on 13<sup>th</sup> October 1998 Ordinary and Preference Share (Promoter) and on 18<sup>th</sup> November 1999 Ordinary and Preference Share (Public) as a hotel companies in Securities Board, Nepal. It started its partial operation (Soft Opening) from 27<sup>th</sup> September 2000 with 86 rooms and one restaurant like this fully fledged operation (full opening) from 1<sup>st</sup> January 2001.

The hotel is four kilometers from Tribhuvan International Airport very close to the business district and shopping areas. The Bouddnaath Stupa is within ten minutes walking distance from the hotel.

## **Hotel Services and Events**

- ) Overlooking landscaped garden and swimming pool with view of the Bouddhanath Stupa
- ) Show kitchen and tandoori oven
- ) Serving nepali, Indian and continental cuisine
- ) Centrally located at the lobby overlooking landscaped garden with views of the Boudhanath Stupa and Surroundings
- ) Serves a range of specialty beverages like Iced Teas and Wines by the glass
- ) Set amidst the gardens, near the poolside
- ) Serving light snacks and beverages.

## **Meeting and Banquet facilities**

- Regency Ballroom
  - Divisible into three sections
  - Modern audio-visual facilities
  - Sound-proof partitions
  
- Meetings Rooms
  - Two meeting rooms
  - One boardroom
  
- Drawing room
  - VIP waiting room
  - VIP cocktail lounge
  
- Outdoor functions areas/terrace
  - Outdoor pre-functions area approximately 315 square meters, adjacent to the regency Ballroom
  - Various locations around the property

## **1.5 Statement of the Problem:**

Tourism sector is an important part of developing country. Increase in the number of hotel shows the improvement of tourism development. And tourism sector directly

contribute to the economic development of the nation. There is vast competition between the hotels, so it is necessary to compare and analyze the profitability position of newly established five star hotels in Nepal i.e. Radisson and Hyatt.

Financial performance of an organization is reflected in its profitability. Profitability results from the combined effect of liquidity, asset management and debt management. It reveals the relative strength and weaknesses of a company as compared to other companies in the same industry. It is in this light that the present study analyzes and examines Financial Performance of Radisson and Hyatt. More specifically the study is expected to answer the research questions:

- i. How is the capital structure position of these hotels?
- ii. What are the similarities and differences in the performance of these hotels?
- iii. What is the comparative performance of these hotels on the basis of liquidity, profitability, turnover, and average collection period?

## **1.6 Objectives of the Study:**

This study has been conducted to fulfill the following objectives.

- i. To assess the financial and non financial performances of these sampled hotels based on the criteria such as liquidity, profitability, turnover, and average collection period.
- ii. To analyze the comparative cash flow trend of Radisson Hotel and Hyatt Regency Hotel.
- iii. To evaluate the comparative cash generating capacity of the studied organizations.
- iv. To identify the effectiveness of cash flow for measuring financial performance of the studied organizations.

## **1.7 Significance of the Study**

Comparative study of both the hotels provide necessary information beneficial for all the concerned.

This study will help to:

**i. Management of the hotels :**

If management is to attain the firm's objectives, it must take advantage of the firm's strengths and correct its weaknesses. Financial statement analysis involves a comparison of the firm's performance with that of other firms in the same industry. This helps management identify deficiencies and then take actions to improve the performance.

**ii. Shareholders:**

Shareholders own the firm and elect the management team. Management, in turn, is supposed to operate in the best interest of the shareholders. Shareholders right to get the reliable data and they should be aware from their competitive organization's financial information, management can be pressurized to take the necessary action to correct its weaknesses. This study significantly provides the reliable financial information to concerned shareholders.

**iii. General Public:**

Organizations have an ethical responsibility to provide a safe working environment for their employees, to ensure that their output processes are not endangering the environment and safe for the customers. This study is important for the employees and customers to get the concerned hotel's general information, its comparative financial status and the environment.

**iv. Government :**

Government is the regulatory body in this open market economy. Government regulates organization by making necessary rules and regulations. That has increased its profitability by following the firm (1) to avoid fines and legal expenses, (2) to build public trust, (3) to gain business from customers who appreciate and support its policies, (4) to attract and keep employees of the highest caliber, and (5) to support the economic viability of the communities in which it operates.

**v. Others :**

Creditors want to increase the rate of return from the organization. By this comparative study creditors and other stakeholders can get the comparative financial information to provide the pressure to the management for better improvement.

In summary to determine the creditworthiness of organization, the financial analysis must “look beyond the ratios” and analyze the viability of the organization performance. It is not an easy task, but it must be done. By this study we can identify the hidden weakness regarding financial administration and other. Realizing the problems of hotel industry, the present study is necessary.

### **1.8 Limitations of the study**

The study of comparative analysis of Radisson Hotel Kathmandu and Hyatt Regency Kathmandu is not free from the following limitations:-

- i its reliability depends upon secondary data made available by the concerned hotels.
- ii Financial statements of these two hotels of the last five years from FY 2005/06 to F.Y.2009/010 AD only analyzed.
- iii It covers a brief study of financial performance of Radisson and Hyatt Analysis is concerned in some management, financial and accounting aspects and it does not cover the other areas of the hotels.

### **1.9 Organization of the Study:**

The study is carried out on sequential order and has divided into five chapters. They are as follows:

#### **Chapter – I: Introduction**

The introduction chapter will include background, historical background of Hotel industry in Nepal, a brief introduction of the Radisson and Hyatt Regency hotel, focus of the study, statement of problem, objective of the study, signification of the study, and limitation of the study and organization of the study.

#### **Chapter- II: Review of Literature**

The review of literature chapter will include conceptual reviews, review of related study and previous thesis.

### **Chapter – III: Research Methodology**

The research methodology chapter is related to methodology applied in research work. It includes research design, nature and sources of data processing and analysis procedure, population and sampling, data collection procedure etc.

### **Chapter – IV: Data Presentation and Analysis**

This chapter deals with the data presentation and analysis on the basis of the received document from the related organization. This study used the statistical as well as financial tool in order to fulfill the objectives and problems of the study.

### **Chapter- V: Summary, Conclusion and Recommendation**

Summary, conclusion and recommendation will be presented in the last chapter after data presentation and analysis. This chapter will present about the summary of the study, conclusion and related suggestions and /recommendation of the study.

Besides these chapters bibliography and appendix are also presented at the end of the research.

## **CHAPTER II**

### **REVIEW OF LITERATURE**

This chapter deals with the review of relating to the topic of the study in more details and descriptive manner. For review study, the researcher uses different books, reports, journals, articles and research studies published by various institutions, unpublished dissertations submitted by master level students as well. This chapter has been classified into the following subchapters:

- 2.1 Conceptual Review
- 2.2 Review of Related studies
- 2.3 Review of Thesis

#### **2.1 Conceptual Review**

The review of textbooks and other reference materials have been included in this topic. It would be obvious to disclose here that only few studies has been carried out on the topic like financial performance and analysis of hotels, capital structure of two hotels. However effort of receiving some basic idea about hotel industry related dissertations, books and other relevant materials would be taken while preparing this chapter.

##### **2.1.1 Concept of Financial Performance**

“Financial performance analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationships between the items of the balance sheet and the profit and loss account.”(Pandey; 1979:95).

Financial analysis is the key tool for financial decision and starting point for making plan before using sophisticated forecasting and budgeting procedures. The value of this approach is the quantitative relation that can be used to diagnose strengths and weaknesses in firm’s performance.

Today the world is becoming more dynamic and subject to rapid changes. It is not enough to analysis operating performance. Financial analysis includes consideration

of the strategic and economic development to which the firm must relate for its long runs success. Ratio analysis is one of the major tasks that required for evaluation of firm's financial performance.

Financial analysis is a science and an art. Financial statement analysis is part of larger information processing system on which informed decisions can be based; it is the considerable things for company's common stockholder, investor, bond holders and others. Investors wants to see profitability, stability of earnings, covariance with the earnings of others companies. In fact financial analysis is the most important for all parties.

“Financial performance is the man indicator of the success or failure or the enterprises. There are different groups or persons like investors, customers, employees, tax authorities, trade association, trade union, and competitors etc who are interested in financial performance. All the enterprises are directly influenced by the financial policies in their growth and development.” (Pandey; 1979:109)

**Net Profit After Tax (NPAT):**

It is also called EAT (earning after tax) which is the earning after the obligation of corporate taxes are met.

**Earning Per Share (EPS):**

EPS are the per share profits after taxes and after preferred stock dividends that are available to stockholders. It can be calculated quarterly or for full year. EPS shows earning made by each share or the after tax and preferred dividend return on each share. Higher the EPS better it is and subsequently higher the price is expected.

$$\text{EPS} = \frac{\text{profit after taxes} - \text{preferred stock dividends}}{\text{No. of shares of common stock outstanding}}$$

### **Dividends per share (DPS):**

The above mentioned (EST – Preferred dividend) which is the earning available to the stockholders may be either retained fully i.e., ploughed back for further expansion or growth purpose in the form of cash, if enough financial resources is available to the corporation, which is called dividend. This earning available to each share is called dividend per share. Usually all stockholders invest their funds in expectation of this income stream. The dividend may be in the form of cash dividend, stock dividend, property dividend etc.

$$\text{DPS} = \frac{\text{Earning per share (1- b)}}{\text{No. of outstanding shares}}$$

where, b= retention ratio

### **Capital Gain:**

As seen in the stock market the price of the share of the corporation performing excellently are rising at a speedy rate. Let's suppose the market price of ABC bank today is Rs. 100.00 and after the year the market price becomes Rs. 200.00 and the difference i. e., Rs. 200-100=Rs. 100 is the gain due to the valuation of the stock the security market, which is termed as capital Gain =  $(p_1 - p_0)/p_0 \times 100$

Here,  $p_1 = \text{Rs. } 200$

$p_0 = \text{Rs. } 100$

### **Return on Investment (ROI):**

The term investment may refer to net assets. The conventional approach of calculating return on investment (ROI) is to divide PAT by investment. Investment represents pools of fund supplied by shareholders and lenders, while PAT represent residue income of shareholders; therefore, it is conceptually unsound to use PAT in the calculation of ROI. Also as discussed, PAT is affected by capital structure. It is therefore, more appropriate to use following measurement;

$$\text{ROI} = \text{ROA} = \frac{\text{Operating profit}}{\text{Total Assets}} \times 100$$

**Return on Equity (ROE):**

Common shareholders are entitled to the residual profits. The rate of dividend is not fixed. Nevertheless, the net profit after taxes represents their return. A return on shareholder's equity is calculated to see the profit ability of shareholder investment.

$$\text{ROE} = \frac{\text{Profit after taxes}}{\text{Net Worth}} \times 100$$

ROE indicates how well the firm has used the resources of shareholders. In fact, this ratio is one of the most important ratios for common stock pricing.

**Price Earning Ratio (p/E Ratio):**

The reciprocal of the earning yield is called the Price Earnings Ratio.

$$\text{P/E Ratio} = \frac{\text{Market Price Per Share}}{\text{Earning Per Share}}$$

The price-earning ratio is widely used by the security analysis to value, the firm's performance of stock pricing.

**Earning Yield :**

Earning yield shows the return to stock holders as a percentage of current market value per share since the stock holders have to sacrifice their worth for prevailing market price per share, earning yield gives a good reflection of the current profit on stock investment..

$$\text{Earning Yield} = \frac{\text{Earning Per Share}}{\text{Market Price Per Share}} \times 100$$

### **Dividend Yield**

Since the company is not legally liable to pay a specified dividend to common stock holder it may vary from company to company and year to year within a company. The return that the stock holder get on their stock is indeed, the dividend yield.

$$\text{Dividend Yield} = \frac{\text{Earning Per Share}}{\text{Market Price Per Share}} \times 100$$

### **2.1.2 Investment Decision**

After the completion of analysis, it is now time to make decision. The general mode of decision making is to compare the estimated expected return and estimated required holding period return.

$$\text{Expected return; } E(\text{HPR1}) = \frac{V1 - P0 + D1}{P0}$$

Where,  $E(\text{HPR1})$  = Expected holding period return over one year.

$V1$  = value at the end of one year.

$P0$  = price at the beginning of the year

$D1$  = dividend paid at the end of year.

Now, the estimated required return as suggested by CAPM

$$E(R_j) = R_f + B_i [E(R_m) - R_f]$$

Where,  $E(R_j)$  = expected required holding period return

$R_f$  = risk free return

$B_i$  = beta for the stock

$E(R_m)$  = expected market return

Now the analyst should compare  $E(\text{HPR}) > E(R_j)$ , the analyst should invest for long term and if  $E(\text{HPR}) < E(R_j)$  should invest for short span.

### **2.1.3 Development of Hotel Industry in Nepal**

In Nepal, tourism is one of the major sources of Nepalese economy. Tourism sector contributed up to 4.1% of the national economy (GDP) during the mid 1990s and around 20% of the foreign exchange earnings. But now it is now only contributing

around 1% of the GDP and about 10% of the foreign exchange earnings. Hotel Industry is the back bone of the tourism industry, so it is suffering terribly in current years. The hotel sector contributed up to 30, 11, 00,000 as hotel tax in a year in the past but now it is almost nil.

The Himalayan Kingdom of Nepal opened its door for the outsider in 1941, but it was only expedition purpose. The democratic movement of 1950s marked a new era. It brought democracy that changed the administration and vision of Nepal to look at the outside world. Mr. Nara Samsher who had traveled abroad and made the relationship with the outsider of Nepal, felt a need of quality hotel in Kathmandu. He opened a hotel at his palace in Jawalakhel in 1952, by the team of cooks and waiters who were trained to in his palace for his personnel guests. The manager was Mr. Tom Mandis, who was invited from Calcutta. But the project did not last long and Mr. Mandis opened Snow View Hotel at Lazimpat. The Himalayan Inn and Paras inn in 1950 and 1951 respectively were already in existence at new road. Mr Boorich, who had successfully organized the banquet for 160 royal invitees for the coronation of his majesty's king Mahendra was requested to settle down in NEPAL and help tourism promotion. He had opened royal hotel in 1955, where present Rajashava Bhawan, is located. He imported many high breeder seeds and vegetables to cater the need of hotel's kitchen. In 1964, Mr Ramshankar, who was successfully operating Green Hotel at Newroad, opened Shankar Hotel at old Rana Palace, Lazimpat with tourists' standard. The hotel was the first four star hotel of Nepal. In the same year, after nine months, Hotel Del' Annapurna came up as a 5-star hotel. In 1966, Hotel Soaltee came up as 5-star deluxe hotel. Similarly, Blue Star Hotel in 1968 and Hotel Crystal in 1972 came up to fulfill the need of tourist arrival. Now days, there are so many hotels established in Nepal to fulfill the need of hospitability service for tourist and Nepalese.

#### **2.1.4 Capital Market of Hotel Industry in Nepal**

All kind of financial securities are traded in financial market. According to life span of financial securities, financial market is divided into two groups. One is money market where short-term securities like treasury bills are, commercial papers, banker acceptances etc. are traded. The second type of market is capital market where long term securities like bond, debenture, preferred stock, common stock as well as

treasury bonds and notes are traded. If the company issued new share and wants to raise long term funds by long-term securities, capital market is appropriate destination for selling securities.

“Capital market is defined as, the framework for the borrowing or lending of funds for the period of longer than a year.”(Kumar, Frasher and Pusleton; 1991:280)

“Capital market is the market in which long term financial instruments such as equity and bond are raised and traded.”(World bank; 1995:70)

All the 5-star hotels issued share and bond through the capital market. Capital market is a mechanism that helps to manage capital and use these funds in productive sector like hotel, manufacturing, trading, and service and tourism industry.

### **2.1.5 Capital Structure of Selected Hotels**

Capital structure is the mix of the two long term sources of capital. Debt and equity are the major sources of long term capital. In theory, capital structure consists of long term debt capital. Preference share capital and equity share capital. But the combination of debt and equity, which maximizes the value of the firm and minimizes the cost of capital, is called optimal capital structure. Under the normal condition, the earning per share can be increased using higher leverage. But the leverage also increases the financial risk of shareholders. As the result, it cannot be said whether the value of the firm depends upon the capital structure or not. Traditionalist argued that value of the firm depends upon the optimal capital structure but Modigliani and Miller has argued that in perfect capital market, capital structure does not affect the value of the firm. The main objective of the capital structure is to maximize the value of the firm and minimize the cost of capital adopting optimal capital structure.

The entire item in liabilities side is called financial structure but the capital structure is a part of financial structure.” Capital structure is the composition of all item excluding current liabilities in balance sheet of liabilities side.”(Goyal; 1985:40)

The capital structure is based on following assumptions:

- ) Earning is constant and stable.
- ) All the earning is distributed as dividend to shareholders.
- ) Only debt and equity are employed.
- ) Total assets are remaining constant but degree of debt may be changed.
- ) There are no corporate and personnel taxes available in the world.
- ) Perpetual life of the firm.

The study concerns about the capital structure of four 5-star hotels. The study focuses on how the capital structure affects earning per share, dividend per share market price per share as well as book value per share.

### **2.1.6 Financial Statement**

The financial statement provides a summarized view of financial position and operation of a firm. Financial statement is a report issued annually by a corporation to its stockholders. The financial statement contains summaries information organized systematically of the firm's financial affairs. Preparation of the financial statement is the responsibility of the top management. This information is used by the investors, creditors, shareholders, workers, government and financial analyst to examine the firm's performance in order to make their respective decisions. Financial statement discloses financial information relating to any business concern during a financial year, which is presented in the form of income statement and balance sheet usually prepared at the end of each financial year.

Financial statement reports what has actually happened to earnings and dividend over the past few years. Financial statement is prepared from the accounting records maintained by the enterprises. The basic objective of financial statement is to assist in decision making. Evidently financial statement basically comprises the income statement and balance sheet.

### **2.1.7 Income Statement**

The income statement is the "Scoreboard" of the firm's performance during a particular period of time such as a year, quarter or a month; the generally accepted convention is to show one year events in the income statement. Since the income

statement reflects the results of operations for a period of time. The income statement or profit and loss account presents the summary of revenues expenses and net income (or net loss) or a firm for a period of time.

“Income statement is of great importance and interest to users of financial statement because it enables them to ascertain whether the business operation have been profitable or not during the specific accounting period.”(Khan and Jain; 1992:79)

### **2.1.8 Balance Sheet**

“A balance sheet is an accounting statement prepared from accounting balance at a given date. It shows the financial position of a business by detailing the sources of funds and the utilization of these funds. A balance sheet shows the assets and liabilities group, properly classified and arranged in a specific manner.”(Juneja, Chawala and Saxena; 1991:275)

Balance sheet is prepared at the end of each financial years of a firm to reflect the positions of assets, liabilities and capital in two sides separately. In the assets side represent current asset and fixed asset. Similarly on the other side current liabilities, long term liability and owner equity are presented. This statement is prepared to see the liquidity position of a firm whether it is sound or not and to draw attention towards weak area for corrective action so as to ensure sound financial position. In the language of accounting, the balance sheet communicates information about the assets, liabilities and owners equity of a business firm as on a specific date.

### **2.1.9 Statement of Retained Earnings**

"The portion of the firm's earnings that has been saved rather than paid out, as dividend is known as retained earnings. A statement reporting the change in the firm's retained as a result of income generated and retained earnings during the year. The balance sheet figure for retained earnings is the sum of the earning retained in each year by the business."(Jain and Narang; 1988:60)

The business organization keeps retained earnings for the purpose of re-investment, office expansion and other expenses. Retained earning is the portion of net income that is kept in business for meet the financial requirement.

Numerically:

Retained earning = Net income – Dividend.

### **2.1.10 Funds Flow Statement**

The funds flow statement describes the sources from which additional funds were derived and the uses to which these funds were put. “The statement of changes in financial position prepared to determine only the source and uses of working capital between dates of balance sheets are known as fund flow statement”. (Joshi: 1998:25)

Different titles have been used by various corporation and business enterprises for the fund flow statement. The selection of the title is closely related to propose for which it is employed. This employed that the fund flow statement is concerned not only with source and applications of fund it also measures the event effecting working capital. So it is also known as source and application of funds. It is the summary of financial operation, fund provided and its deposit based on this statement is generally called fund flow statement. The fund flow analysis is an important tool employed for financial analysis. It involves expression of the different sources of fund by which the funds between dates have been generated and the application of the fund.

### **2.1.11 Financial Analysis**

“Financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationships between the items of the balance sheet and profit and loss account.”(Jain and Narang; 1998:19).

The analysis of the financial statement is way so as to afford a full diagnosis of the profitability and financial position of the firm concerned.

Financial analysis can be undertaken by management of the firm or by parties of outside the firm, i.e. owners, creditors, investors and others. Management should be particularly interested in knowing financial strengths of the firm to make their best use and to be able to support out financial weaknesses of the firms to take suitable corrective actions. The future plans of the firm should be laid down in view of the firm’s financial weaknesses and strengths. Thus, financial analysis is starting point of making plans, before using any sophisticated forecasting and planning procedures.

Understanding the past is pre-requisite for anticipating the future.”(Khan and Jain; 1992:79)

## **2.2 Review of Related Studies**

**Ramesh Dhakal**, (2001), in his article, ” NEPSE Refuse to List the Share of Orientals Hotels” explores about the issue problem of share of Radisson hotel.

According to Dhakal, The Nepal Stock Exchange (NEPSE) has refused to list the shares of Oriental Hotels Ltd., managed by Radisson International, accusing it of disseminating false financial information to the general public during share issue last August.

This is the first time that NEPSE has refused to list the shares of any company on grounds of alleged non-compliance with information disclosure regulations. NEPSE has further accused the Hotel of presenting two varying financial statements to the general public – the first during the share issue last August, and the other to NEPSE almost two and half months later when it applied for share listing.

The immediate impact of the NEPSE action will be felt by small investors – over 32,012 of them - who bought shares of the Hotel. Without NEPSE listing, the shares cannot be bought and sold. Both Securities Board Act and NEPSE Act are silent on what happens to investors if a company’s shares remain unlisted.

The profits, excluding depreciation and interest payment, in the two statements (the second was audited) for the last fiscal year differed by 37.50 per cent, reveals a copy of a letter dated February 15 sent by NEPSE to the Hotel which laid out the reasons why it was refusing to list its shares.

However, the Hotel refutes that it gave wrong impression of the financial position to attract subscriptions. "The cause of difference in the profits is due to a slump in tourist arrivals. Everyone knows that. In fact, Hotel is doing better than others that came into operation at around the same time,”

**Narayan Prasad Poudel**, (2063), in his article, “Financial Statement Analysis” identifies about the Balance sheet and profit and loss account.

According to Mr. Poudel Balance sheet and profit and loss account are the accompanying notes are the most useful aspects of the bank. We need to understand the major characteristics of bank’s balance sheet and profit and loss a/c. The banks balance sheet is composed of financial claims as liabilities in the form of deposits and assets in the form of loans. Fixed assets account forms a small portion of the total assets. Financial innovations, which are generally contingent in nature, are considered as off-balance sheet items.

Interest received on loans and advances and investment and paid on deposit liabilities are the major components of profit and loss account. The other sources of income are fee, commission, discount and service charges.

The users of the financial statement of a bank need relevant, reliable and comparable information which assists them in evaluating the financial position and performance of the bank and which is useful to them in making economic decision.

According to Poudel, the principles of analyzing financial statements are to identify:

- ) Financial adaptability (Liquidity)
- ) Financial performance (Profitability) and
- ) Financial position (Solvency)

Most of the users of the financial statements are interested in assessing the bank’s overall performance i.e. profitability which is affected by the following factors:

- i. The structure of balance sheet and profit and loss account
- ii. Operating efficiency and internal management system
- iii. Managerial decisions taken by top management regarding interest rate, exchange rate, lending polices etc.
- iv. Environmental changes (technology, government, economy).

According to Mr. Poudel, the other factors, to be considered in analyzing the financial statements of the bank is to assess the capital adequacy ratio and liquidity position. In

the line of the norms set by bank for international settlement (BIS), capital adequacy of a bank is assessed on the basis of risk weighted assets. It indicates a bank's financial strength and solvency.

Liquidity is measured by the speed with which a bank's asset can be converted into cash to meet deposit with draws and other current obligations. It is also important in view of survival and growth of bank.

The above journals focus in the various aspects of hotel's environment. Article by Ramesh Dhakal concentrates in the problem of listing the share in NEPSE. Narayan Poudel's works stress in the effective way to evaluating the financial performance. Whatsoever, aspects of the hotel the above journal target; they all have to be combinable assessed and kept in strict consideration for effective and efficient financial performance of hotel in the Nepalese economy.

## **2.3 Review of Thesis**

Various writers and researchers have conducted various studies on various aspects of Hotels. The conclusion of some of them has been given below which may help in summing up this thesis work.

**Bigyan Trpathi**,(2002), in his MBS thesis "Analysis of Financial Performance of soaltee Hotel Limited", has the major and supporting objectives as: comparatively analyze the financial position of the SHL for 6 years, identify the effectiveness of cash flow analysis and profit and loss performance of the six year.

He has conducted his research using the current ratio, Quick ratio, debtor turnover ratio and profit and loss ratio.

His major research findings are: The Soaltee Hotel Limited has not been following better policy to keep sound liquidity position. Current assets of SHL is never sufficient to meet their current liabilities, it is always below the conventional standard of 2:1.

Quick assets were not sufficient to meet their obligations in the final years 2054/055 and 2055/056. Debtors collection period of SHL seems to be quite longer because quite a large amount has been locked up in debtors. Financial Leverage of the SHL is decreasing year by year. It is obvious that the profitability ratio percentage in terms of capital employed has been gradually increased. So the performance is good. The hotel has well utilized its fund to generate profit. Return on shareholder's equity has been increased substantially, so the hotel is efficient in utilization of owners' equity.

The ratio of net profit to sales is in an increasing trend. It seems that the performance of SHL is good. Both the Hotels are in loss so Dividend was not given to Shareholders.

He recommended that current assets of SHL must be increased to meet their current liabilities, so that it becomes the conventional standard of 2:1. Debtor's collection period must be reduced.

**Manish Sapkota**, (2005) in his MBS thesis "A Comparative Study of Financial performance of Soaltee Hotel Ltd and Yak and Yeti Hotel Ltd", has the major and supporting objectives as: to identify the effectiveness of cash flow analysis, to analyze financial performance indicator and analyzed the comparative cash flow trend of both hotels.

He has conducted his research using the Ratio analysis, Debt to Net worth ratio, Trend analysis and cash flow analysis.

During his studied period of 5 years (from 1998 to 2003), his major research findings are both of the hotels have not adequate liquidity position to meet their short-term obligations. The average current ratio of both the hotel is same. Therefore it can be concluded that the liquidity position of both the hotel is same. Study of the net block to net worth reveals the fact that SHL is in below than average hotel industry which is represented by the ratio 172.9 %. But YAYHL is in better position; its ratio is higher than the average industry's ratio" s has lower debts to net worth ratio and YAYHL has higher debts to net worth ratio. This indicates SHL has no leverage and YAYHL has leverage. At the succeeding years SHL is in the negative cash generating position

which indicates that the hotel is not performing well as it has been expected to perform. YAYHL is generating positive cash flow from its operating activities but the trend of the flow is in decreasing order.

He recommended that the both the hotels have to increase the current ratio to meet their short-term obligations. He has further suggested that SHL need to increase leverage. Also, he suggested launching the programmed to attract the tourist so that cash flow of hotel increased.

**Sudha Poudel**,(2006) in her MBS thesis “A Comparative Study of Financial performance of Hyatt Hotel Ltd and Yak and Yeti Hotel Ltd”, has the major and supporting objectives as: to identify the effectiveness of cash flow analysis, to analyze financial performance indicator and analyzed the comparative cash flow trend of both hotels.

She has conducted his research using the Ratio analysis, Debt to Net worth ratio, Trend analysis and cash flow analysis.

During her studied period of 5 years (from 1999 to 2004), her major research findings are both of the hotels have not adequate liquidity position to meet their short-term obligations. The average current ratio of both the hotel is same. Therefore it can be concluded that the liquidity position of both the hotel is same. Study of the net block to net worth reveals the fact that Hyatt hotel is in below than average hotel industry which is represented by the ratio 101 %. But YAYHL is in better position; its ratio is higher than the average industry's ratio' s has lower debts to net worth ratio and YAYHL has higher debts to net worth ratio. This indicates Hyatt hotel has no leverage and YAYHL has leverage. At the succeeding years Hyatt is in the negative cash generating position which indicates that the hotel is not performing well as it has been expected to perform. YAYHL is generating positive cash flow from its operating activities but the trend of the flow is in decreasing order.

She recommended that the both the hotels have to increase the current ratio to meet their short-term obligations. She has further suggested that Hyatt need to increase leverage. Also, she suggested launching the programmed to attract the tourist so that

cash flow of hotel increased and also suggest that both hotels must publish financial statement regularly. Books of accounts should be made up-to-date.

**Amrit Nepal (2009)**, had conducted “Comparative Study on Financial Performance Analysis of Radisson Hotel and Hyatt Regency Hotel”. In this research, researcher had tried to analysis of financial position of both hotels by using Ratio Analysis, Cash flow analysis, Trend analysis. In this research too the researcher had based on secondary data of 6 years (from 2001/02 to 2006/07).

During his studied period of 6 years (from 2001 to 2006), his major research findings are both of the hotels have not adequate liquidity position to meet their short-term obligations. Total assets turnover ratio of both hotels is not satisfactory, Radisson has better positioning. Fixed assets turnover ratio of Radisson and Hyatt have same trend. Comparatively study of net cash flow activities discloses that the both hotels have not been showing efficient and appreciable abilities for net cash flow. Overall cash flow performances of both the hotels are not satisfactory.

He recommended that the both the hotels have to increase the current ratio to meet their short-term obligations. He has further suggested that Hyatt need to increase leverage. The Ratio of Radisson was in good position. Also, he suggested launching the programmed to attract the tourist so that cash flow of hotel increased and also suggest that both hotels must publish financial statement regularly.

## **2.4 Research Gap**

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge. This is required to make this stand magnificent and purposeful. There are various research in financial performance. The past researcher measuring may not contribute and has not factored as previous research.

In this research using the Ratio analysis, cash flow analysis and Trend analysis of selected hotels. Financial performance is the main indicator of the success or failure of the firm.

## **CHAPTER- III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction:**

Research is common parlance refers to a search for knowledge. Research methodology may be defined as, “A systematic process that is adapted by a researcher in studying a problem with certain objectives”. Research methodology is a systematic way to solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher, studying his research problem along with the logic behind.

A research methodology helps us to find out accuracy, validity and suitability. The justification on the present study cannot be obtained without help of proper research methodology.

This chapter looks into the research design, nature and sources of data, data collection procedure and tools and techniques of analysis. This topic presents a short outline of methods applied in the process of analyzing the comparative financial performance of Radisson and Hyatt hotels. Research is a systematic method of finding out the solution to the problem whereas research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view. To achieve these objectives the study requires an appropriate research methodology. The research methodology adopted in this thesis is mentioned below.

#### **3.2 Research Design:**

The research plan is the overall scheme or program of research. For the analysis of the study of listed hotels of Nepal, analytical as well as descriptive designs applied to achieve the objective of the research. Thus the research design is a plan for the collection and analysis of data.

A research design is the specification of methods and procedures of acquiring the information needed. It is the overall operational pattern or framework, of the project

that stipulates what information is to be collected from which sources and what procedure. It follows exploratory and descriptive research designs.

### **3.3 Nature and Sources of data:**

Both primary and secondary data will be used in the study. The primary data are those which are collected a fresh and for the first time and thus happen to be original in character. The secondary data on the other hand are those, which have already been collected by someone else and already been passed through the statistical process. In some cases primary data are also taken as personal interview, face to face and telephone interview but the study is mainly based on secondary data. So the major sources of secondary data for this study are as follows:

- i. Annual reports of hotels.
- ii. Published and unpublished reports / bulletins of hotels and NEPSE.
- iii. Previous studies and reports.
- iv. Published official records.
- v. Various internet websites.
- vi. Other published materials

### **3.4 Data Collection procedures:**

As the study will also be based on the primary data, information will be collected through developing a scheduled questionnaires and distributing these to employees and clients. Questions of open end will be included in questionnaires. Besides this junior employees and clients are also being observed and responses have been drawn from them about relevant questionnaires.

### **3.5 Population and sample:**

Several hotels are operating in Nepal. Some of them are star hotels and some of them are simple non star hotels. From them only four 5-star hotels are listed in NEPSE. Here we selected all populations of the listed hotels as sample for the present study. Similarly, financial statements of Radisson and Hyatt hotels of recent 5-years have been taken as samples for the same purpose.

### **3.6 Methods of Data Analysis:**

The information from primary as well as secondary sources of data will be processed for the purpose of the study. Appropriate statistical tools are also used. Major tool used is correlation analysis.

To make the study more specific and reliable, two types of tools are used for this Study:

### **3.6.1 Financial Tools:**

For the sake of analysis various financial tools were used. The basic tools used were ratio analysis. Besides it, income and expenditure analysis and cash flow analysis have been used.

#### **3.6.1.1 Ratio Analysis:**

A powerful and the most widely used tool of analysis is ratio analysis. A financial ratio is the relationship between two accounting figures, expressed mathematically or the term ratio refers to the numerical or quantitative relationship between two item/variables. This type of relationship can be expressed as percentage, fraction and proportion of numbers. Financial ratios help us to find the symptoms of problems. The cause of any problem may be determined only after locating the symptoms. The operational and financial problems of a corporation can be ascertained by examining the behavior of these ratios. So the ratios are regarded the best indicators of their performance.

Ratio analysis is the systematic use of ratio to interpret the financial statements so that the strengths and weaknesses of firm as well as its historical performance and current financial condition can be determined. A comparative study can be made between different statistics concerning varied facts of a business unit with the help of ratio analysis. Besides, just as the blood pressure, pulse and temperatures are the measure of the health of an individual, so does ratio analysis measure. The financial position/performance of a firm can be fully x-rayed through ratio analysis.

A large number of ratios can be generated from the components of profit and loss account and balance sheet. There are sound reasons for selecting different types of situations. Ratio can be classified for the proposed expositions into four broad groups

a) **Liquidity Ratios:**

Liquidity ratios measure the ability of the firm to meet its current obligations. In fact, analysis of liquidity needs the preparation of cash budgets and cash and fund flow statement; but liquidity ratios, by establishing a relationship between cash and other current assets to current obligations, provides a quick measure of liquidity. So, liquidity ratios are used to measure the ability of a firm to meet its short-term obligations and from them the present cash solvency as well as ability to remain solvent in the event of adversities of the same can be examined. There must be a proper balance between liquidity and lack of liquidity because the failure of company meet it obligations, due to lack of liquidity because the result in bad credit image, loss of creditor's confidence or even in law suits means resources of a firm is unnecessarily being tied up as idle assets in current assets, which is earning nothing. The important liquidity ratios:

**i. Current Ratio:**

Current ratio measures the firm's short term solvency. The current ratio is computed by dividing current assets by current liabilities. Generally 2:1 ratio is considered ideal ratio for a concern because it is wise to keep the current assets double to the current liabilities at all times. It is indicate of idle funds and lack of enthusiasm for work. if current assets are two times of the current liabilities, there will be no adverse effect on business operation when the payment of current liabilities is made. If the ratio is less than two difficult may be experienced in the payment of current liabilities and day to day operations of the business may suffer.

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

**ii. Quick Ratio:**

Quick ratio is computed by dividing the liquid assets by total current liabilities. Quick ratio is deemed adequate for most firms but it should not be relied dangerously. Liquid assets are those assets, which are readily converted in to cash and will include cash balance.

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

## **Current Liabilities**

### **iii. Inventory Turnover:**

The liquidity position of the firm depends on the movement of inventories to a greater extent. The inventory turnover indicates the number of times; inventories are converted in to sales each year. Generally the higher value of inventory turnover represent the management of assets is more efficient and it helps to increase profitability of firm to some extent.

$$\text{Inventory turnover ratio} = \frac{\text{Sales}}{\text{Inventories}}$$

### **iv. Debtor Turnover and Collection Period:**

The liquidity position of the firm depends on the quality of debtors to a great extent. The debtor turnover ratio or receivable turnover ratio is indicated the rate at which sales is generated by turnover of receivable or debtors. The ratio is calculated as follows:

$$\text{Debtors Turnover} = \frac{\text{Total Sales}}{\text{Debtors}}$$

### **v. Average collection period (ACR):**

The average collection period measures the quality of debtors. It indicates how rapidly the debtors are collected. Shorter the average collection period, the better is the quality of debtor, because short collection period implies the indication of timely payment by the debtors. The average collection period is compared with the firm credit terms to judge its credit and collection efficiency. As a rule of thumb the average collection period should not exceed the period of payment.

$$\text{Average collection period} = \frac{\text{Debtors X days in year}}{\text{Sales}}$$

### **b) Long-Term Solvency Ratio:**

Shareholders and debenture holders are mainly concerned with the long-term financial prospects, while Bankers and other short-term creditors are interested in the current debt paying ability of a business. The funds needed are financed through the owner's capital or borrowed capital or both. The owner's capitals are collected by issuing new share or retaining some earning from profit. The creditor capital is obtained by borrowing from financial institutions, file merchants and others. Mixes of the ratio of sources used to raise fund represent capital structure of an enterprise. The financial structure of an enterprise comprises equity and debts. The long term funds of financing are debenture, debt borrowing, preference capital and common share capital. Owner equity includes reserve, surplus and retained earning. However, there should be appropriate mix of debt and owners equity in financing the firm's assets. The debt is risky from the point of view of enterprise because the debt holders are creditors. The firm has legal obligation to pay fixed rate of interest to debt holders irrespective of the return generated by the firm. The debt increases the risk of insolvency of the firm as involves interest or respective of profitability. When the firm's earning rate is higher than the interest rate on invested funds employment of debt is appropriate. Proportion of debt and equity in financing the firm's assets should be appropriate.

The long-term solvency ratios are calculated to measure the degree of financial risk and the firm's ability of using debt for the benefit of shareholders. In case of

**i. Net Worth to Total Assets Ratio:**

The net worth to total assets shows the relationship between net worth and total assets by measuring the extent to which the assets is financed through equity. In other word, it shows to what extent the net worth has been utilized in relation to total liabilities and capital invested in total assets of the firm in general, it measures the claims of owner against the total assets.

$$\text{Net worth to total assets ratio} = \frac{\text{Net worth}}{\text{Total assets}}$$

**ii. Total debts to Net worth Ratio:**

This ratio can be expressed in term of the total debt to net worth ratio. It shows how many of net worth is used in debts.

$$\text{Total debts to Net worth ratio} = \frac{\text{Total debts}}{\text{Net worth}}$$

c) **Asset Utilization Ratio:**

The utilization ratio measures the efficiency of the management in utilizing its assets. These ratios are also known as turnover ratio because they indicate the speed with which assets are being converted to turnover. Utilization ratio shows the relationship between sales and various assets. A proper balance between sales and assets generally reflects that assets are managed well. The following ratios are used to evaluate the assets utilization of the hotel.

i. **Total Assets Turnover Ratio:**

Total assets are contributed to generation of sales. Fixed asset directly contribute to the production and sales and other assets also contribute to the production and sales activities of the firm. The firm must manage its total assets efficiently and should generate maximum sales through their proper utilization. The total assets turnover ratio indicates the sales generated per rupee of investment in total assets. The total assets turnover is calculated dividing sales by total assets of the firm.

$$\text{Total assets turnover ratio} = \frac{\text{Sales}}{\text{Total assets}}$$

ii. **Fixed Assets Turnover:**

The firms acquire the fixed assets for the purpose of generating sales, therefore the efficiency of fixed assets would be judged in relation to sales. This ratio measures the efficiency with which the firm is utilizing its investment in fixed assets. It also indicates the adequacy of sales in relation to the investment in fixed assets. This ratio can be calculated by dividing sales by net fixed assets.

$$\text{Fixed assets turnover ratio} = \frac{\text{Sales}}{\text{Net Fixed assets}}$$

**iii. Net worth Turnover Ratio:**

Shareholders funds are invested in various kinds of assets to generate sales and profit. The firm should manage Net worth to generate maximum sales. Net sales to net worth turnover ratio indicate that how the funds are used to increase sales and this ratio indicates the efficiency the utilization of shareholders funds. Net sales to net worth turnover ratio can be calculated as follows.

$$\text{Net Worth Turnover Ratio} = \frac{\text{Sales}}{\text{Net worth}}$$

**d) Profitability Ratio:**

Profitability is a measure of operating efficiency that can be measured by profitability ratio. It indicates degree of success in achieving desired profit levels, measure management's overall effectiveness as shown by the returns generated on sales and investment. These ratios are composed of "A group of ratio showing the combined effects of liquidity, assets management and debt management on operating result". So such ratios are regarded as central measure of the earning power and operating efficiency of a firm.

These groups of ratios consists many ratios. They are follows:

**i. Gross Profit Margin:**

Gross profit margin ratio indicates the percentage of profit after cost of production. It also indicates the efficiency of operation of the firm. Profit margin falls when the cost of production increase. This occurrence, in turn may be due to lower sales prices or lower operating efficiency or relation to volume.

$$\text{Gross profit margin} = \frac{\text{Gross profit} \times 100}{\text{Sales}}$$

ii. **Net Profit Margin:**

This is the ratio of net income or profit after taxes to net sales. It indicates what portion of sales is left to the proprietors after deduction of all costs, charges and expenses. It indicates the efficiency of management in manufacturing, administrating and selling of the products. This ratio is the overall measure of the firm's ability to turn each rupee of sales into net profit. If the net profit margin is inadequate, the firm will fail to achieve satisfactory return to owner's equity. The net profit margin is calculated as follows:

$$\text{Net profit margin} = \frac{\text{Net profit} \times 100}{\text{Sales}}$$

iii. **Return on Total Assets:**

Return on assets measures the profitability of the total funds or the total investment of a firm. It however throws light on the profitability of different source of funds, which used to finances the total asset. The point is that the real return on the assets is the net operating earning including interest. A more reliable indicator of the true return on assets is the net profit inclusive of interest.

$$\text{Return on total assets} = \frac{\text{Net income} + \text{Outcome}}{\text{Total assets}}$$

iv. **Return on Total Capital Employed**

Return on total capital employed ratio is the indicator of the earning capacity of the total capital employed in the business. This ratio reflects the overall efficiency of capital used in firm. This ratio is a helpful tool for making capital budgeting decisions. Return on total capital employed is calculated as under:

$$\text{Return on total capital employed} = \frac{\text{Net profit}}{\text{Total capital}}$$

v. **Return on Capital :**

The analysis of overall profitability is the rate of return on capital, which relates the net profit with the amount invested by them. The rate of return on equity capital is to

divide the net profit available to equity shareholders by numbers of outstanding equity share in order to calculate earning per equity share.

$$\text{Return on Capital} = \frac{\text{Net income}}{\text{Total Capital}}$$

vi. **Return on Shareholder's Equity**

The shareholders equity will include common share capital, preference share capital, share premium and reserves and surplus less accumulated losses. It is also known as net worth. This ratio indicates how well the firm has used the resources of the owners. The ratio is expressed as follows:

$$\text{Return on shareholder's equity} = \frac{\text{Net profit}}{\text{Shareholder's fund}}$$

### **3.6.1.2 Cash flow analysis:**

The statement of cash flows is another major required financial statement; it shows important information not shown directly in the other financial statements. The main purpose of the statement of cash flows is to report on the cash receipts and cash disbursements of an entity during an accounting period. Broadly defined, cash includes both cash and cash equivalents, such as short-term investments in Treasury bills, commercial paper, and money market funds. Another purpose of this statement is to report on the entities investing and financing activities for the period.

#### **Uses of the Statement of Cash Flow**

Cash flows are vital to a company's financial health; the statement of cash flows provides useful information to management, investors, creditors and other interested parties.

#### **Management Use**

The statement of cash flows presents the effects on cash of all significant operating, investing, and financing activities. By reviewing the statement, management can see the effects of its past major policy decisions in quantitative form. The statement may

show a flow of cash from operating activities large enough to debt or issue additional stock. Using the statement of cash flows, management may also recommend to the board of directors a reduction in dividends to conserve cash.

### **Investor and Creditor Users**

The information in a statement of cash flows assists investors, creditors and others in assessing the following:

1. Enterprise's ability to generate positive future net cash flows.
2. Enterprise's ability to meet its obligations
3. Enterprise's ability to pay dividend.
4. Enterprise's need for external financing.
5. Reasons for differences between net income and associated cash receipts and payment.
6. Effects on an enterprise's financial position of both its cash and non cash investing and financing transactions during the period.

Cash flow statement is divided in to three parts. Which are as follows:-

### **OPERATING ACTIVITIES:**

Operating activities generally include the cash effects of transaction and other events that enter into the determination of net income. Cash inflows from operating activities affect items that appear on the income statement and include:

1. Cash receipts from sales of goods or services.
2. Interest received from making loans.
3. Dividends received from investments inequity securities.
4. Cash received from the sale of trading securities.

Cash receipts that do not arise from transactions defined as investing or financing activities.

Cash outflows for operating activities affect items that appear on the income statement and include payments:

1. To acquire inventory.
2. To other suppliers and employees for other goods or services.
3. To lenders and other creditors for interest.
4. For purchases of trading securities.

All other cash payments that do not arise from transactions defined as investing or financing activities, such as taxes and payments to settle lawsuits, cash contributions to charities, and cash refunds to customers.

#### **INVESTING ACTIVITIES:**

Investing Activities generally include transactions involving the acquisition or disposal of noncurrent assets. Thus, cash inflows from investing activities include cash received from

1. The sale of property, plant and equipment.
2. The sale of available - for sale and held-to -maturity securities.

The collection of long-terms loans made to others Cash outflows for investing activities include cash paid:

1. To purchase property, plant and equipment.
2. To purchase available -for -sale and held -to- maturity securities.
3. To make long-term loans to others.

#### **FINANCING ACTIVITIES:**

Financing activities generally include the cash effect of transactions and other events involving creditors and owners. Cash inflows from financing activities include cash received from issuing capital stock and bonds, mortgages, and notes, and from other short or long-term borrowing. Cash outflows from financing activities include payments of cash dividends or other distributions to owners and repayments of amounts borrowed. Payment of interest is not included because interest expense appears on the income statement and is therefore included in operating activities. Cash payments to settle accounts payable, wages payable and income taxes payable are not financing activities. These payments are operating activities.

### **3.6.2 Statistical Tools**

For supporting the study, statistical tool such as Mean, Correlation, Standard deviation, coefficient of variation, Trend analysis and probable error are used.

**a) Arithmetic Mean (Average):**

Average is statistical constants which enable us to comprehend in a single effort of the whole. It represents the entire data by a single value. It provides the gist and gives eagle view to the huge mass of unwieldy numerical data. It is calculated as:

$$\bar{X} = \frac{\sum X}{N}$$

Where,  $\bar{X}$  = Arithmetic mean

N = Number of observations

X = Sum of observations

**b) Standard Deviation:**

Standard deviation, usually denoted by a letter sigma of the Greek alphabet was first suggested by Karl Pearson as a measure of dispersion in 1893. It is defined as the positive square root of the arithmetic mean of the squares of the deviations of the given observations from their arithmetic mean. Thus if  $X_1, X_2, \dots, X_n$  is a set of n observations then its standard deviation is given by:

$$s = \sqrt{\frac{1}{n} \sum (X - \bar{X})^2}$$

Where,  $\bar{X} = \frac{\sum X}{N}$

**c) Coefficient of Variation:**

Standard deviation is only an absolute measure of dispersion, depending upon the units of measurement. The relative measure of dispersion based on standard deviation is called the coefficient of standard deviation and is given by:

$$\text{Coefficient of S.D} = \frac{s}{\bar{X}}$$

100 times the coefficient of dispersion based on standard deviation is called the coefficient of variation, abbreviated as C.V. thus,

$$\text{C.V.} = 100 \times \frac{s}{\bar{X}}$$

**d) Correlation Coefficient(r):**

Correlation may be defined as the degree of linear relationship existing between two or more variables. Variables are said correlated when the change in value of one variable results change in another variable. Correlation is of three types. They are Simple, Partial and Multiple correlations. Correlation may be positive, negative or Zero. Correlation can be classified as linear or non-linear. Here, we study simple correlation only. “In simple correlation, the effect of others is not included rather these are taken as constant considering them to have no serious effect on the dependent variables.” It is calculated as:

$$r_{X_1X_2} = \frac{N \sum X_1 X_2 - (\sum X_1)(\sum X_2)}{[\sum X_1^2 - (\sum X_1)^2] [\sum X_2^2 - (\sum X_2)^2]}$$

Where,

$r_{X_1X_2}$  = Correlation between  $X_1$  and  $X_2$

$N \sum X_1 X_2$  = No. of product observation and sum of the product  $X_1$  and  $X_2$

$\sum X_1 \sum X_2$  = Sum of product  $X$  and sum of product  $X_2$

**e) Probable Error:**

The probable error of the coefficient of correlation helps in interpreting its value. With the help of probable error, it is possible to determine the reliability of the value of the coefficient in so far as it depends on the conditions of random sampling. The probable error of the coefficient of correlation is obtained as follows:

$$P.E. = 0.0745 (1-r^2) / N$$

Where,  $r$  = Correlation coefficient

$N$  = Number of pair of observations

If the value of ‘ $r$ ’ is less than the probable error, there is no evidence of correlation, i.e. the value of ‘ $r$ ’ is not at all significant. Then, if the value of ‘ $r$ ’ is more than six times of probable error, the coefficient of correlation is practically certain and correlated, i.e., the value of ‘ $r$ ’ is significant.

**f) Trend Analysis:**

The method of least square is used to find out the trend of different measures of financial performance.

**The Method of Least Square:**

This method is most widely used in practice for the purpose of finding the general movement of a variable or variables. It is the mathematical method used for various purposes. With the help of this method, a trend line can be fitted to data in a manner that the following two conditions are satisfied.

(1)  $(Y - Y_n) = 0$  .....(i)

Where,

Y = The actual value of dependent variable.

$Y_n$  = The computed value for difference (n) periods.

N = 1, 2, 3 .....N

(2)  $(Y - Y_n)^2$  is least i.e. the sum of the squares of the deviations of the actual and computed value is least from this line and hence the method named least square. The line obtained by this method is the “The line of best fit”, The method of least square may be used either to fit a straight trend line or parabolic trend line. The straight trend line is represented by the equation.

$Y_n = a + b_x$

Where,  $Y_n$  is used to designate the trend values to distinguish them from the actual values “a” is the intercept, “b” is slop of the trend line, and “x” is independent variable. In order to determine the values of constants “a” and “b” the following two normal equations are to be solved.

$Y = Na + b X$  ..... (i)

$XY = a X + b X^2$  ..... (ii)

Where N = Total number of years.

It can be measured the variable “x” from any point of time in the origin such as the first year, but the computation is very simple when using least square method. Under this method, the midpoint (in terms of time) is taken as the origin because the

preceding and following values are negatives and positives accordingly, so that the summation of independent variable ( $\sum X$ ) is equal to zero. In other words, the time variables as an independent variable is measured as a deviations from its mean which ultimately result to zero as a sum of deviations of “x” from “x”.

Since

$\sum (X-X) = 0$ , the above two normal equations would take the form as follows.

$$Y = Na \dots\dots\dots(iii)$$

$$\sum XY = b \sum X^2 \dots\dots(iv)$$

The value of “a” and “b” can now be determine easily like this,

Since,  $Y = Na$

$$a = Y/N$$

Since,

$$\sum XY = b \sum X^2$$

$$b = \sum XY / \sum X^2 \dots\dots\dots (vi)$$

The constant “a” is simple equal to the mean of Y values and the constant “b” is rate of change in Y.

The above method is used to determine the trend of sales, Operating expenses and earning before interest and tax (EBIT).

### **3.7 Limitations of the Research Methodology:**

Only the selected financial and statistical tools have been used in this thesis.

1. Researcher mainly depends on the secondary data, i.e. Balance Sheet of the hotels and data provided by NRB.
2. Sample taken by the researcher is only the two hotels, which are listed in NEPSE.
3. Only the five years recent data have been collected to analyze the comprehensive study of listed hotels of Nepal.

In the process of data collection procedure the same topic related to Standard Chartered Bank Nepal Limited and Nepal Investment Bank Limited and also the same topic related to the Tara Gaun regency Hotel Limited and the Radisson Hotel Limited has been used as a guide.

# **CHAPTER- IV**

## **DATA PRESENTATION AND ANALYSIS**

### **4.1 Introduction**

Normally, the performance and the achievement of business organization depend upon its performance. In this chapter the result and analysis of gathered data have been presented for the purpose of assessing financial performance of the hotels. Ratio analysis, cash flow analysis and trend analysis are used as basic performance indicators.

### **4.2 Liquidity Ratio**

The liquidity ratios are used to judge the firm's ability to meet short-term obligation. These ratios give insights into the present cash solvency of the firms and its ability to remain solvent in the event of adversities. It is the comparison between the short-term obligations and short-term resources available to meet this obligation.

#### **4.2.1 Current Ratio:**

Current ratio matched the total current assets of the firm to its current liabilities. Current assets normally include cash in hand or at bank, marketable securities, other short term high quality investments, bills receivables, prepaid expenses, work in progress, sundry debtors and inventories while current liabilities are composed of sundry creditors, bill payable, outstanding and accrued expenses, income tax payable.

**Table 1:**  
**Current Ratio of Radisson and Hyatt**

(Rs. In Millions)

Fiscal year	Radisson			Hyatt		
	Current Assets	Current Liabilities	Ratio ( in Times)	Current Assets	Current Liabilities	Ratio ( in Times)
2005/06	97.04	195.62	0.50	104.87	1,058.10	0.10
2006/07	117.8	215.3	0.54	149.40	1,123.10	0.13
2007/08	134.6	237.0	0.56	175.2	546.0	0.32
2008/09	152.54	260.88	0.58	205.45	763.0	0.27
2009/10	176.6	286.0	0.62	286.40	956.20	0.29
Average ( $\bar{X}$ )			0.56	0.22		
Standard deviation( )			0.04	0.08		
C.V.			7.14%	36%		

(Source: Annex 2A and 2B)

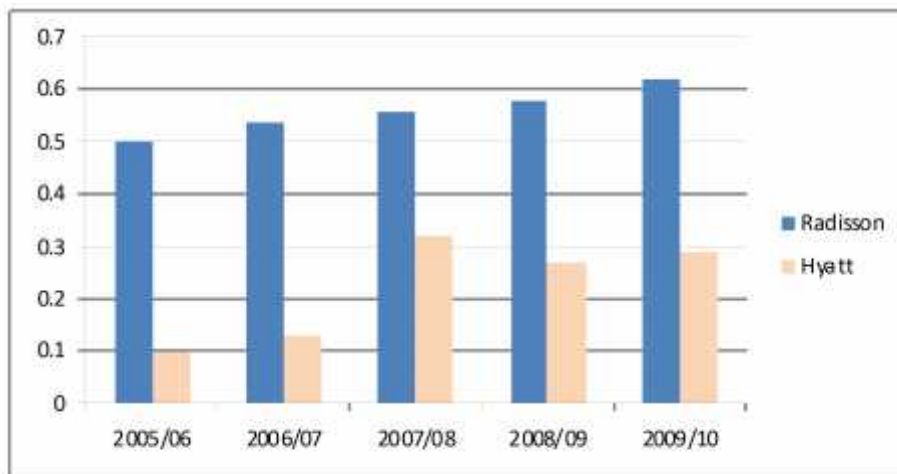
The above table shows the Current assets to Current liabilities relationship of both hotels from the period 2005/06 to 2009/010. It also shows the same relationship for the overall five years period i.e. average current ratio. Radisson has current ratio of 0.50, 0.54, 0.56, 0.58, 0.62 times in the fiscal year 2005/06, 2006/07, 2007/08 and 2008/09, 2009/010 respectively. Radisson has the highest current ratio in fiscal year 2009/010 and least in the year 2005/06. Hyatt has current ratio of 0.10, 0.13, 0.32, 0.27, 0.29 times in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively. Hyatt has the highest current ratio in fiscal year 2007/08 and least in the fiscal year 2005/06.

The average current ratio of Radisson is 0.56 and of Hyatt is 0.22. Generally 2:1 current ratio is considered ideal ratio for concern because it is wise to keep the current assets doubled to current liabilities all the time.

Here, both of the hotels have not adequate liquidity position to meet their short-term obligations. The average current ratio of Radisson is higher than the average current ratio of Hyatt. Therefore it can be concluded that the liquidity position of Radisson is better and consistence than Hyatt.

The standard deviation and coefficient of variance of Radisson is 0.04 and 7.14% and that of Hyatt is 0.08 and 36%. Since C.V. of Radisson is less so Current ratio of Radisson is more consistency.

Figure 1:  
Current Ratio Graph



**Fiscal Year**

#### 4.2.2 Quick Ratio

Quick ratio means deriving a rough idea of a liquidity position of a firm. Quick ratio shows the relationship between quick assets and current liabilities. Quick assets is that, which can be converted into cash within operating cycle without loss in the value of assets. Quick assets would include cash, debtors after providing for bad and doubtful debt and securities which can be realized without difficulty.

Table 2:  
Quick Ratio of Radisson and Hyatt

(Rs. In Million)

Fiscal year	Radisson			Hyatt		
	Liquid Assets	Current Liabilities	Ratio (in Times)	Liquid Assets	Current Liabilities	Ratio (in Times)
2005/06	46.90	195.62	0.24	99.67	1,058.10	0.09
2006/07	69.05	215.3	0.32	143.60	1,123.1	0.13
2007/08	85.47	237.0	0.36	169.20	546.0	0.31
2008/09	102.09	260.88	0.39	198.56	763.0	0.26
2009/010	122.40	286.00	0.43	279.00	956.20	0.29
Average ( $\bar{X}$ )			0.34	0.22		
Standard deviation( )			0.06	0.08		
C.V.			18.10%	40.74%		

(Source:-Annex 2A & 2B)

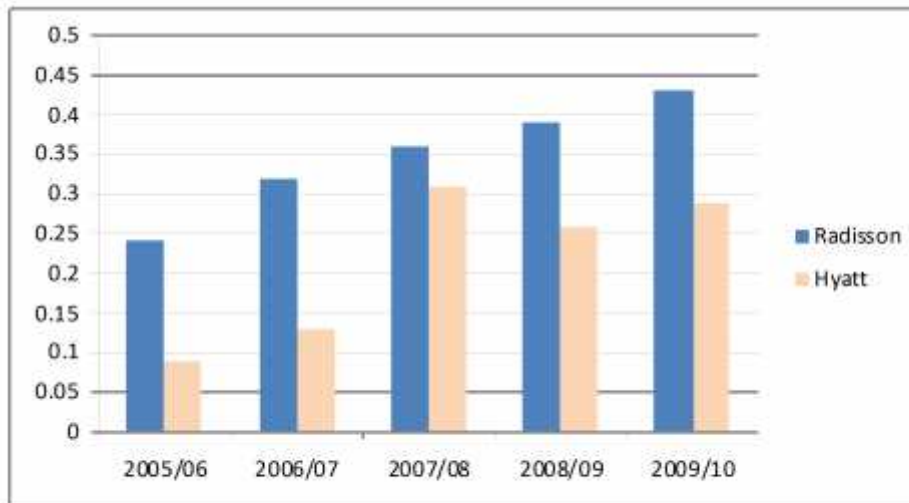
The above table shows that, quick assets to current liabilities relationship of both hotels Radisson and Hyatt. Quick ratio of Radisson was 0.43 in the year 2009/010 and in increasing order. The other ratios are 0.24, 0.32, 0.36 and 0.39 in the year 2005/06, 2006/07, 2007/08 and 2008/09 respectively.

Quick ratio of Hyatt was 0.09 times in the year 2005/06 and than after ratios are 0.13, 0.31, 0.26, and 0.29 in the year 2006/07, 2007/08, 2008/09 and 2009/010 respectively. In the beginning year quick ratio of Radisson was satisfactory than Hyatt.

The average Quick ratio of Radisson is 0.34 and of Hyatt is 0.21 Generally 1:1 Quick ratio is deemed adequate for most of the firms but it should not be relied dangerously. Here, both hotels have not adequate Quick ratio to meet their short-term obligations. The average Quick ratio of Radisson is higher than the average Quick ratio of Hyatt. Therefore it can be concluded that the Quick ratio of Radisson is better than Hyatt.

The standard deviation and coefficient of variance of Radisson is 0.06 and 18.10% and that of Hyatt is 0.08 and 40.74%. Since C.V. of Radisson is less than of Hyatt so, Quick ratio of Radisson is more consistency.

**Figure 2:**  
**Quick Ratio Graph**



**Fiscal Year**

### **4.2.3 Inventory Turnover**

The liquidity position of the firm depends on the movement of inventories to a greater extent. The inventory turnover indicates the number of times; inventories are converted in to sales each year. Generally the higher value of inventory turnover represent the management of assets is more efficient and it helps to increase profitability of firm to some extent.

Table 3:  
Inventory Turnover Ratio of Radisson and Hyatt

(Rs. In Million)

Fiscal year	Radisson			Hyatt		
	Sales	Inventory	Ratios(in Times)	Sales	Inventory	Ratios(in Times)
2005/06	213.72	50.14	4.26	295.06	5.25	56.20
2006/07	277.61	48.8	5.68	380.0	5.83	65.18
2007/08	325.80	49.2	6.62	407.6	6.02	67.70
2008/09	382.35	50.45	7.58	448.36	6.89	65.07
2009/10	425.40	54.20	7.84	467.40	7.40	63.16
Average ( $\bar{X}$ )			6.42	63.46		
Standard deviation( )			1.31	3.94		
C.V.			20.46%	6.14%		

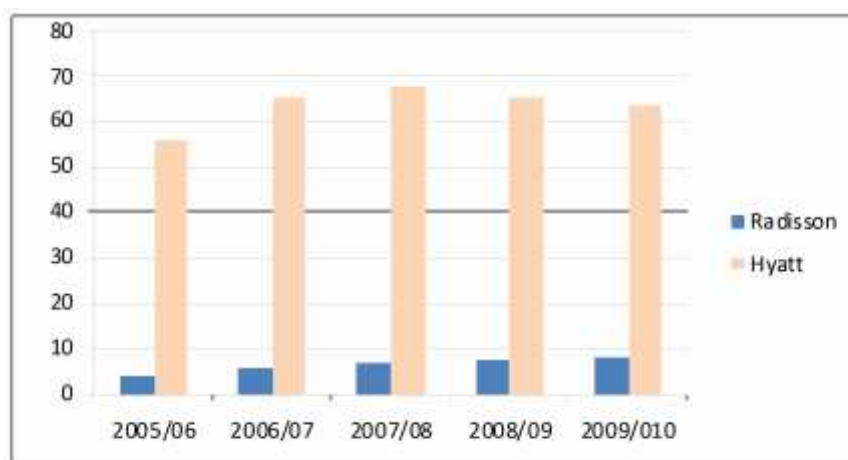
(Source: Annex 2C and 2D, )

Inventory turnover ratios of Radisson are 4.26, 5.68, 6.62, 7.58, 7.84 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively. Similarly, inventory turnover ratio of Hyatt is 56.20, 65.18, 67.7, 65.07 and 63.16 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively.

The average inventory turnover ratio of Radisson and Hyatt is 6.42 and 63.46 times respectively. Average inventory turnover ratio of Radisson is less than average inventory turnover ratio of Hyatt. It indicate that Radisson has invested a huge amount in inventory as compared to Sales which unnecessary tied fund and Hyatt had also invested a huge amount but satisfactory to the Sales. It also indicates that Hyatt followed effective inventory management technique than Radisson. Inventory turnover ratio of Hyatt is better than Radisson.

The C.V of Radisson and Hyatt is 20.46% and 6.14%. This indicates that inventory management technique of Hyatt is consistence than Radisson.

**Figure 3:  
Inventory Turnover Ratio Graph**



**Fiscal Year**

#### **4.2.4 Inventory to Current Assets**

It is the relationship between inventory and current assets. Generally the higher value of inventory turnover represent the management of assets is more efficient.

Table 4 :Inventory to Current Assets Ratio of Radisson and Hyatt

(Rs. In Million)

Fiscal Year	Radisson			Hyatt		
	Inventory	Current Assets	Ratios(in Times)	Inventory	Current Assets	Ratios(in Times)
2005/06	50.14	97.04	0.52	5.25	104.87	0.05
2006/07	48.8	117.8	0.41	5.83	149.4	0.03
2007/08	49.2	134.6	0.36	6.02	175.2	0.03
2008/09	50.45	152.54	0.33	6.89	205.45	0.03
2009/010	54.20	176.60	0.31	7.40	286.40	0.02
Average (X)			0.39	0.032		
Standard deviation( )			0.075	0.006		
C.V.			19.43%	18.75%		

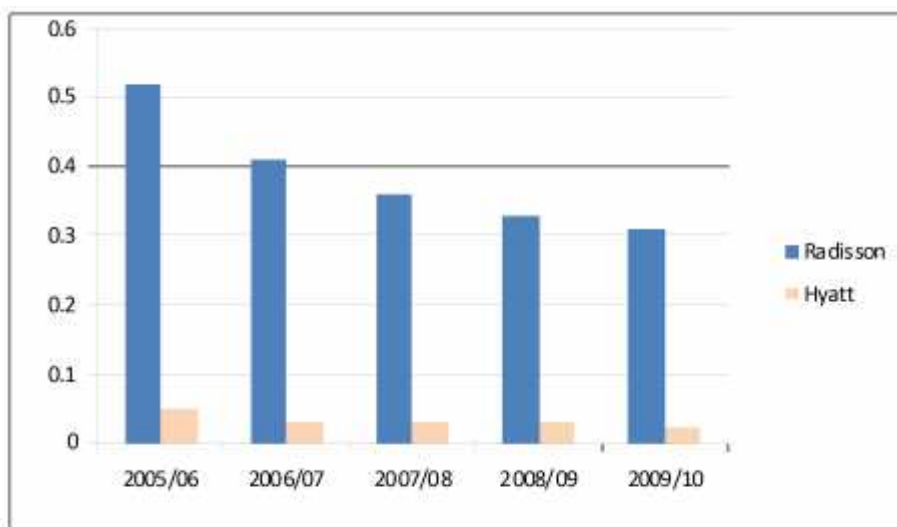
(Source: Annex 2C and 2D)

Inventory to current assets ratio of Radisson is 0.52, 0.41, 0.36 ,0.33 and 0.31 in the year 2005/06, 2006/07, 2007/08 2008/09 and 2009/010 respectively. Similarly, inventory turnover ratio of Hyatt is 0.05, 0.03, 0.03,0.03 and 0.02 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively.

The average inventory to current assets ratio of Radisson is 0.39 and of Hyatt is 0.032. Average inventory to current assets ratio of Hyatt is lower than Radisson which indicates that Radisson has been holding excessive inventory as compared to Hyatt.

The C.V. of Radisson is 19.43% and of Hyatt is 18.75%. It indicates that the liquidity position of Hyatt. is better and consistence than Radisson.

**Figure 4:**  
**Inventory to Current Assets Ratio Graph**



**Fiscal Year**

#### **4.2.5 Debtor Turnover and Collection Period**

The liquidity position of the firm depends on the quality of debtors to a great extent. The debtor turnover ratio or receivable turnover ratio is indicated the rate at which sales is generated by turnover of receivable or debtors.

Table 5  
Debtor Turnover and Collection Period of Radisson and Hyatt

(Rs. In million)

Fiscal Year	Radisson					Hyatt				
	Sales	Debtors	Debtors Turnover Ratio	Days In Years	ACP (Days)	Sales	Debtors	Debtors Turnover Ratio	Days In Years	ACP (Days)
2005/06	213.7	28.21	7.58	360	47.52	295.06	82.91	3.56	360	101.16
2006/07	277.60	39.90	6.90	360	51.74	380.00	103.90	3.65	360	98.43
2007/08	325.80	40.53	8.03	360	44.78	407.60	86.80	4.69	360	76.66
2008/09	382.35	41.57	9.20	360	39.14	448.36	91.20	4.92	360	73.22
2009/10	425.40	44.20	9.60	360	37.40	467.40	105.20	4.44	360	81.02
Average ( $\bar{X}$ )			8.26	44.12		4.25			86.12	
Standard deviation( )			1.00	5.29		0.55			11.50	
C.V.			12.10%	12%		12.94%			13.35%	

(Source: Annex 2E and 2F)

The Debtors Turnover Ratios of Radisson are 7.58, 6.90, 8.03 , 9.20 & 9.60 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively and Hyatt are 3.56, 3.65, 4.69, 4.92 &4.44 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively.

The average Debtors turnover ratio of Radisson is 8.26 and Hyatt is 4.25. Generally, higher of the value of Debtors turnover ratio is more efficient. Here, Debtors turnover ratio of Radisson is high so it indicates that the Radisson has quality debtors and its liquidity position is better.

The C.V. of Radisson is 12.10% and that of Hyatt is 13.35%. Since the C.V. of Radisson is less so Debtor turnover of Radisson is consistence.

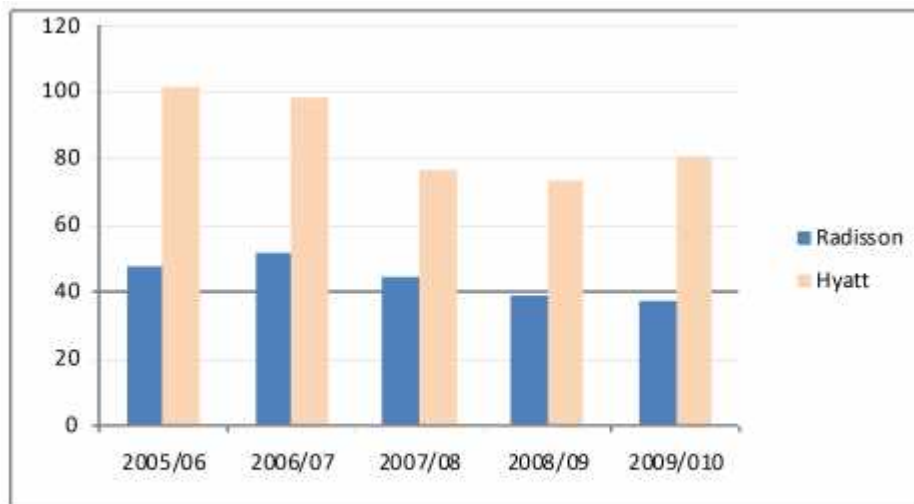
The ACP of Radisson is 47.52, 41.74, 44.78, 39.14 & 37.40 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively. The average ACP of Radisson is 44.12 days.

The ACP of Hyatt is 101.16, 98.43, 76.66, 73.22, & 81.02 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively. The average ACP of Hyatt is 86.12 days.

The shorter the average collection period, the better the quality of debtors, as a short collection period implies the prompt payments by debtors. The average collection period of Radisson is better than of Hyatt. Therefore the quality of debtor of Radisson is better than debtor of Hyatt. This shows that the Radisson has better and stable policy for credit collection than to Hyatt.

The C.V. of Radisson is 12.14% and of Hyatt is 12.94% it shows that the credit collection of Radisson is stable than Hyatt.

**Figure 5**  
**Average Collection Period (ACP) Ratio Graph**



**Fiscal Year**

## **Overall Liquidity Position**

Radisson Hotel and Hyatt Regency have not been following better policy to keep sound liquidity positions. The analysis of liquidity position of both hotels reveals following point.

Current asset of Hyatt is not sufficient to meet their current liabilities.

Quick asset of both hotels is not sufficient to meet their current liabilities.

Current ratio of Radisson and Hyatt shows lower ratio because of not excessive holding of cash, inventory and debtors. It indicates that the Hotel has not enough current assets to meet its short-term obligation. The quick ratio of Radisson and Hyatt are lower than their respective current ratio. Radisson is holding a bigger amount of inventory than Hyatt.

Hyatt has a bigger amount of fund locked up in debtors in the last four years. The debtor's collection period of Hyatt seems like longer because of excessive holding of sundry debtors in the last four years.

In case of Hyatt debtor collection period is longer than of Radisson because of huge holding of debtors and liberal credit policy.

## **4.3 Long-Term Solvency Ratio**

Shareholders and debenture holders are mainly concerned with the long-term financial prospects, while Bankers and other short-term creditors are interested in the current debt paying ability of a business. The long-term solvency ratios are calculated to measure the degree of financial risk and the firm's ability of using debt for the benefit of shareholders.

### **4.3.1 Net Worth to Total Assets Ratio**

The net worth to total assets shows the relationship between net worth and total assets by measuring the extent to which the assets is financed through equity. In other word, it shows to what extent the net worth has been utilized in relation to total

liabilities and capital invested in total assets of the firm in general, it measures the claims of owner against the total assets.

Table 6  
Net Worth to Total Assets Ratio of Radisson and Hyatt

(Rs. In million)

Fiscal year	Radisson			Hyatt		
	Net Worth	Total Assets	Ratio (%)	Net Worth	Total Assets	Ratio (%)
2005/06	420.75	1,185.74	35.48	188.83	3,221.30	5.86
2006/07	467.48	1,177.15	39.71	285.53	3,210.00	8.89
2007/08	499.20	1,154.98	43.22	1,041.60	3,024.40	34.43
2008/09	533.07	1,133.23	47.03	927.02	3,013.79	30.76
2008/09	583.40	1,191.20	48.97	985.40	3,115.50	31.62
Average ( $\bar{X}$ )			42.88	22.31		
Standard deviation( )			4.80	12.29		
C.V.			11.16%	55.08%		

(Source: Annex 3A & 3B )

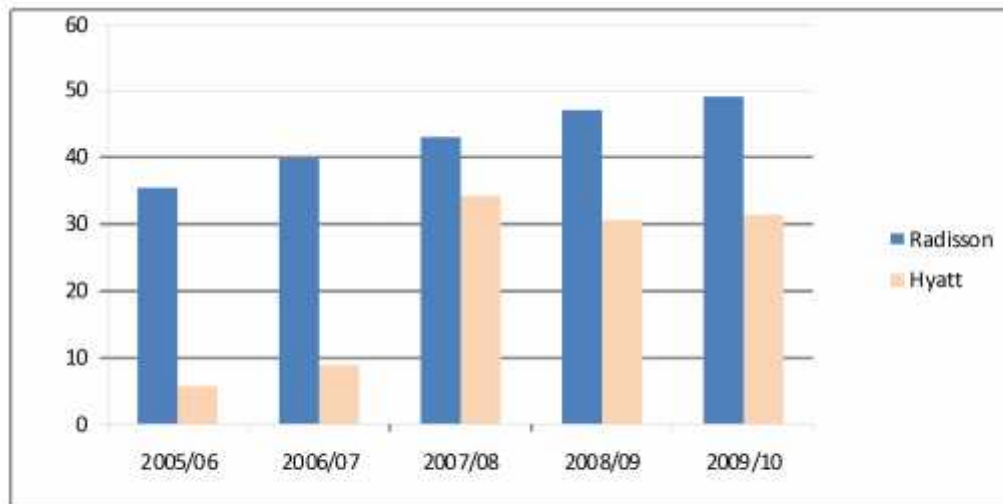
The net worth to total assets ratio of Radisson is 35.48 percent in the year 2005/06. This ratio of Radisson is 39.71, 43.22, 47.03 and 48.97 percent in the year 2006/07, 2007/08, 2008/09 and 2009/10.

The net worth to total assets ratio of Hyatt is 5.86 percent in the year 2005/06. This ratio is, 8.89, 34.43, 30.76 and 31.62 in the year 2006/07, 2007/08, 2008/09 and 2009/010.

The average net worth to total assets ratio of Radisson and Hyatt is 42.88 and 22.31 respectively. Higher the ratio owner's claim is more than the claims of debt holder and vice-versa. This ratio indicates that Radisson is using much better net worth than Hyatt. It seems that Radisson has adopted tight financing and stable policy than Hyatt.

The C.V. of Radisson is 11.16% and of Hyatt is 55.08% it shows that claims of owner against the total assets of Radisson is more stable than Hyatt.

**Figure 6:  
Net Worth to Total Assets Ratio Graph**



**Fiscal Year**

#### **4.3.2 Total Debts (Liabilities) to Net worth Ratio:**

This ratio can be expressed in term of the total debt to net worth ratio. It shows how many of net worth is used in debts.

Table 7:  
Total Debts (Liabilities) to Net worth Ratio of Radisson and Hyatt

(Rs. In million)

Fiscal year	Radisson			Hyatt		
	Total Debt	Net Worth	Ratio (%)	Total Debt	Net Worth	Ratio (%)
2005/06	1034.52	420.75	2.46	2076.62	188.83	10.99
2006/07	1032.50	467.78	2.20	2091.50	285.53	7.32
2007/08	984.78	499.20	1.97	2478.30	1041.60	2.37
2008/09	939.26	533.07	1.76	2257.64	927.02	2.43
2008/09	915.20	583.40	1.56	2023.20	385.40	5.24
Average ( $\bar{X}$ )			1.98	5.67		
Standard deviation( )			0.31	3.24		
C.V.			15.50%	57.14%		

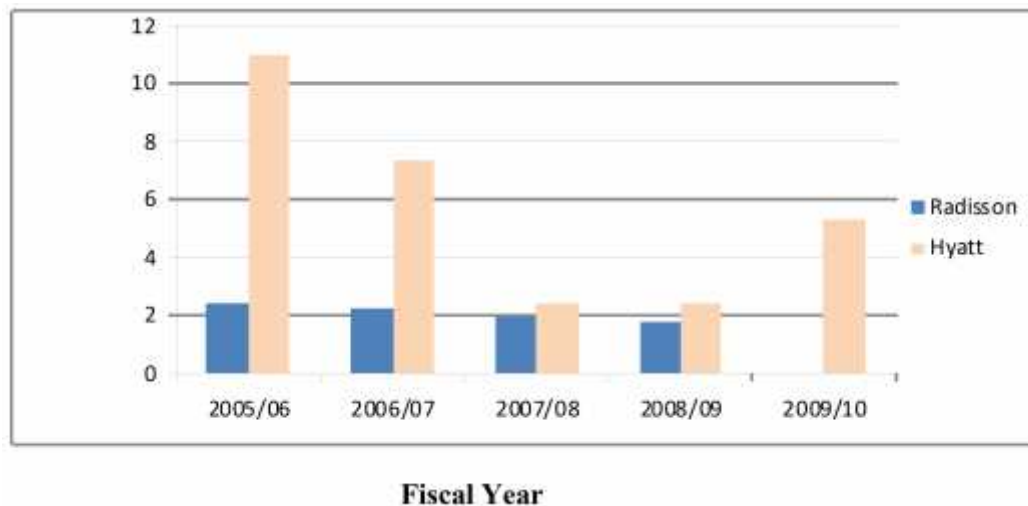
(Source: Annex 3A &3B )

The total debts to net worth ratio of Radisson are 2.46, 2.20, 1.97, 1.76 & 1.56 in the year 2005/06, 2006/07, 2007/08, 2008/09 & 2009/10 respectively. Similarly total debt to net worth ratio of Hyatt are 10.99, 7.32, 2.37, 2.43 & 5.24 in the year 2005/06, 2006/07, 2007/08, 2008/09 & 2009/10 respectively. The average total debts to net worth ratio are 1.98 and 5.67 of Radisson and Hyatt respectively. This indicates that Radisson has used less percentage of net worth in debts than Hyatt.

The C.V. of Radisson is 15.50% that of Hyatt is 57.14%. This indicates that leverage of Radisson is more consistent than that of Hyatt.

**Figure 7:**

**Total Debts (Liabilities) to Net worth Ratio Graph**



## 4.4 Utilization Ratio

The utilization ratio measures the efficiency of the management in utilizing its assets. These ratios are also known as turnover ratio because they indicate the speed with which assets are being converted to turnover. Utilization ratio shows the relationship between sales and various assets. A proper balance between sales and assets generally reflects that assets are managed well.

### 4.4.1 Total Assets Turnover

Total assets are contributed to generation of sales. Fixed asset directly contribute to the production and sales and other assets also contribute to the production and sales activities of the firm.

Table 8:  
Total Assets Turnover Ratio of Radisson and Hyatt

(Rs. In million)

Fiscal year	Radisson			Hyatt		
	Sales	Total Assets	Ratio (%)	Sales	Total Assets	Ratio (%)
2005/06	231.71	1185.74	0.18	295.06	3221.30	0.09
2006/07	277.60	1177.15	0.23	380.00	3210.00	0.118
2007/08	325.80	1154.98	0.28	407.70	3024.40	0.13
2008/09	382.35	1133.23	0.34	448.36	3013.79	0.15
2008/09	425.50	1113.20	0.38	467.40	2890.20	0.16
Average ( $\bar{X}$ )			0.28	0.13		
Standard deviation( )			0.74	0.025		
C.V.			26.43%	19.23%		

(Source: Annex 3C and 3D)

Total assets turnover of Radisson for 2005/06 and 2005/06 is 0.18 and 0.23 times respectively. And after that it starts to increase. Total Assets turnover for 2007/08, 2008/09 and 2009/010 is 0.28, 0.34 & 0.38 times. The average total assets turnover ratio of Radisson is 0.28 times.

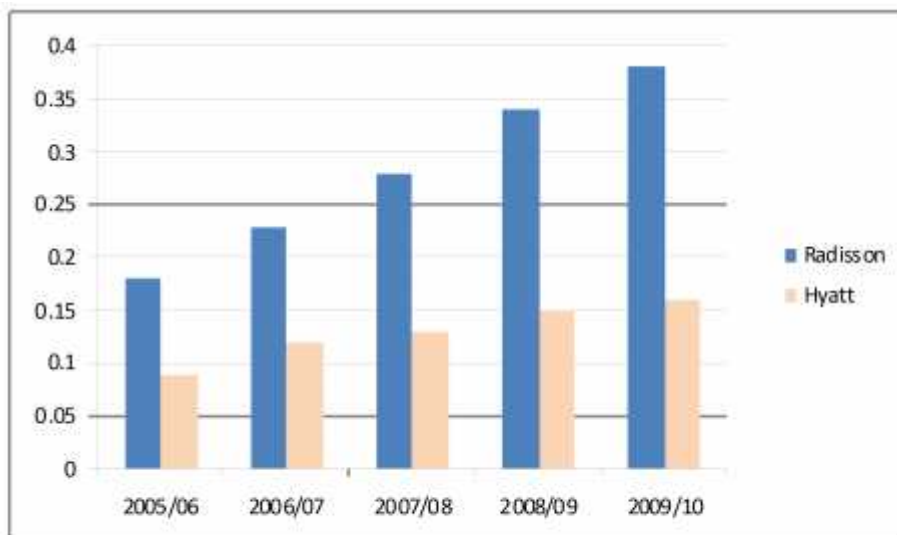
Hyatt ratio is 0.09, 0.118, 0.13, 0.15 & 0.16 times in the year 2005/06, 2006/07 2007/08, 2008/09 & 2009/010 respectively. The average turnover ratio is 0.13 times.

The main cause of decrease in the assets turnover is due to decrease in sales. The average total assets turnover ratio of Radisson is 0.28 and of Hyatt is 0.13. This indicates that a rupee invested in total assets generated sales of 0.28 in Radisson. The main reason for low turnover was high investment in assets.

The total assets turnover ratio shows that Radisson is more efficient in utilizing its assets as compared to Hyatt. The total assets turnover ratio of Hyatt is very lower than that of Radisson.

The C.V. of Radisson is 26.43% and that of Hyatt is 19.23%. The C.V. of Radisson is slightly more than Hyatt. So it can be said that sales of Hyatt is more consistence.

**Figure 8:**  
**Total Assets Turnover Ratio of Radisson and Hyatt Graph**



**Fiscal Year**

#### **4.4.2 Fixed Assets Turnover**

The firms acquire the fixed assets for the purpose of generating sales, therefore the efficiency of fixed assets would be judged in relation to sales.

Table 9:  
Fixed Assets Turnover Ratio of Radisson and Hyatt

(Rs. In million)

Fiscal year	Radisson			Hyatt		
	Sales	Fixed Assets	Ratio (Times)	Sales	Fixed Assets	Ratio (Times)
2005/06	213.71	1088.70	0.20	295.06	3116.43	0.09
2006/07	277.60	1059.27	0.26	380.00	3060.60	0.12
2007/08	325.80	1020.3	0.31	407.70	2849.20	0.14
2008/09	382.35	1072.54	0.35	448.36	3072.18	0.15
2008/09	425.50	1093.20	0.38	467.40	3089.10	0.15
Average ( $\bar{X}$ )			0.298	0.13		
Standard deviation( )			0.074	0.23		
C.V.			26.43%	19.19%		

(Source: Annex 3C and 3D)

In the year 2005/06 the Fixed Assets turnover ratio of Radisson was 0.20 It is increased to 0.26, 0.31, 0.35 and 0.38 in the year 2006/07, 2007/08 2008/09 and 2009/010 respectively.

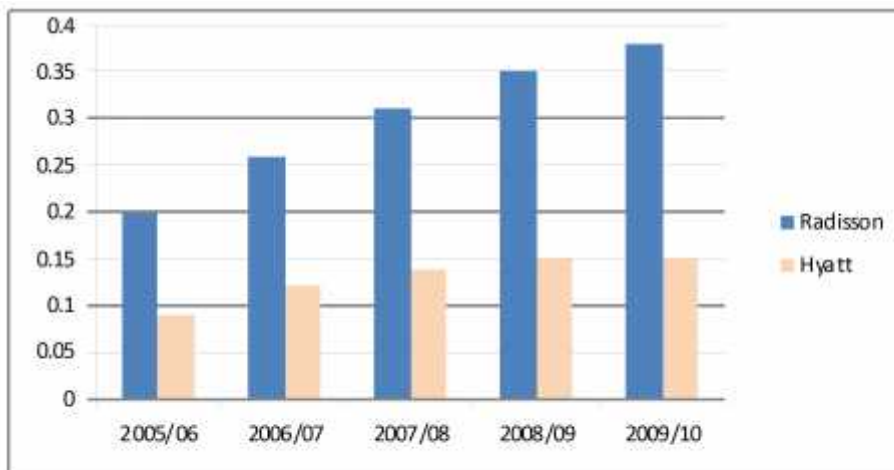
The fixed assets turnover ratio of Hyatt is 0.09 in the year 2005/06. After that the fixed assets turnover ratio of Hyatt is 0.12, 0.14, 0.15 and 0.15 in 2006/07, 2007/08, 2008/09 and 2009/010 respectively.

The main cause of decrease in the fixed assets turnover is due to decrease in sales. The average fixed assets turnover ratio of Radisson is 0.298 and of Hyatt is 0.13. This indicates that a rupee invested in fixed assets generated sales of 0.13 in Hyatt. The main reason for low turnover was high investment in fixed assets.

The fixed assets turnover ratio shows that Radisson is more efficient in utilizing its fixed assets as compared to Hyatt. The fixed assets turnover ratio of Hyatt is more than Radisson.

The C.V. of Radisson is 26.43% and that of Hyatt is 19.16%. This indicates that utilization of fixed assets of Hyatt is more stable.

**Figure 9:**  
**Fixed Assets Turnover Ratio of Radisson and Hyatt Graph**



**Fiscal Year**

#### **4.4.3 Net worth Turnover Ratio**

Shareholders' funds are invested in various kinds of assets to generate sales and profit. The firm should manage Net worth to generate maximum sales. Net sales to net worth turnover ratio indicate that how the funds are used to increase sales and this ratio indicates the efficiency the utilization of shareholders funds.

Table 10:  
Net Sales to Net worth Turnover Ratio of Radisson and Hyatt  
(Rs. In million)

Fiscal year	Radisson			Hyatt		
	Sales	Net Worth	Ratio (Times)	Sales	Net Worth	Ratio (Times)
2005/06	213.719	420.76	0.51	295.06	188.83	1.56
2006/07	277.6	467.78	0.59	380.0	285.53	1.33
2007/08	325.8	499.2	0.65	407.7	1041.6	0.39
2008/09	382.35	533.07	0.71	448.36	927.02	0.48
2009/010	425.50	583.40	0.72	467.40	985.40	0.47
Average ( $\bar{X}$ )			0.634	0.846		
Standard deviation( )			0.14	0.49		
C.V.			22.08%	57.92%		

(Source: Annex 3E and 3F)

Net sales to Net worth ratio of Radisson are 0.51, 0.59, 0.65, 0.71 & 0.72 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively.

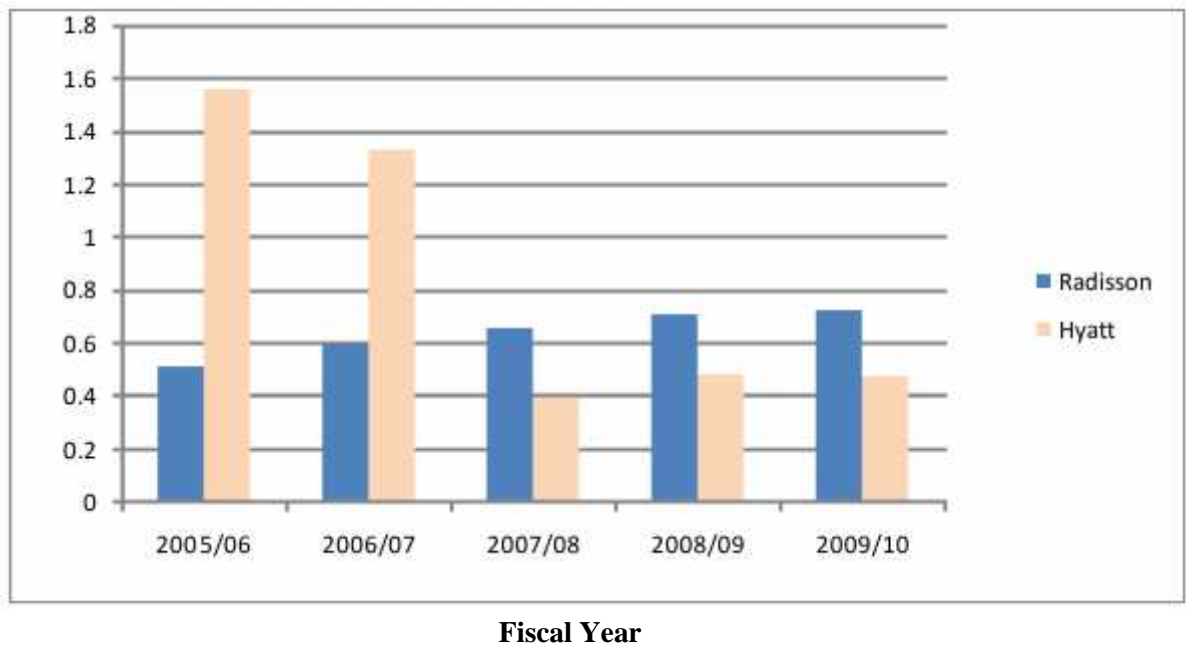
The net sales to net worth ratio of Hyatt are 1.56, 1.33, 0.39, .48 & 0.47 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively.

Net sales to Net worth ratio of Radisson are 0.634 and Net sales to Net worth ratio of Hyatt are 0.846. This indicates that Hyatt has utilized shareholders funds more effectively to generate sales and profit than Radisson.

The C.V. of Radisson is 22.08% and of Hyatt is 57.92%. This indicates that utilization of shareholders funds of Radisson is stable than Hyatt.

**Figure 10:**

**Net Sales to Net worth Turnover Ratio of Radisson and Hyatt Graph**



### **Overall Utilization**

The above analysis of assets utilization reveals following facts regarding assets management of Radisson Hotel and Hyatt Regency.

The total assets turnover ratios of both hotels are not satisfactory. The total assets turnover ratio of both hotels is very poor, which indicates hotels have invested huge amount of funds in total assets. The sales volume of hotel is not enough to justify the funds invested in total assets.

Fixed assets turnover ratio of both hotels is more or less equal but not satisfactory. Due to the poor mobilization of its fixed assets failed to generate better turnover.

Radisson has mobilized its assets effectively than Hyatt.

## 4.5 Profitability Ratio

Profit is an important factor that determines the firm's survival, growth and expansion. A required level of profit is necessary for the firm's growth and survival in the competitive environment. Thus, the profitability ratio is used to measure the operating performance of the firm. Various ratios can be developed based upon the profit under different circumstance.

### 4.5.1 Net Profit Margin

This is the ratio of net income or profit after taxes to net sales. It indicates what portion of sales is left to the proprietors after deduction of all costs, charges and expenses.

Table11:  
Net Profit Margin

(Rs. In million)

Fiscal year	Radisson			Hyatt		
	Net Profit/(Loss)	Net Sales	Ratio (%)	Net Profit/(Loss)	Net Sales	Ratio (%)
2005/06	(74.57)	213.719	(0.35)	(164.36)	295.06	(0.56)
2006/07	(27.88)	277.60	(0.10)	(167.75)	380.00	(0.44)
2007/08	3.64	325.80	0.01	(91.93)	407.70	(0.22)
2008/09	22.94	382.35	0.06	(49.93)	448.36	(0.11)
2008/09	32.40	425.50	0.07	(29.32)	467.40	(0.06)
Average ( $\bar{X}$ )			(0.062)	(0.278)		
Standard deviation( )			0.15	0.19		
C.V.			41.33%	68.34%		

(Source: Annex 3E and 3F)

Net profit and loss margin of Radisson is (0.35), (0.10), 0.01,0.06 & 0.07 in the year 2005/06, 2006/07, 2007/08 , 2008/09 and 2009/010 respectively. Net profit margin

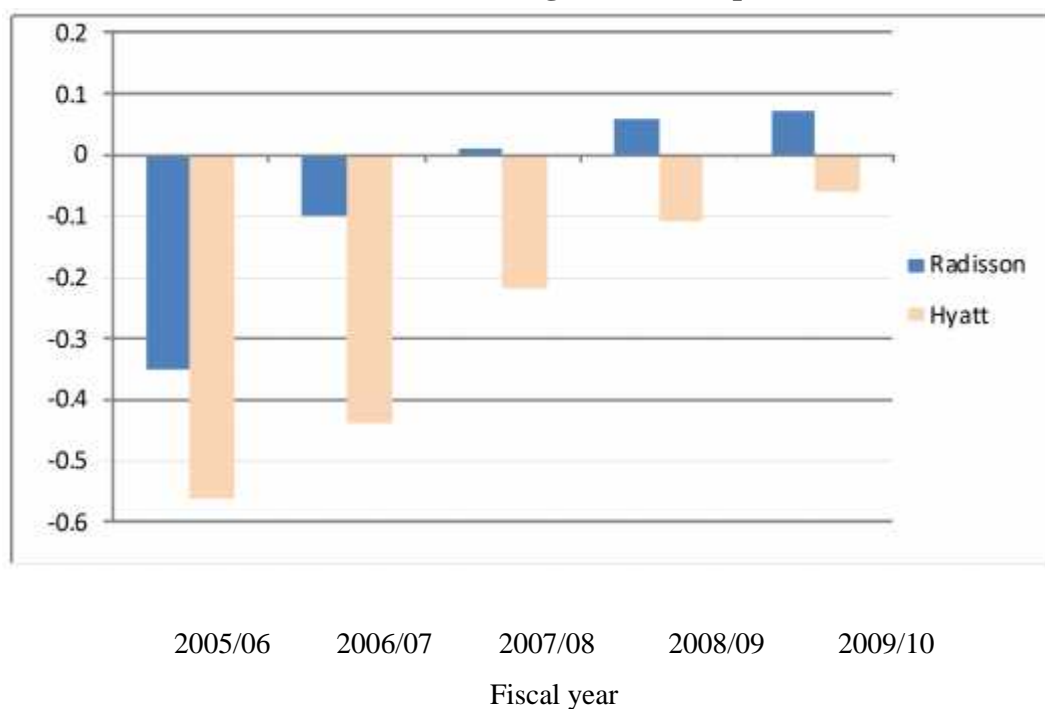
ratio of Radisson shows positive ratio for all study year expects 2005/06, 2006/07. This means the company is able to generate profit in 2007/08, 2008/09, and 2009/010.

Net loss margin ratio of Hyatt is (0.56), (0.44), (0.22), (0.11) & (0.06) in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively. Net profit margin ratio of Hyatt shows negative ratio for all study year. This means the company is unable to generate profit.

The total average net profit margin ratio of Radisson is (0.062) and of Hyatt is (0.278). Higher the ratio means the better earning position. Here, both the hotels are not getting profit both are in loss. In general Net profit margin of Radisson is better than Hyatt that is the loss of Radisson is lower than that of Hyatt.

The C.V. of Radisson is 41.33% that of Hyatt is 68.34% which indicates net loss of Hyatt is consistence where as Radisson is generating profit in 2007/08, 2008/09, 2009/010.

**Figure 11**  
**Net Profit Margin Ratio Graph**



## 4.5.2 Return on Total Capital Employed

Return on total capital employed ratio is the indicator of the earning capacity of the total capital employed in the business. This ratio reflects the overall efficiency of capital used in firm.

Table 12:  
Net Profit/Loss on Total Capital Employed

(Rs. In million)

Fiscal year	Radisson			Hyatt		
	Net Profit/(Loss)	Total Capital	Ratio (%)	Net Profit/(Loss)	Total Capital	Ratio (%)
2005/06	(74.57)	495.06	(0.15)	(164.36)	823.98	(0.20)
2006/07	(27.88)	495.06	(0.05)	(167.75)	1088.4	(0.15)
2007/08	3.64	495.06	0.007	(91.93)	1886.5	(0.04)
2008/09	22.94	495.06	0.0463	(49.93)	1886.5	(0.026)
2008/09	32.40	495.06	0.0654	(29.32)	1886.5	(0.015)
Average ( $\bar{X}$ )			(0.016)	(0.086)		
Standard deviation( )			0.084	0.075		
C.V.			475.0%	87.20%		

(Source: Annex 3G and 3H)

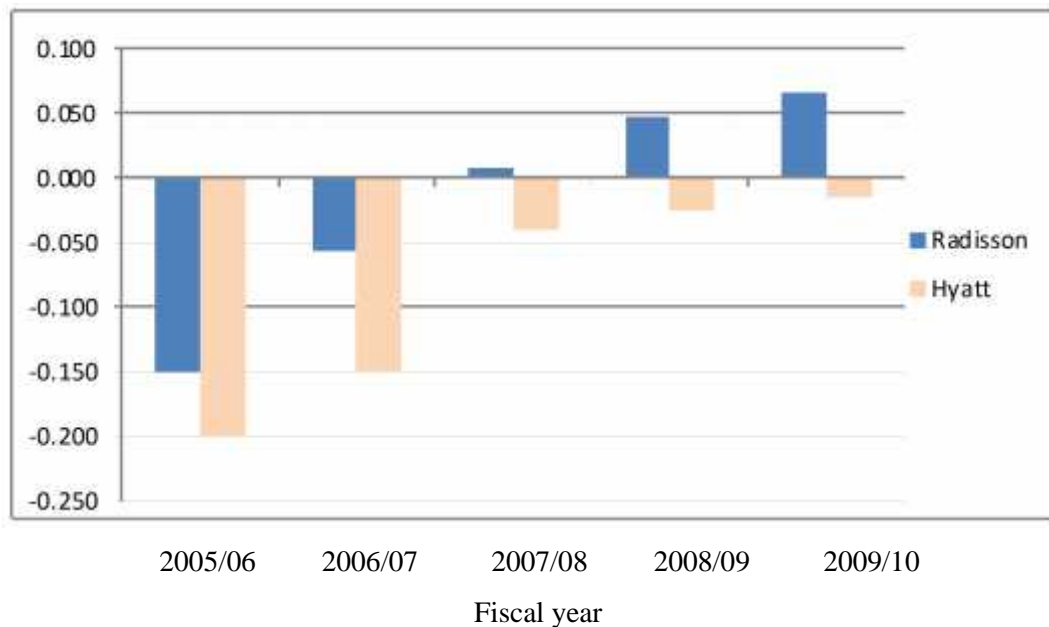
Net loss to total capital employed ratio of Radisson is (0.15), (0.05), 0.007, 0.0463 and 0.0654 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 respectively. The ratio shows that the Radisson is unable to generate the return from its proper utilization of capital. But in 2007/08, 2008/09 and 2009/10 Radisson Net profit to total capital employed is 0.0007, 0.0463 & 0.0654.

Net loss to total capital employed ratio of Hyatt is (0.20), (0.15), (0.04), (0.026) & (0.015) in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10. The study shows that the Hyatt is unable to generate the return from its capital employed. The return on the capital employed indicated how well the management has used the funds

supplied by the creditor and owners. The higher the ratio the more efficient is the firm in using funds entrusted to it. The average net profit/loss to total capital employed of Radisson is (0.016) and of Hyatt is (.086) average ratio. This shows Radisson has utilized their funds efficiently than Hyatt.

The C.V. of Radisson is 475.0 % and that of Hyatt is 88.20 % which indicate that fund utilization of Hyatt is stable than Radisson.

**Figure 12:**  
**Return on Total Capital Employed Ratio**



#### 4.5.3 Return on Shareholders' Equity

The shareholders equity will include common share capital, preference share capital, share premium and reserves and surplus less accumulated losses.

Table 13:  
Return on Shareholder's Equity

(Rs. In million)

Fiscal year	Radisson			Hyatt		
	Net Profit/(Loss)	Net Worth	Ratio (%)	Net Profit/(Loss)	Net Worth	Ratio (%)
2005/06	(74.57)	420.76	(0.18)	(164.36)	188.83	(0.87)
2006/07	(27.88)	467.78	(0.06)	(167.65)	285.53	(0.58)
2007/08	3.64	499.2	0.007	(91.93)	1041.6	(0.09)
2008/09	22.94	533.07	0.043	(49.93)	927.02	(0.053)
2009/10	32.40	583.40	0.055	(29.32)	985.40	(0.29)
Average ( $\bar{X}$ )			(0.027)	(0.32)		
Standard deviation( )			0.084	0.339		
C.V.			311.11%	101.85%		

(Source: Annex 3G and 3H)

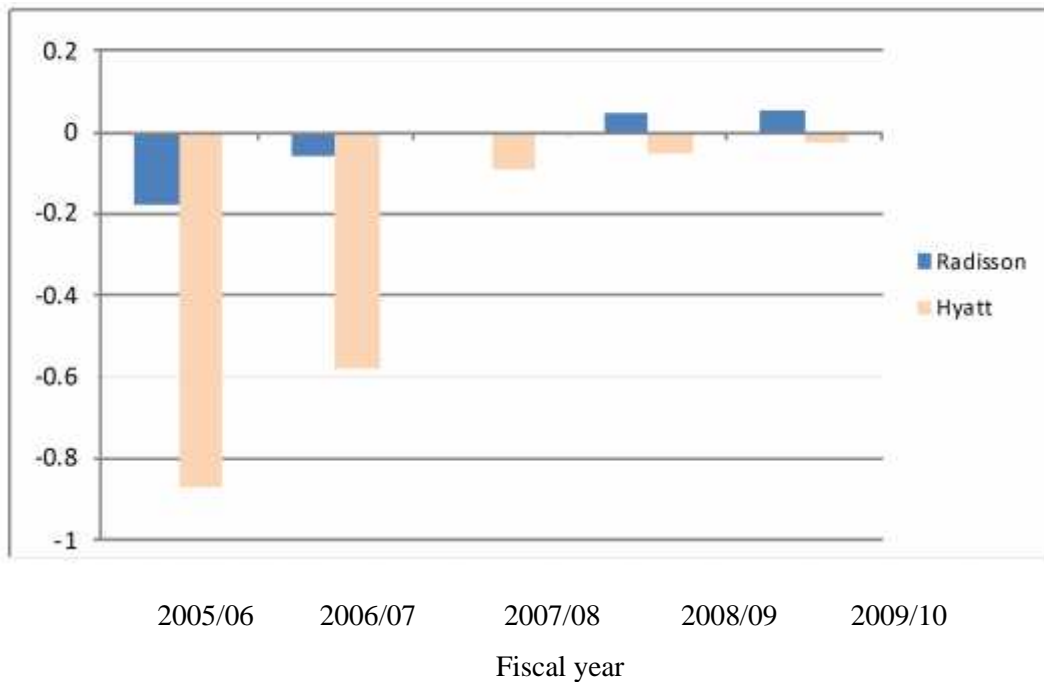
The ratio of Radisson is (0.18), (0.06), 0.007, 0.043 and 0.055 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10. The average return on Shareholder's equity of Radisson is (0.027).

The ratio of Hyatt is (0.87), (0.58), (0.09), (0.053) and (0.029) in the year 2005/06, 2006/07, 2007/08, 2008/09. and 2009/010. The average return on Shareholder's equity on Hyatt is (0.32).

The return on the shareholder's equity indicated how well the firm has used the resources of the owners. The higher the ratio the more efficient is the firm in using resources entrusted to it. The average ratio of Radisson is (0.027) and of Hyatt is (0.32). This shows Radisson has utilized their resources efficiently than Hyatt.

The C.V. of Hyatt is 104.62% and of Radisson is 311.11% which indicate that Hyatt is more homogeneous in shareholder's fund.

**Figure 13:**  
**Return on Share Holder equity Ratio Graph**



## 4.6 Cash Flow Analysis

The statement of cash flows is another major required financial statement; it shows important information not shown directly in the other financial statements.

The main purpose of the statement of cash flows is to report on the cash receipts and cash disbursements of an entity during an accounting period. Broadly defined, cash includes both cash and cash equivalents, such as short-term investments in Treasury bills, commercial paper, and money market funds. Another purpose of this statement is to report on the entities investing and financing activities for the period.

### 4.6.1 Cash from Operating Activities

Every business organization seeks sufficient cash inflow from its main operating activities. Sufficient cash generation from the operation of every business is the requirement for the achievement of the organization, satisfying the needs of its stakeholders, growth, and development and for its existence and financial health.

Table 14:  
Cash Generated from Operating Activities of Radisson and Hyatt

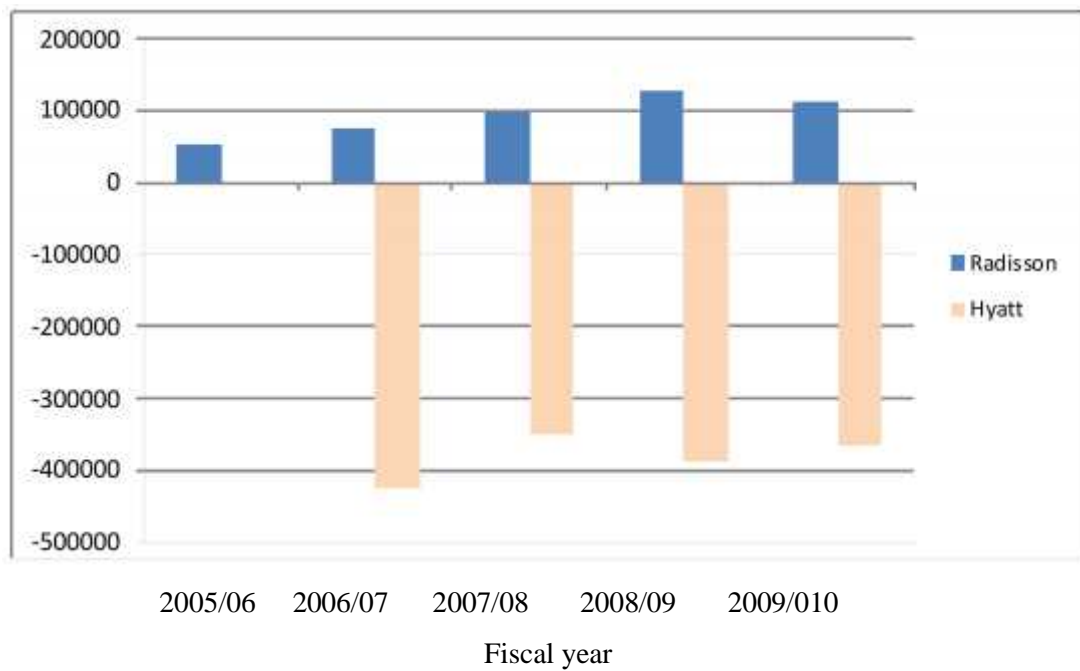
(Rs. In Thousand)

<b>Operating Activities</b>		
Fiscal year	Radisson	Hyatt
	Amount	Amount
2005/06	53487.79	(775.67)
2006/07	74385.36	(426381.30)
2007/08	97298.47	(349140.42)
2008/09	127269.30	(387760.86)
2009/010	113446.40	(365420.32)

(Source: Annex 1A and 1B)

Comparative study of Cash generation from operating activities discloses that Radisson is showing positive cash generating position in the year 2005/06 to 2009/10. Hyatt is showing negative cash generating position in the year 2005/06 to 2009/010 which indicates that the hotel is not performing well as it has been expected to perform. If we observe overall cash generating performance of both the hotels we need to say the Radisson is performing better than the Hyatt.

**Figure14:**  
**Operating Activities Graph**



#### **4.6.2 Cash from Financing Activities**

Among different sources of cash and cash from financial activities are also important ones for source generating investment requirement of the commercial and business undertakings. Generally, sources comprise the share capital, bond, debenture and long term loans. They are raised for fulfilling the needs of long term financial requirement and discharged after certain period of time.

Table 15 :  
Cash Generated from Financials Activities of Radisson and Hyatt  
(Rs. In Thousand)

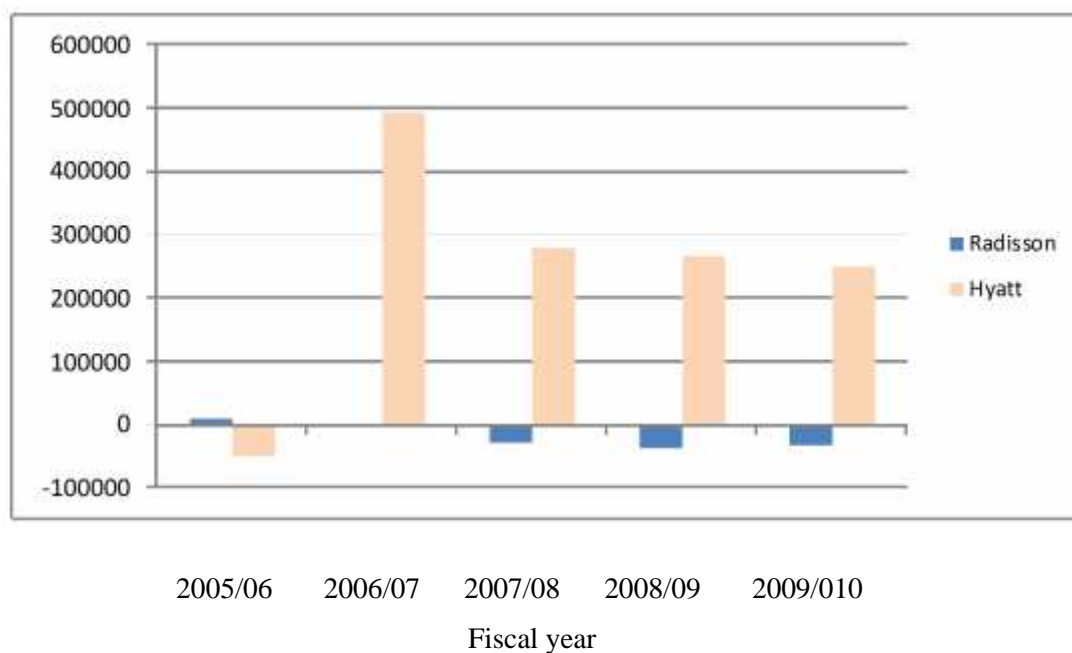
<b>Financing Activities</b>		
Fiscal year	Radisson	Hyatt
	Amount	Amount
2005/06	7086.92	(50437.80)
2006/07	1438.77	493371.27
2007/08	(29425.34)	279887.22
2008/09	(38252.95)	265464.61
2009/10	(32583.40)	246457.32

(Source: Annex 1A and 1B)

According to above table we can say that Radisson has used the source for fulfilling its financial requirement because it is suffering from the negative in 2007/08, 2008/09 and 2009/10 and less positive financial situation in 2005/06 and 2006/07.

Trend of Hyatt is mixed. It is raising and discharging the long term liabilities in the first three years. If we observe the last three years Radisson has raised and Hyatt has discharged the long steam liabilities. If we observe overall cash generating performance of both the hotels we need to say the Hyatt is performing better than the Radisson.

**Figure 15:  
Financials Activities of Radisson and Hyatt**



#### 4.6.3 Cash from Investing Activities

Business organization invests its cash into long term and permanent assets, for its operation.

Table 16:  
Cash Generated from Investing Activities of Radisson and Hyatt

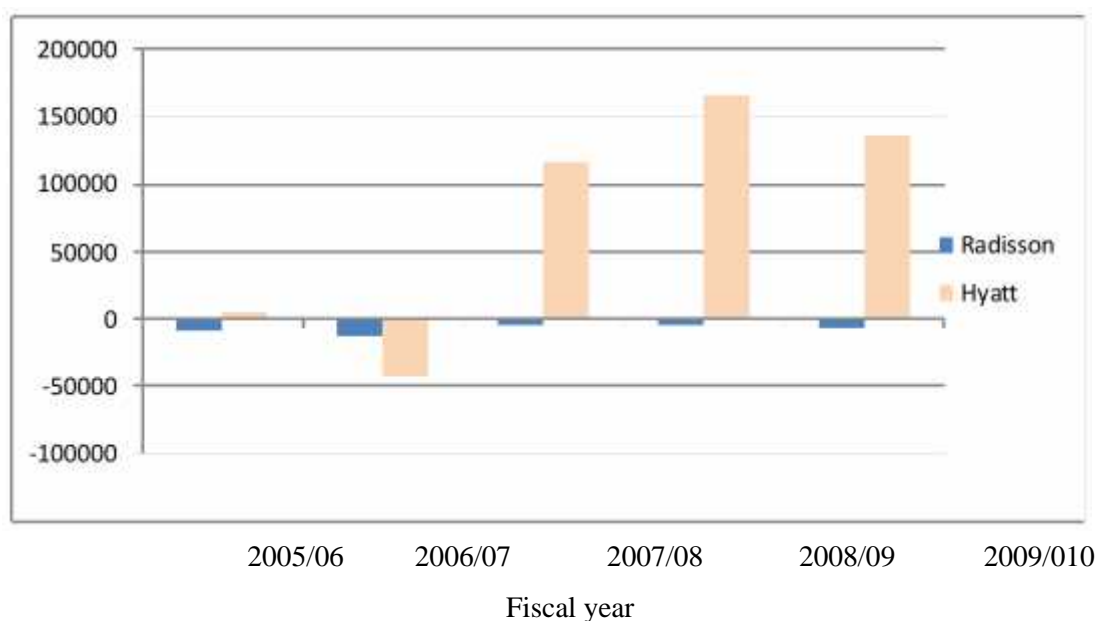
(Rs. In Thousand)

<b>Investing Activities</b>		
Fiscal year	Radisson	Hyatt
	Amount	Amount
2005/06	(9196.11)	5092.10
2006/07	(13709.68)	(43136.64)
2007/08	(4405.405)	115707.95
2008/09	(5727.03)	166312.44
2009/010	(6543.05)	135231.10

(Source: Annex 1A and 1B)

Radisson has invested sufficient amount of cash Rupees into permanent assets whereas trend of Hyatt is not stable. First one year, Hyatt has invested huge amount of its resources into permanent assets in compare to Radisson Hotel.

**Figure 16:**  
**Investing Activities of Radisson and Hyatt Graph**



#### 4.6.4 Net Cash Flow:

Net cash flow is the summation of cash flow from operating activity, cash flow from investing activity and cash flow from financing activity.

Table 17: Net Cash of Radisson and Hyatt

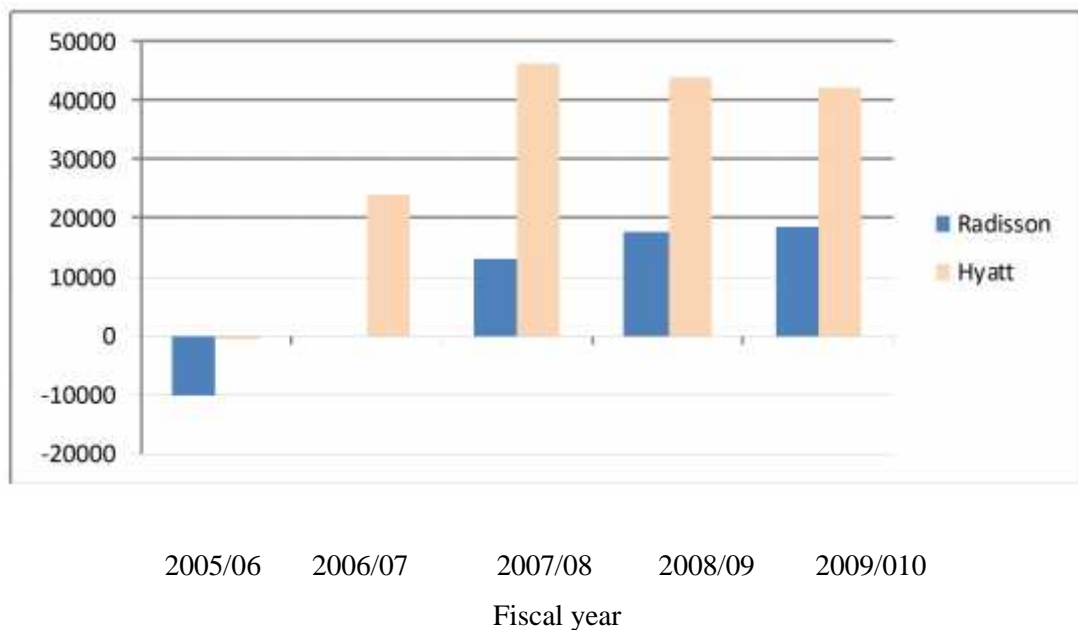
(Rs. In Thousand)

Net Cash Flow		
Fiscal year	Radisson	Hyatt
	Amount	Amount
2005/06	(9875.65)	(296.36)
2006/07	10055.524	23853.33
2007/08	13312.501	46454.752
2008/09	17624.78	44016.63
2009/10	18418.50	42231.20

(Source: Annex 1A and 1B)

Comparative study of Net Cash flow activities discloses that the both hotels have not been showing efficient and appreciable abilities for net cash flow. Radisson is showing negative net cash flow in the year 2005/06. Hyatt is showing negative net cash flow in the year 2005/06 which indicates that the hotel is not performing well as it has been expected to perform. Radisson is generating positive net cash flow in the year 2006/07, 2007/08, 2008/09, and 2009/10 which is satisfactory and same as Hyatt in the year 2006/07, 2007/08, 2008/09 and 2009/010. If we observe overall net cash flow performance of both the hotels we need to say the Hyatt is performing better than the Radisson.

**Figure 17**  
**Net Cash of Radisson and Hyatt Graph**



## 4.7 Trend Analysis

The method of least square is used to find out the trend of different measures of financial performance.

#### 4.7.1 Net Sales Trend:

Table 18:  
Sales Trend Line of Radisson and Hyatt

(Rs. In million)

Sales Trend line		
Fiscal year (X)	Radisson Trend Value( $Y_n = a + bx$ )	Hyatt Trend Value( $Y_n = a + bx$ )
2005/06	219.53	277.10
2006/07	275.56	328.40
2007/08	325.59	379.70
2008/09	378.62	431.00
2009/10	431.65	482.3
2010/11	484.68	533.60
2011/12	537.71	584.90
2012/13	590.74	639.20
2013/14	643.77	687.5
2014/15	696.8	738.8

(Source: Annex 4A and 4B)

The sales trend value of Radisson is 219.53, 275.56, 325.59, 378.62 and 431.65 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively and is expected to be 484.68, 537.71, 590.74, 643.77 and 696.80 in the year 2010/11, 2011/12, 2012/13, 2013/14 and 2014/15.

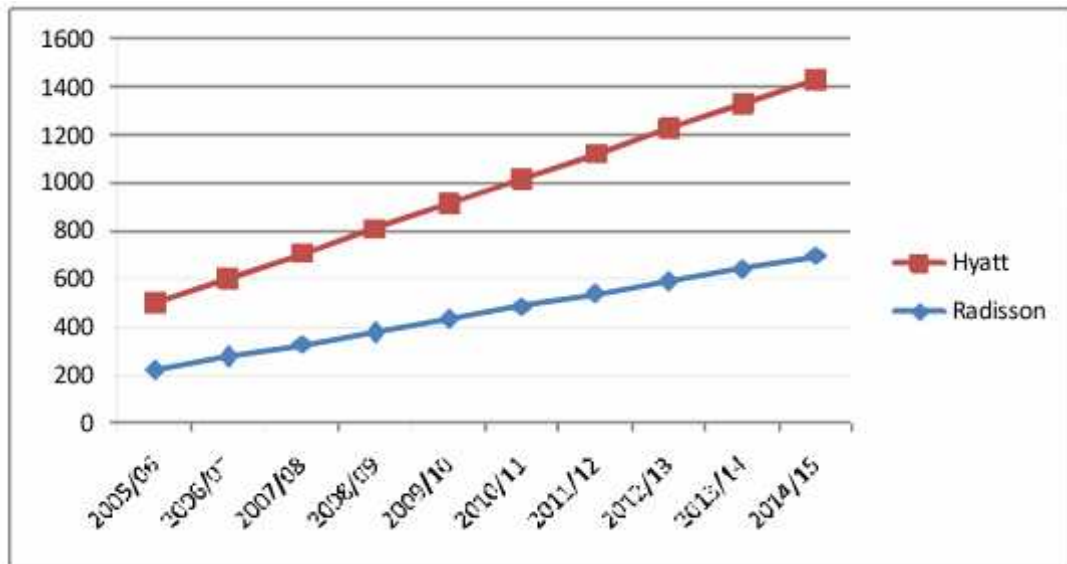
The sales trend value of Hyatt is 277.1, 328.40, 379.70, 431.00 and 482.30 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively and is expected to be 533.60, 584.90, 636.20, 687.50 and 738.80 in the year 2010/11, 2011/12, 2012/13, 2013/14. and 2014/15.

As per “Annex 4 A” and “Annex 4 B” the value of the constant “a” and “b” are as follows, when the “a” is simply equal to the mean of “Y” value and constant “b” gives the rate of change the slope of trend line.

	Radisson	Hyatt
a =	325.59	379.70
b =	53.03	51.30

The above analysis describes that the annual average net sales “a” is higher of Hyatt than Radisson. The sale of Radisson is increasing every year and the sale of Hyatt is also increasing every year. The slope of trend line shows that the rate of increasing sales is higher in Radisson in comparison to Hyatt.

**Figure 18:**  
**Sales Trend of Radisson and Hyatt Graph**



Fiscal year

## 4.7.2 EBIT Trend:

Table 19: Earning before interest and Tax (EBIT) Trend of Radisson and Hyatt

(Rs. In million)

<b>EBIT Trend</b>		
Fiscal year (X)	Radisson Trend Value( $Y_n = a + bx$ )	Hyatt Trend Value( $Y_n = a + bx$ )
2005/06	8.59	(23.43)
2006/07	25.49	(16.18)
2007/08	42.39	(8.93)
2008/09	59.29	(1.68)
2009/10	76.19	5.57
2010/11	93.09	12.82
2011/12	109.90	20.07
2012/13	126.89	27.23
2013/14	143.79	34.57
2014/15	160.69	41.82

(Source: Annex 5A and 5B)

The EBIT trend value of Radisson is 8.59, 24.49, 42.39, 59.29 and 76.19 in the year, 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively and is expected to be 93.09, 109.90, 126.89, 143.79 and 160.69 in the year 2010/11, 20011/12, 2012/13, 2013/14 and 2014/15.

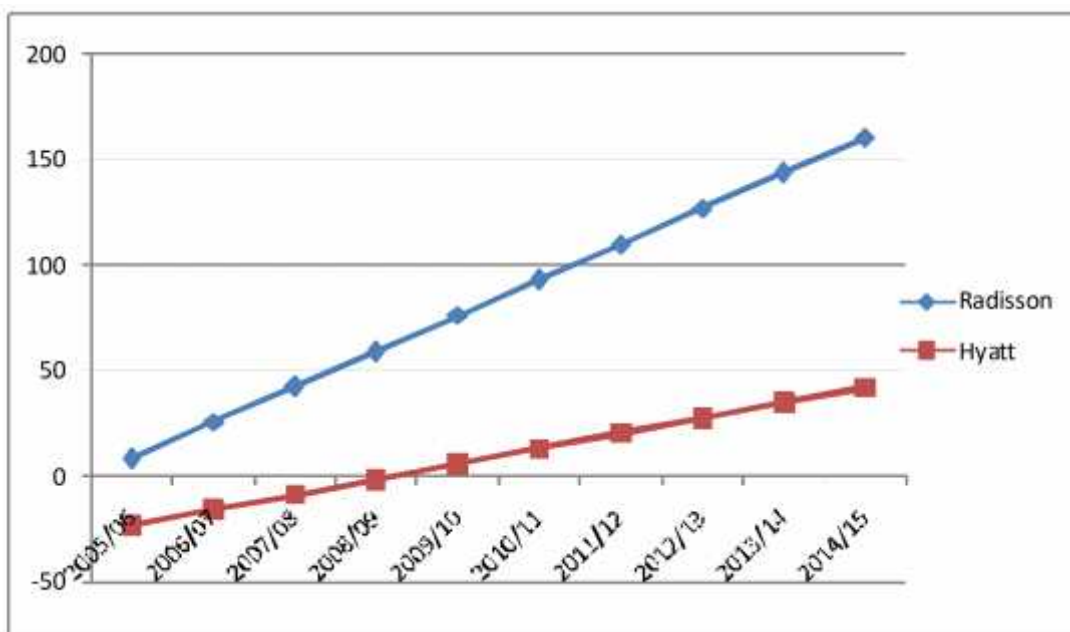
The EBIT trend value of Hyatt is (23.43), (16.18), (8.93), (1.68) and 5.57 in the yea, 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively and is expected to be 12.82, 20.07, 27.23, 34.57 and 41.82 in the year 2010/11, 20011/12, 2012/13, 2013/14and, 2014/15.

As per the “Annex 5A” and “Annex 5B” the value of the constant “a” and “b” are as follows when the “a” is simply equal to the mean of “y” value and constant “b” gives the rate of change the slope of trend line.

	Radisson	Hyatt
a =	42.39	(8.93)
b =	16.90	7.25

The above analysis shows that both the annual average EBIT trend “a” is higher of Radisson than Hyatt and the slope of EBIT trend “b” of Radisson is lower than of Hyatt. It concludes that Hyatt has lower EBIT than Radisson.

**Figure 19:**  
**EBIT Trend of Radisson and Hyatt Graph**



#### 4.7.3 Expenses Trend:

Table 20: Operating, Administration and General Expenses Trend of Radisson and Hyatt  
(Rs. In million)

Expenses Trend		
Fiscal year (X)	Radisson Trend Value( $Y_n = a + bx$ )	Hyatt Trend Value( $Y_n = a + bx$ )
2005/06	177.16	184.95
2006/07	189.81	195.20
2007/08	202.46	205.55
2008/09	215.11	215.85
2009/10	227.76	226.15
2010/11	240.41	236.45
2011/12	253.06	246.75

<b>Expenses Trend</b>		
Fiscal year (X)	Radisson Trend Value( $Y_n = a + bx$ )	Hyatt Trend Value( $Y_n = a + bx$ )
2012/13	265.71	257.05
2013/14	278.36	267.35
2014/15	291.01	277.65

(Source: Annex 6A and 6B)

The Expenses trend value of Radisson is 177.16, 189.81, 202.46, 215.11, and 227.76 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively and is expected to be 240.41, 253.06, 265.71, 278.36 and 291.01 in the year 2010/11, 2011/12, 2012/13, 2013/14. and 2014/15.

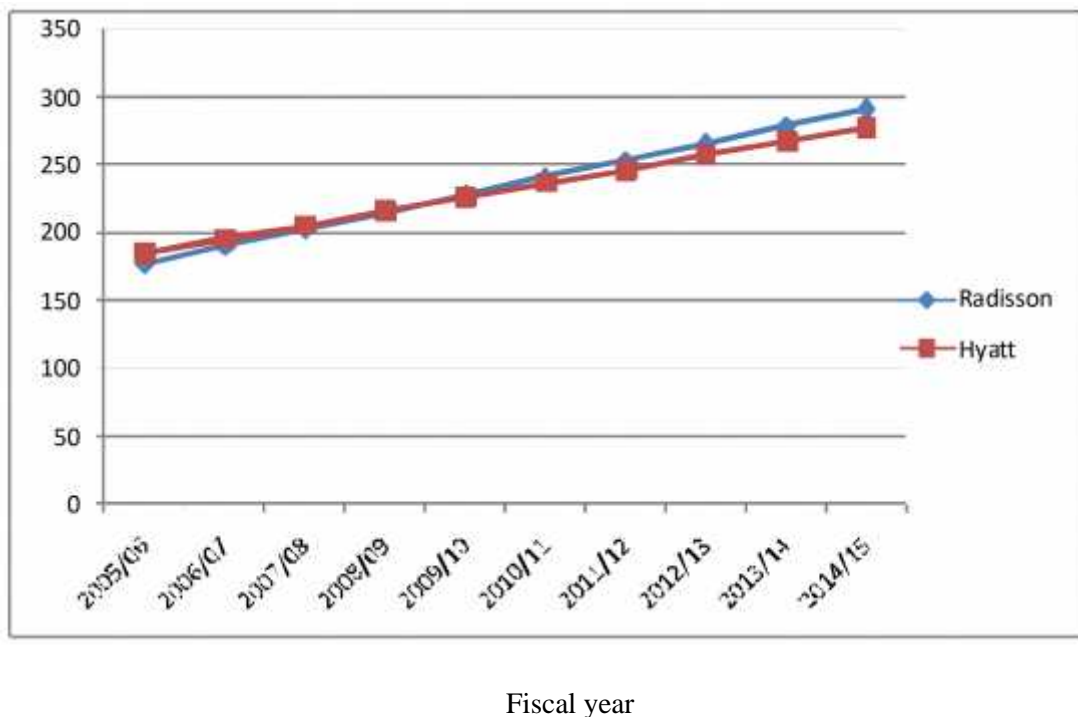
The Expenses trend value of Hyatt is 184.95, 195.20, 205.55, 215.85 and 226.15 in the year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively and is expected to be 236.45, 246.75, 257.05, 267.35 and 277.65 in the year 2010/11, 2011/12, 2012/13 , 2013/14.and 2014/15.

As per the “Annex 6A” and “Annex 6B” the value of the constant “a” and “b” are as follows, when the “a” is simply equal to the mean of “y” value and constant “b” gives the rate of change the slope of trend line.

	Radisson	Hyatt
a =	202.46	205.55
b =	12.65	10.30

The above analysis shows that the annual average expenses “a” are similar to Radisson and Hyatt. Expenses of Radisson are increasing order and expenses of Hyatt are also in increasing order.

**Figure 20:  
Expenses Trend of Radisson and Hyatt Graph**



## 4.8 Major Findings

### (i) Findings from the Study of Liquidity Position:

#### a) Current Ratio: -

Both of the hotels have not adequate liquidity position to meet their short-term obligations. The average current ratio of Radisson is higher than the average current ratio of Hyatt and the average hotel industry current ratio is 0.39 and C.V. of Radisson is less than Hyatt. Therefore it can be concluded that the liquidity position of Radisson is better and stable than that of Hyatt.

#### b) Quick Ratio: -

In the beginning year quick ratio of Radisson was satisfactory than Hyatt. Relationship between quick assets and current liability of Radisson is better than

Hyatt for first year. And after that the relation of quick assets and current liabilities are worse. C.V. of Radisson is less so its liquidity position is stable than Hyatt.

**c) Inventory Turnover Ratio: -**

The average inventory turnover ratio of Radisson and Hyatt is 6.42 and 63.46 times respectively. Average inventory turnover ratio of Radisson is less than average inventory turnover ratio of Hyatt. It indicates that Radisson has invested a huge amount in inventory as compared to Sales which unnecessarily tied funds and Hyatt had also invested a huge amount but satisfactory to the Sales. It also indicates that Hyatt followed effective inventory management technique than Radisson. Inventory turnover ratio of Hyatt is better than Radisson. The C.V. of Radisson and Hyatt is 20.46% and 6.14%. This indicates that inventory management technique of Hyatt is better than Radisson.

**(ii) Findings from Long-term Solvency:**

**a) Net Worth to Total Assets Ratio**

The solvency position of Radisson is better than Hyatt. The average ratio and C.V. of Radisson and Hyatt are 42.88, 11.16% and 22.31, 55.08% respectively. This ratio indicates that Radisson is using much better net worth than Hyatt. It seems that Radisson has adopted tight financing and stable policy than Hyatt.

**b) Total debt to net worth ratio**

The average total debts to net worth ratio and C.V. are 1.98, 15.5% and 5.67, 57.14% of Radisson and Hyatt respectively. This indicates that Radisson has lower total debts to net worth ratio than Hyatt. It means Radisson has no leverage and Hyatt has leverage and also the leverage of Radisson is more stable than Hyatt.

**(iii) Findings from the utilization ratio:**

**(a) Total assets turnover ratio**

The total assets turnover ratio shows that Radisson is more efficient in utilizing its assets as compared to Hyatt. The average total assets turnover ratio of Hyatt is very lower than that of Radisson. The C.V. of Radisson is 26.43% and of Hyatt is 19.23% so, the total assets of Hyatt is more homogeneous than Radisson.

**(b) Fixed assets turnover ratio**

Radisson hotel have fixed assets turnover ratio is 0.29 and Hyatt have 0.13 and C.V. of Radisson is more than of Hyatt. This indicates that utilization of fixed assets of Radisson hotels is more and heterogeneous.

**(c) Net Sales to net worth ratio.**

Net sales to net worth ratio and C.V. of Radisson are 0.634 and 22.08%. Similarly Net sales to Net worth ratio and C.V. of Hyatt are 0.84 and 57.92%. This indicates that Hyatt has higher net sales to net worth ratio than Radisson but C.V indicates that a sale of Radisson is consistent.

**(iv) Findings from the profitability ratio :**

**(a) Net Profit/Loss Margin Ratio**

The total average net profit margin ratio of Radisson is (0.062) and of Hyatt is (0.278). Higher the ratio means the better earning position. Here, both the hotels are not getting profit both are in loss. In general Net profit margin of Radisson is better than Hyatt that is the loss of Radisson is lower than that of Hyatt.

The C.V. of Hyatt is 68.34% that of Radisson is 41.33% which indicates net loss of Hyatt is consistent.

**(b) Return on total Capital Employed**

The return on the capital employed indicated how well the management has used the funds supplied by the creditor and owners. The higher the ratio the more efficient is the firm in using funds entrusted to it. The average net profit/loss to total capital employed of Radisson is (0.084) and of Hyatt is (0.086) average ratio. This shows that Hyatt has utilized their funds efficiently than Radisson..

The C.V. of Radisson is 475 % and that of Hyatt is 87.20 % which indicate that fund utilization of Hyatt is stable than Radisson.

### **(c) Return on Shareholders' Equity**

The return on the shareholder's equity indicated how well the firm has used the resources of the owners. The higher the ratio the more efficient is the firm in using resources entrusted to it. The average ratio of Radisson is (0.027) and of Hyatt is (0.32). This shows Radisson has utilized their resources efficiently than Hyatt.

The C.V. of Hyatt is 311.11% and of Radisson is 104.62% which indicate that Hyatt is more homogeneous in shareholder's fund.

### **(v) Findings from cash flow**

#### **(a) Findings from Operating Activities**

Comparative study of Cash generation from operating activities discloses that Radisson is showing positive cash generating position in the year 2005/06 to 2009/010. Hyatt is showing negative cash generating position in the year 2005/06 to 2009/010 which indicates that the hotel is not performing well as it has been expected to perform. If we observe overall cash generating performance of both hotels the Radisson is performing better than the Hyatt.

**(b) Findings from Financing Activities.**

Trend of Hyatt is mixed. Both hotels have raised and discharged the long term liabilities in the first three years. Last two years, cash flow of Radisson has negative where as Hyatt has positive. If we observe overall cash generating performance of both hotels we can conclude that Hyatt is performing better than the Radisson.

**(c) Findings from Investing Activities**

Radisson has invested sufficient amount of cash into permanent assets whereas trend of Hyatt is not stable. First one year, Hyatt has invested huge amount of its resources into permanent assets.

**(d) Findings from Net Cash flow**

Comparatively study of net cash flow activities discloses that the both hotels have not been showing efficient and appreciable abilities for net cash flow. Overall cash flow performances of both the hotels are not satisfactory.

**(vi) Findings from Trend Analysis:**

**(a) Findings from Trend Analysis of Net Sales**

Trend Analysis of sales reveals that the estimated net sale of Hyatt is higher than the sales of Radisson.

**(b) Findings from Trend Analysis of EBIT**

Trend analysis of EBIT reveals that the estimated EBIT of Radisson is higher than the EBIT of Hyatt.

**(c) Findings from Trend Analysis of Operating, Administration and General Expenses**

Trend Analysis of Operating, Administration and General Expenses reveals that the estimated Operating, Administration and General Expenses of Hyatt and Radisson are nearly to similar, in compared Expenses of Radisson is higher than Hyatt.

# **CHAPTER-V**

## **SUMMARY, CONCLUSION AND RECOMENDATIONS**

### **5.1 Summary**

A brief introduction of this study has been already represented in the first chapter. Besides, the review of literature with possible reviews of ideas, theories and research findings has also been presented in second chapter. The appropriate research methodology is presented in chapter third. All the available data are presented and analyzed in the fourth chapter.

Mainly this study was concluded with a view to assess financial performance of Radisson and Hyatt for five years beginning from the 2005/06 to 2009/010. Development of industries and commerce play the vital role in the development of a country. Hotel industry is an important sector for tourism development which is an important part of a developing country. According to the Central Bureau of Statistics “Survey of Hotels and Lodges Nepal 2003-2004” we have altogether six five star hotels. Radisson and Hyatt are newly established five star standard hotels providing accommodation, entertainment and relaxation services to the customers.

Financial statement basically covers income statement, income, appropriation account, balance sheet and cash flow statement. These statements provide the basis for assessing the financial performance. Financial soundness of enterprises can be tested through developing certain relationship between the items contained in the financial statement.

Financial analysis is the key tools for financial decision and starting point for making plan, forecasting and budgeting for the further period. The study has used different financial ratios namely “liquidity ratio, activity ratio, profitability ratio, long term solvency ratio and utilization ratio”, cash flow statement and statistical too namely “trend analysis” for the comparative study of the hotels.

## **5.2 Conclusion**

### **Ratio Analysis**

Radisson Hotel Kathmandu and Hyatt Regency Kathmandu are not following better policy to keep sound liquidity positions. Current ratio of Radisson and Hyatt are not showing satisfactory ratio, it indicates that the Hotel has not enough current assets to meet its short term obligation. Debtor collection period of Radisson is better than that of Hyatt.

Though total assets turnover ratio of both hotels is not satisfactory, Radisson has better positioning. Fixed assets turnover ratio of Radisson and Hyatt have same trend. Hyatt has better net sales to net worth ratio than Radisson, The overall utilization ratio shows that Radisson has better utilized its total assets but Hyatt has better utilized its sales positioning than Radisson.

Hyatt has utilized their funds efficiently than Radisson. Radisson has utilized shareholders fund better than Hyatt. Net profit Margin of Radisson is better than Hyatt. It means that the overall profitability ratio of Radisson is better than of Hyatt.

### **Cash Flow Analysis**

Overall cash generating performance of Radisson is better positioning than the Hyatt through its operating activities.

Financing activities trend of Hyatt is mixed. It is raising and discharging the long term liabilities in the last three years . If we observe the last two years Radisson has raised long term liabilities where as Hyatt has discharging trend. In overall, both hotels are showing mixed financial position.

Radisson has invested sufficient amount of cash into permanent assets whereas trend of Hyatt is not stable. First one year, Hyatt has invested huge amount of its resources into permanent assets.

Comparative study of Net Cash flow activities discloses that the both hotels have not been showing efficient and appreciable for net cash flow. Radisson is showing negative net cash flow in the year 2005/06. Hyatt is showing negative net cash flow in year 2005/06. According to net cash flow performance of both the hotels we know that the Hyatt is performing better than the Radisson.

### **Trend Analysis**

Trend Analysis of sales reveals that the estimated net sales of Hyatt are higher than the sales of Radisson. An expected sale for next year of Radisson is Rs 484.68 million and of Hyatt is Rs 533.6 million.

Trend Analysis of EBIT reveals that the estimated EBIT of Radisson is higher than the EBIT of Hyatt. Expected EBIT for next year of Radisson is Rs 93.09 million and of Hyatt is Rs 12.82 million.

Trend Analysis of Operating, Administration and General Expenses reveal that the estimated Operating, Administration and General Expenses of Radisson are higher than of Hyatt. Radisson and Hyatt both have increasing order during the study period.

### **5.3 Recommendation**

- 1) Inventory policy of the hotel must be efficient to manage the liquidity position of the hotels. Inventory policies, cash balances have significant impact on the liquidity position of the hotels because both hotels have not the appropriate liquidity position.
- 2) Hotel should not invest much more amount into debtors. Hotels are recommended that their credit policies should be stable and effective so as to make for their financial position sound.
- 3) Solvency position of Radisson is better in comparison with average industry and Hyatt. The study recommends that Hyatt should adopt appropriate financial policy for better utilization of equity capital.

4) Study of debt to net worth ratio reveals that Hyatt is not able to maintain the appropriate combination between debt capital and equity capital. The appropriate combination has significant impact on the financial health of the hotel. Study recommends that it has to balance between them for the financial health.

5) Study of turnover ratio the result that the Radisson is not able to maintain the sufficient amount of sales to earn required rate of profit. Certain rate of profit is needed for the return of investment. Therefore at any rate Radisson has to increase its sales.

6) Profitability position of Hyatt is not satisfactory. To secure the interest of owners, profitable investment of the hotel is necessary. Hyatt has to correct margin of profit by reviewing the sales and cost of the hotel.

7) Cash generating capacity of both the hotels through their operating activities is not satisfactory. In comparison Hyatt is in better position. Study recommends that both should increase their sales revenue. Unnecessary fixed, periodic expenses and overhead costs should be reduced to improve net cash generation through operating activities.

8) Hotels are generating a huge amount of cash from financing activities but the political environment for further investment was not favorable. If the tourism sector is reformed by political stability, both hotels have better future. Although the hotels are generating sufficient amount of cash by rising long term liabilities. Amount generated from the activities must be invested into profitable sector.

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## ANNEXES

### ANNEX -2 (A)

#### Current Ratio, Quick Ratio of Radisson Hotel Kathmandu

(Rs. In million)

Fiscal Year	Current ratio( $x_c$ )	$(x_c - \bar{x}_c)^2$	Quick ratio ( $x_q$ )	$(x_q - \bar{x}_q)^2$
2005/06	0.50	$(0.50 - 0.56)^2$	0.24	$(0.24 - 0.34)^2$
2006/07	0.54	$(0.54 - 0.56)^2$	0.32	$(0.32 - 0.34)^2$
2007/08	0.56	$(0.56 - 0.56)^2$	0.36	$(0.36 - 0.34)^2$
2008/09	0.58	$(0.58 - 0.56)^2$	0.39	$(0.39 - 0.34)^2$
2009/010	0.62	$(0.62 - 0.56)^2$	0.43	$(0.39 - 0.34)^2$
Total	2.800	0.008	1.74	0.020

#### Current Ratio:

1. Average current ratio ( $\bar{x}_c$ ) =  $X_c/N = 2.80/5 = 0.56$
2. Standard Deviation of current ratio ( $\sigma_c$ ) =  $\sqrt{(x_c - \bar{x}_c)^2 / N} = \sqrt{0.008/5} = 0.04$
3. C.V. of current ratio ( $cv_c$ ) =  $\sigma_c / \bar{x}_c \times 100 = 0.04/0.56 \times 100 = 7.14\%$

#### Quick Ratio:

1. Average quick ratio ( $\bar{x}_q$ ) =  $X_q/N = 1.74/5 = 0.34$
2. Standard Deviation of quick ratio ( $\sigma_q$ ) =  $\sqrt{(x_q - \bar{x}_q)^2 / N} = \sqrt{0.02/5} = 0.06$
3. C.V. of quick ratio ( $cv_q$ ) =  $\sigma_q / \bar{x}_q \times 100 = 0.06/0.34 = 18.60\%$

## ANNEX -2 (B)

### Current Ratio, Quick Ratio of Hyatt Regency Kathmandu

(Rs. In million)

Fiscal Year	Current ratio( $x_c$ )	$(x_c - \bar{x}_c)^2$	Quick ratio ( $x_q$ )	$(x_q - \bar{x}_q)^2$
2005/06	0.10	$(0.10 - 0.22)^2$	0.09	$(0.09 - 0.216)^2$
2006/07	0.13	$(0.13 - 0.22)^2$	0.13	$(0.13 - 0.216)^2$
2007/08	0.32	$(0.32 - 0.22)^2$	0.31	$(0.31 - 0.216)^2$
2008/09	0.27	$(0.27 - 0.22)^2$	0.26	$(0.26 - 0.216)^2$
2009/010	0.29	$(0.29 - 0.22)^2$	0.29	$(0.26 - 0.216)^2$
Total	1.11	0.038	1.08	0.0392

#### Current Ratio:

1. Average current ratio ( $\bar{x}_c$ ) =  $X_c/N = 1.11/5 = 0.22$
2. Standard Deviation of current ratio ( $\sigma_c$ ) =  $\sqrt{(x_c - \bar{x}_c)^2/N} = \sqrt{0.038/5} = 0.08$
3. C.V. of current ratio ( $cv_c$ ) =  $\sigma_c / \bar{x}_c \times 100 = 0.08/0.22 \times 100 = 36.36\%$

#### Quick Ratio:

1. Average quick ratio ( $\bar{x}_q$ ) =  $X_q/N = 1.08/5 = 0.216$
2. Standard Deviation of quick ratio ( $\sigma_q$ ) =  $\sqrt{(x_q - \bar{x}_q)^2/N} = \sqrt{0.039/5} = 0.088$
3. C.V. of quick ratio ( $cv_q$ ) =  $\sigma_q / \bar{x}_q \times 100 = 0.088/0.216 = 40.74\%$

## ANNEX -2 (C)

### Inventory Turnover Ratio, Inventory to current Assets Ratio of Radisson Hotel Kathmandu

(Rs. In million)

Fiscal Year	Inventory Turnover ratio ( $x_I$ )	$(x_I - \bar{x}_I)^2$	Inventory to current Assets ratio ( $x_A$ )	$(x_A - \bar{x}_A)^2$
2005/06	4.26	$(4.26-6.40)^2$	0.52	$(0.52-0.38)^2$
2006/07	5.68	$(5.68-6.40)^2$	0.41	$(0.41-0.38)^2$
2007/08	6.62	$(6.62-6.40)^2$	0.36	$(0.36-0.38)^2$
2008/09	7.58	$(7.58-6.40)^2$	0.33	$(0.33-0.38)^2$
2009/010	7.84	$(7.84-6.40)^2$	0.31	$(0.31-0.38)^2$
Total	31.98	8.65	1.93	0.0278

#### Inventory Turnover Ratio:

1. Average inventory turnover ratio ( $\bar{x}_I$ ) =  $X_I/N = 31.98/5 = 6.40$
2. Standard Deviation of inventory turnover ratio ( $\sigma_I$ ) =  $\sqrt{(x_I - \bar{x}_I)^2/N}$   
=  $\sqrt{8.65/5} = 1.31$
3. C.V. of inventory turnover ratio ( $cv_I$ ) =  $\sigma_I / \bar{x}_I \times 100 = 1.13/6.40 \times 100 = 20.46\%$

#### Inventory to current Ratio:

1. Average inventory turnover ratio ( $\bar{x}_A$ ) =  $X_A/N = 1.93/5 = 0.386$
2. Standard Deviation of inventory turnover ratio ( $\sigma_A$ ) =  $\sqrt{(x_A - \bar{x}_A)^2/N}$   
=  $\sqrt{0.0278} = 0.075$
3. C.V. of inventory turnover ratio ( $cv_A$ ) =  $\sigma_A / \bar{x}_A \times 100 = 0.075/0.386 \times 100 = 19.43\%$

## ANNEX -2 (D)

### Inventory Turnover Ratio, Inventory to current Assets Ratio of Hyatt Regency Kathmandu

(Rs. In million)

Fiscal Year	Inventory Turnover ratio ( $x_I$ )	( $x_I - \bar{x}_I$ ) <sup>2</sup>	Inventory to current Assets ratio ( $x_A$ )	( $x_A - \bar{x}_A$ ) <sup>2</sup>
2005/06	56.20	(56.20-63.46) <sup>2</sup>	0.05	(0.05-0.032) <sup>2</sup>
2006/07	65.18	(65.18-63.46) <sup>2</sup>	0.03	(0.03-0.032) <sup>2</sup>
2007/08	67.70	(67.70-63.46) <sup>2</sup>	0.03	(0.03-0.32) <sup>2</sup>
2008/09	65.06	(65.06-63.46) <sup>2</sup>	0.03	(0.03-0.032) <sup>2</sup>
2009/010	63.16	(63.16-63.46) <sup>2</sup>	0.02	(0.02-0.032) <sup>2</sup>
<b>Total</b>	<b>317.3</b>	<b>76.3</b>	<b>0.16</b>	<b>0.00018</b>

#### Inventory Turnover Ratio:

1. Average inventory turnover ratio ( $\bar{x}_I$ ) =  $X_I/N = 317.3/5 = 63.46$
2. Standard Deviation of inventory turnover ratio ( $\sigma_I$ ) =  $\sqrt{(x_I - \bar{x}_I)^2/N}$   
=  $\sqrt{76.3/5} = 3.90$
3. C.V. of inventory turnover ratio ( $cv_I$ ) =  $\sigma_I / \bar{x}_I \times 100 = 3.90/63.46 \times 100 = 6.14\%$

#### Inventory to current Ratio:

1. Average inventory turnover ratio ( $\bar{x}_A$ ) =  $X_A/N = 0.16/5 = 0.032$
2. Standard Deviation of inventory turnover ratio ( $\sigma_A$ ) =  $\sqrt{(x_A - \bar{x}_A)^2/N}$   
=  $\sqrt{0.00018/5} = 0.006$
3. C.V. of inventory turnover ratio ( $cv_A$ ) =  $\sigma_A / \bar{x}_A \times 100 = 0.006/0.032 = 18.75\%$

## ANNEX -2 (E)

### Debtor Turnover and collection Period of Radisson Hotel Kathmandu

(Rs. In million)

Fiscal Year	Debtor Turnover ratio ( $x_D$ )	$(x_D - \bar{x}_D)^2$	ACP In days ( $x_p$ )	$(x_p - \bar{x}_p)^2$
2005/06	7.58	$(7.58-8.26)^2$	47.52	$(47.52-44.12)^2$
2006/07	6.9	$(6.9-8.26)^2$	51.74	$(51.74-44.12)^2$
2007/08	8.03	$(8.03-8.26)^2$	44.78	$(44.78-44.12)^2$
2008/09	9.20	$(9.20-8.26)^2$	39.14	$(39.14-44.12)^2$
2009/010	9.6	$(9.6-8.26)^2$	37.40	$(37.40-44.12)^2$
Total	41.31	5.047	220.58	140.01

#### Debtor Turnover Ratio:

1. Average Debtor turnover ratio ( $\bar{x}_D$ ) =  $X_D/N = 41.31/5 = 8.26$
2. Standard Deviation of Debtor turnover ratio ( $\sigma_D$ ) =  $\sqrt{(x_D - \bar{x}_D)^2/N}$   
 $= \sqrt{5.047/5} = 1.00$
3. C.V. of Debtor turnover ratio ( $cv_D$ ) =  $\sigma_D / \bar{x}_D \times 100 = 1.00/8.26 \times 100 = 12.10\%$

#### ACP:

1. Average ACP ( $\bar{x}_p$ ) =  $X_p/N = 220.58/5 = 44.12$
2. Standard Deviation of ACP ( $\sigma_p$ ) =  $\sqrt{(x_p - \bar{x}_p)^2/N} = \sqrt{140.01/5} = 5.29$
3. C.V. of ACP ( $cv_p$ ) =  $\sigma_p / \bar{x}_p \times 100 = 5.29/44.12 \times 100 = 12\%$

## ANNEX -2 (F)

### Debtor Turnover and collection Period of Hyatt Regency Kathmandu

(Rs. In million)

Fiscal Year	Debtor Turnover ratio ( $x_D$ )	$(x_D - \bar{x}_D)^2$	ACP In days ( $x_p$ )	$(x_p - \bar{x}_p)^2$
2005/06	3.56	$(3.56-4.25)^2$	101.16	$(101.16-86.1)^2$
2006/07	<u>3.65</u>	$(3.65-4.25)^2$	98.43	$(98.43-86.11)^2$
2007/08	4.69	$(4.69-4.25)^2$	76.66	$(76.66-86.11)^2$
2008/09	4.92	$(4.92-4.25)^2$	73.22	$(73.22-86.11)^2$
2009/010	4.44	$(4.44-4.25)^2$	81.02	$(81.02-86.11)^2$
Total	21.26	1.51	430.58	662.35

#### Debtor Turnover Ratio:

1. Average Debtor turnover ratio ( $\bar{x}_D$ ) =  $X_D/N = 21.26/5 = 4.25$
2. Standard Deviation of Debtor turnover ratio ( $\sigma_D$ ) =  $\sqrt{(x_D - \bar{x}_D)^2/N}$   
=  $\sqrt{1.51/5} = 0.55$
3. C.V. of Debtor turnover ratio ( $cv_D$ ) =  $\sigma_D / \bar{x}_D \times 100 = 0.55/4.25 \times 100 = 12.94\%$

#### ACP:

1. Average ACP ( $\bar{x}_p$ ) =  $X_p/N = 430.58/5 = 86.11$
2. Standard Deviation of ACP ( $\sigma_p$ ) =  $\sqrt{(x_p - \bar{x}_p)^2/N}$   
=  $\sqrt{662.35/5} = 11.50$
3. C.V. of ACP ( $cv_p$ ) =  $\sigma_p / \bar{x}_p \times 100 = 11.50/86.11 \times 100 = 13.35$

## ANNEX -3 (A)

### Net Worth to Total Assets Ratio, Total Debts to Net Worth Ratio of Radisson Hotel Kathmandu

(Rs. In million)

Fiscal Year	NW to TS Ratio ( $x_w$ )	$(x_w - \bar{x}_w)^2$	TD to NW Ratio( $x_e$ )	$(x_e - \bar{x}_e)^2$
2005/06	35.48	$(35.48-42.98)^2$	2.45	$(2.45-2.0)^2$
2006/07	39.71	$(39.71-42.98)^2$	2.20	$(2.20-2.00)^2$
2007/08	43.22	$(43.22-42.98)^2$	1.97	$(1.97-2.00)^2$
2008/09	47.03	$(47.03-42.98)^2$	1.76	$(1.76-2.00)^2$
2009/010	48.97	$(48.97-42.98)^2$	1.56	$(1.56-2.00)^2$
Total	214.9	119.27	9.94	0.49

#### Net Worth to Total Assets Ratio:

1. Average NW to TS ratio ( $\bar{x}_w$ ) =  $X_w/N = 214.9/5 = 42.98$
2. Standard Deviation of NW to TS ratio ( $\sigma_w$ ) =  $\sqrt{(x_w - \bar{x}_w)^2/N}$   
 $= \sqrt{119.27/5} = 4.8$
3. C.V. of NW to TS ratio ( $cv_w$ ) =  $\sigma_w / \bar{x}_w \times 100 = 4.8/42.98 \times 100 = 11.16\%$

#### Total Debts to Net Worth Ratio:

1. Average TD to NW ratio ( $\bar{x}_e$ ) =  $X_e/N = 9.94/5 = 1.98$
2. Standard Deviation of TD to NW ratio ( $\sigma_e$ ) =  $\sqrt{(x_e - \bar{x}_e)^2/N}$   
 $= \sqrt{0.49/5} = 0.31$
3. C.V. of TD to NW ratio ( $cv_e$ ) =  $\sigma_e / \bar{x}_e \times 100 = 0.31/1.98 \times 100 = 15.5$

## ANNEX -3 (B)

### Net Worth to Total Assets Ratio, Total Debts to Net Worth Ratio of Hyatt Regency Kathmandu

(Rs. In million)

Fiscal Year	NW to TS Ratio ( $x_w$ )	$(x_w - \bar{x}_w)^2$	TD to NW Ratio( $x_e$ )	$(x_e - \bar{x}_e)^2$
2005/06	5.86	$(5.86-22.31)^2$	10.99	$(10.99-5.67)^2$
2006/07	8.89	$(8.89-22.31)^2$	7.32	$(7.32-5.67)^2$
2007/08	34.43	$(34.43-22.31)^2$	2.37	$(2.37-5.67)^2$
2008/09	30.76	$(30.76-22.31)^2$	2.43	$(2.43-5.67)^2$
2009/010	31.62	$(31.62-22.31)^2$	5.24	$(5.24-5.67)^2$
Total	111.56	755.66	28.35	52.58

#### Net Worth to Total Assets Ratio:

1. Average NW to TS ratio ( $\bar{x}_w$ ) =  $X_w/N = 90.48/5 = 18.09$
2. Standard Deviation of NW to TS ratio ( $\sigma_w$ ) =  $\sqrt{(x_w - \bar{x}_w)^2/N}$   
=  $\sqrt{755.66/5} = 12.29$
3. C.V. of NW to TS ratio ( $cv_w$ ) =  $\sigma_w / \bar{x}_w \times 100 = 12.29/18.09 \times 100 = 55.08\%$

#### Total Debts to Net Worth Ratio:

1. Average TD to NW ratio ( $\bar{x}_e$ ) =  $X_e/N = 28.35/5 = 5.67$
2. Standard Deviation of TD to NW ratio ( $\sigma_e$ ) =  $\sqrt{(x_e - \bar{x}_e)^2/N}$   
=  $\sqrt{52.58/5} = 3.24$
3. C.V. of TD to NW ratio ( $cv_e$ ) =  $\sigma_e / \bar{x}_e \times 100 = 3.24/5.67 \times 100 = 57.14\%$

## ANNEX -3 (C)

### Total Assets Turnover Ratio, Fixed Assets Turnover Ratio of Radisson Hotel Kathmandu

(Rs. In million)

Fiscal Year	TA Turnover Ratio ( $x_s$ )	$(x_s - \bar{x}_s)^2$	FA Turnover Ratio ( $x_F$ )	$(x_F - \bar{x}_F)^2$
2005/06	0.18	$(0.18 - 0.28)^2$	0.20	$(0.20 - 0.21)^2$
2006/07	0.23	$(0.23 - 0.28)^2$	0.26	$(0.26 - 0.21)^2$
2007/08	0.28	$(0.28 - 0.28)^2$	0.31	$(0.31 - 0.31)^2$
2008/09	0.34	$(0.34 - 0.28)^2$	0.14	$(0.14 - 0.21)^2$
2009/010	0.38	$(0.38 - 0.28)^2$	0.15	$(0.15 - 0.21)^2$
Total	1.49	0.0274	1.05	0.0214

#### Total Assets Turnover Ratio:

1. Average Total Assets turnover ratio ( $\bar{x}_s$ ) =  $X_s/N = 1.49/5 = 0.28$
2. Standard Deviation of Total Assets turnover ratio ( $s$ ) =  $\sqrt{(x_s - \bar{x}_s)^2/N}$   
=  $\sqrt{0.0274/5} = 0.074$
3. C.V. of Total Assets turnover ratio ( $cv_s$ ) =  $s/\bar{x}_s \times 100 = 0.074/0.28 \times 100 = 26.43\%$

#### Fixed Assets Turnover Ratio:

1. Average Fixed Assets turnover ratio ( $\bar{x}_s$ ) =  $X_s/N = 1.05/5 = 0.21$
2. Standard Deviation of Fixed Assets turnover ratio ( $s$ ) =  $\sqrt{(x_s - \bar{x}_s)^2/N}$   
=  $\sqrt{0.0214/5} = 0.065$
3. C.V. of Fixed Assets turnover ratio ( $cv_s$ ) =  $s/\bar{x}_s \times 100$   
=  $0.065/0.21 \times 100 = 31.15\%$

## ANNEX -3 (D)

### Total Assets Turnover Ratio, Fixed Assets Turnover Ratio of Hyatt Regency Kathmandu

(Rs. In million)

Fiscal Year	TA Turnover Ratio ( $x_s$ )	$(x_s - \bar{x}_s)^2$	FA Turnover Ratio( $x_F$ )	$(x_F - \bar{x}_F)^2$
2005/06	0.09	$(0.09-0.13)^2$	0.09	$(0.09-0.12)^2$
2006/07	0.118	$(0.118-0.13)^2$	0.12	$(0.12-0.12)^2$
2007/08	0.13	$(0.13-0.13)^2$	0.14	$(0.14-0.12)^2$
2008/09	0.15	$(0.15-0.13)^2$	0.14	$(0.14-0.12)^2$
2009/010	0.16	$(0.16-0.13)^2$	0.15	$(0.15-0.12)^2$
Total	0.648	0.0030	0.643	0.0027

#### Total Assets Turnover Ratio:

1. Average Total Assets turnover ratio ( $\bar{x}_s$ ) =  $X_s/N = .648/5 = 0.13$
2. Standard Deviation of Total Assets turnover ratio ( $s$ ) =  $\sqrt{(x_s - \bar{x}_s)^2/N}$   
 $= \sqrt{0.0030/5} = 0.023$
3. C.V. of Total Assets turnover ratio ( $cv_s$ ) =  $s/\bar{x}_s \times 100$   
 $= 0.023/0.13 \times 100 = 19.29\%$

#### Fixed Assets Turnover Ratio:

1. Average Fixed Assets turnover ratio ( $\bar{x}_s$ ) =  $X_s/N = 0.643/5 = 0.12$
2. Standard Deviation of Fixed Assets turnover ratio ( $s$ ) =  $\sqrt{(x_s - \bar{x}_s)^2/N}$   
 $= \sqrt{0.0027/5} = 0.023$
3. C.V. of Fixed Assets turnover ratio ( $cv_s$ ) =  $s/\bar{x}_s \times 100 = 0.023/0.12 \times 100 = 19.16\%$

## ANNEX -3 (E)

### Net Worth Turnover Ratio, Net Profit Margin Ratio of Radisson Hotel

#### Kathmandu

(Rs. In million)

Fiscal Year	NW Turnover Ratio ( $x_r$ )	( $x_r - \bar{x}_r$ ) <sup>2</sup>	Net Profit Margin Ratio ( $x_g$ )	( $x_g - \bar{x}_g$ ) <sup>2</sup>
2005/06	0.51	(0.51-0.63) <sup>2</sup>	(0.35)	(-0.35+0.06) <sup>2</sup>
2006/07	0.59	(0.59-0.63) <sup>2</sup>	(0.10)	(-0.10+0.06) <sup>2</sup>
2007/08	0.65	(0.65-0.63) <sup>2</sup>	0.01	(0.01+0.06) <sup>2</sup>
2008/09	0.71	(0.71-0.63) <sup>2</sup>	0.06	(0.06+0.06) <sup>2</sup>
2009/010	0.72	(0.72-0.63) <sup>2</sup>	0.07	(0.07+0.06) <sup>2</sup>
<b>Total</b>	<b>3.17</b>	<b>0.110</b>	<b>(0.31)</b>	<b>0.119</b>

#### Net Worth Turnover Ratio:

1. Average NW turnover ratio ( $\bar{x}_r$ ) =  $X_r/N = 3.17/5 = 0.634$
2. Standard Deviation of NW turnover ratio ( $\sigma_r$ ) =  $\sqrt{(x_r - \bar{x}_r)^2/N}$   
=  $0.110/5 = 0.14$
3. C.V. of NW turnover ratio ( $cv_r$ ) =  $\sigma_r / \bar{x}_r \times 100 = 0.14/0.63 \times 100 = 22.08\%$

#### Net Profit Margin Ratio:

1. Average NW turnover ratio ( $\bar{x}_g$ ) =  $X_g/N = (0.31)/5 = (0.062)$
2. Standard Deviation of NW turnover ratio ( $\sigma_g$ ) =  $\sqrt{(x_g - \bar{x}_g)^2/N}$   
=  $\sqrt{0.119/5} = 0.15$
3. C.V. of NW turnover ratio ( $cv_g$ ) =  $\sigma_g / \bar{x}_g \times 100 = 0.15/(0.062) \times 100 = (241.93\%)$   
=  $241.93\%$

## ANNEX -3 (F)

### Net Worth Turnover Ratio, Net Profit Margin Ratio of Hyatt Regency Kathmandu

(Rs. In million)

Fiscal Year	NW Turnover Ratio ( $x_r$ )	( $x_r - \bar{x}_r$ ) <sup>2</sup>	Net Profit Margin Ratio ( $x_g$ )	( $x_g - \bar{x}_g$ ) <sup>2</sup>
2005/06	1.56	(1.56-0.85) <sup>2</sup>	(0.56)	(-0.56+0.28) <sup>2</sup>
2006/07	1.33	(1.33-0.85) <sup>2</sup>	(0.44)	(-0.44+0.28) <sup>2</sup>
2007/08	0.39	(0.39-0.85) <sup>2</sup>	(0.22)	(-0.22+0.28) <sup>2</sup>
2008/09	0.48	(0.48-0.85) <sup>2</sup>	(0.11)	(-0.11+0.28) <sup>2</sup>
2009/010	0.47	(0.47-0.85) <sup>2</sup>	(0.06)	(-0.06+0.28) <sup>2</sup>
<b>Total</b>	<b>4.23</b>	<b>1.22</b>	<b>(1.39)</b>	<b>0.183</b>

#### Net Worth Turnover Ratio:

1. Average NW turnover ratio ( $\bar{x}_r$ ) =  $X_r/N = 4.3/5 = 0.85$
2. Standard Deviation of NW turnover ratio ( $\sigma_r$ ) =  $\sqrt{(x_r - \bar{x}_r)^2/N}$   
=  $\sqrt{1.22/5} = 0.49$
3. C.V. of NW turnover ratio ( $cv_r$ ) =  $\sigma_r / \bar{x}_r \times 100 = 0.49/0.85 \times 100 = 57.92\%$

#### Net Profit Margin Ratio:

1. Average NW turnover ratio ( $\bar{x}_g$ ) =  $X_g/N = (1.39)/5 = (0.28)$
2. Standard Deviation of NW turnover ratio ( $\sigma_g$ ) =  $\sqrt{(x_g - \bar{x}_g)^2/N}$   
=  $\sqrt{0.183/5} = 0.19$
3. C.V. of NW turnover ratio ( $cv_g$ ) =  $\sigma_g / \bar{x}_g \times 100 = 0.19/(0.28) \times 100 = (68.34\%)$   
= 68.34%

## ANNEX -3 (G)

### Return on Total Capital Employed, Return on Shareholder's Equity of Radisson Hotel Kathmandu

(Rs. In million)

Fiscal Year	Return on Total Capital Employed Ratio ( $x_u$ )	$(x_u - \bar{x}_u)^2$	Return on Shareholder's Equity Ratio ( $x_y$ )	$(x_y - \bar{x}_y)^2$
2005/06	(0.15)	$(-0.15+0.016)^2$	(0.18)	$(-0.18+0.027)^2$
2006/07	(0.05)	$(-0.05+0.016)^2$	(0.06)	$(-0.06+0.027)^2$
2007/08	0.007	$(0.0007+0.016)^2$	0.007	$(0.007+0.027)^2$
2008/09	0.0463	$(0.0463+0.016)^2$	0.043	$(0.043+0.027)^2$
2009/010	0.0654	$(0.0654+0.016)^2$	0.055	$(0.055+0.027)^2$
Total	(0.081)	0.029	(0.135)	0.036

#### Return on Total Capital Employed:

1. Average Return on Total Capital Employed Ratio ( $\bar{x}_u$ ) =  $X_u/N$   
=  $(0.081)/5 = (0.16)$
2. Standard Deviation of Total Assets turnover ratio ( $\sigma_u$ ) =  $\sqrt{(x_u - \bar{x}_u)^2/N}$   
=  $\sqrt{0.029/5} = 0.076$
3. C.V. of Total Assets turnover ratio ( $cv_u$ ) =  $\sigma_u / \bar{x}_u \times 100 = 0.076/(0.16) \times 100$   
=  $(475)\% = 475\%$

#### Return on Shareholder's Equity:

1. Average Return on Total Capital Employed Ratio ( $\bar{x}_y$ ) =  $X_y/N = (0.135)/5 =$   
 $(0.027)$
2. Standard Deviation of Total Assets turnover ratio ( $\sigma_y$ ) =  $\sqrt{(x_y - \bar{x}_y)^2/N}$   
=  $\sqrt{0.036/5} = 0.084$
3. C.V. of Total Assets turnover ratio ( $cv_y$ ) =  $\sigma_y / \bar{x}_y \times 100 = 0.084/(0.027) \times 100$   
=  $(311.11)\% = 311.11\%$

## ANNEX -3 (H)

### Return on Total Capital Employed, Return on Shareholder's Equity of Hyatt Regency Kathmandu

(Rs. In million)

Fiscal Year	Return on Total Capital Employed Ratio ( $x_u$ )	$(x_u - \bar{x}_u)^2$	Return on Shareholder's Equity Ratio ( $x_y$ )	$(x_y - \bar{x}_y)^2$
2005/06	(0.20)	$(-0.20+0.086)^2$	(0.87)	$(-0.87+0.324)^2$
2006/07	(0.15)	$(-0.15+0.086)^2$	(0.58)	$(-0.58+0.324)^2$
2007/08	(0.04)	$(-0.04+0.086)^2$	(0.088)	$(-0.088+0.32)^2$
2008/09	(0.026)	$(-0.026+0.086)^2$	(0.053)	$(-0.053+0.32)^2$
2009/010	(0.015)	$(-0.015+0.086)^2$	(0.029)	$(-0.029+0.32)^2$
Total	(0.431)	0.0267	(1.62)	0.578

#### Return on Total Capital Employed:

1. Average Return on Total Capital Employed Ratio ( $\bar{x}_u$ ) =  $X_u/N$   
=  $(0.431)/5 = (0.086)$
2. Standard Deviation of Total Assets turnover ratio ( $\sigma_u$ ) =  $\sqrt{(x_u - \bar{x}_u)^2/N}$   
=  $\sqrt{0.0267/5} = 0.072$
3. C.V. of Total Assets turnover ratio ( $cv_u$ ) =  $\sigma_u / \bar{x}_u \times 100 = 0.072/(0.086) \times 100$   
=  $(83.72) \% = 83.72\%$

#### Return on Shareholder's Equity:

1. Average Return on Total Capital Employed Ratio ( $\bar{x}_y$ ) =  $X_y/N$   
=  $(1.62)/5 = (0.324)$
2. Standard Deviation of Total Assets turnover ratio ( $\sigma_y$ ) =  $\sqrt{(x_y - \bar{x}_y)^2/N}$   
=  $\sqrt{0.578/5} = 0.33$
3. C.V. of Total Assets turnover ratio ( $cv_y$ ) =  $\sigma_y / \bar{x}_y \times 100 = 0.33/ (0.324) \times 100$   
=  $(101.85) \% = 101.85\%$

## ANNEX -4 (A)

### Sales Trend Line of Radisson Hotel Kathmandu

(Rs. In million)

Fiscal Year	Sales (Y)	Deviation of x from 2006/07 (X)	X <sup>2</sup>	XY	Trend Values (Y <sub>n</sub> =a+bx)
2005/06	213.72	-2	4	-427.44	219.53
2006/07	277.60	-1	1	-277.60	275.56
2007/08	325.80	0	0	0	325.80
2008/09	385.35	1	1	385.35	378.62
2009/010	425.5	2	4	851	431.65
Total	1627.97	0	10	530.31	-

Where,  $\Sigma Y = 1627.97$        $\Sigma X^2 = 10$        $\Sigma XY = 530.31$

$$a = \frac{\Sigma Y}{N} = \frac{1627.97}{5} = 325.59$$

$$\text{And } b = \frac{\Sigma XY}{\Sigma X^2} = \frac{530.31}{10} = 53.031$$

Y<sub>n</sub> =a+bx

Y <sub>1</sub>	325.59	+	53.03 * (-2)	= 219.53
Y <sub>2</sub>	325.59	+	53.03* (-1)	= 275.56
Y <sub>3</sub>	325.59	+	53.03* 0	= 325.59
Y <sub>4</sub>	325.59	+	53.03*1	= 378.62
Y <sub>5</sub>	325.59	+	53.03*2	= 431.65
Y <sub>6</sub>	325.59	+	53.03*3	= 484.68
Y <sub>7</sub>	325.59	+	53.03*4	= 537.71
Y <sub>8</sub>	325.59	+	53.03*5	= 590.74
Y <sub>9</sub>	325.59	+	53.03*6	= 643.77
Y <sub>10</sub>	325.59	+	53.03*7	= 696.80

## ANNEX -4 (B)

### Sales Trend Line of Hyatt Regency Kathmandu

(Rs. In million)

Fiscal Year	Sales (Y)	Deviation of x from 2006/07 (X)	$X^2$	XY	TrendValues ( $Y_n = a + bx$ )
2005/06	295.06	-2	4	-590.12	277.10
2006/07	280.0	-1	1	-280.0	328.40
2007/08	407.70	0	0	0	379.70
2008/09	448.36	1	1	448.36	431.00
2009/010	467.4	2	4	934.8	482.30
Total	1898.52	0	10	513.04	-

Where,  $\Sigma Y = 1898.52$        $\Sigma X^2 = 10$        $\Sigma XY = 513.04$

$$a = \frac{\Sigma Y}{N} = \frac{1898.52}{5} = 379.70$$

And

$$b = \frac{\Sigma XY}{\Sigma X^2} = \frac{513.04}{10} = 51.30$$

$Y_n = a + bx$

$Y_1$	379.70	+	$51.30 * (-2)$	= 277.10
$Y_2$	379.70	+	$51.30 * (-1)$	= 328.40
$Y_3$	379.70	+	$51.30 * 0$	= 379.70
$Y_4$	379.70	+	$51.30 * 1$	= 431.00
$Y_5$	379.70	+	$51.30 * 2$	= 482.30
$Y_6$	379.70	+	$51.30 * 3$	= 533.60
$Y_7$	379.70	+	$51.30 * 4$	= 584.90
$Y_8$	379.70	+	$51.30 * 5$	= 636.20
$Y_9$	379.70	+	$51.30 * 6$	= 687.50
$Y_{10}$	379.70	+	$51.30 * 7$	= 738.80

## ANNEX -5 (A)

### Earning Before Interest and Tax (EBIT) Trend of Radisson

(Rs. In million)

Fiscal Year	Sales (Y)	Deviation of x from 2006/07 (X)	$X^2$	XY	TrendValues ( $Y_n = a + bx$ )
2005/06	20.63	-2	4	(41.26)	8.59
2006/07	7.07	-1	1	(7.07)	25.49
2007/08	41.296	0	0	0	42.39
2008/09	67.64	1	1	67.64	59.29
2009/010	75.32	2	4	150.64	76.19
Total	211.95	0	10	169.95	-

Where,  $\Sigma Y = 211.95$        $\Sigma X^2 = 10$        $\Sigma XY = 169.95$

$$a = \frac{\Sigma Y}{N} = \frac{211.95}{5} = 42.39$$

And

$$b = \frac{\Sigma XY}{\Sigma X^2} = \frac{169.95}{10} = 16.90$$

$Y_n = a + bx$

Y <sub>1</sub>	42.39	+	16.90* (-2)	= 8.59
Y <sub>2</sub>	42.39	+	16.90* (-1)	= 25.49
Y <sub>3</sub>	42.39	+	16.90* 0	= 42.39
Y <sub>4</sub>	42.39	+	16.90* 1	= 59.29
Y <sub>5</sub>	42.39	+	16.90* 2	= 76.19
Y <sub>6</sub>	42.39	+	16.90* 3	= 93.09
Y <sub>7</sub>	42.39	+	16.90* 4	= 109.90
Y <sub>8</sub>	42.39	+	16.90* 5	= 126.89
Y <sub>9</sub>	42.39	+	16.90* 6	= 143.79
Y <sub>10</sub>	42.39	+	16.90* 7	= 160.69

## ANNEX -5 (B)

### Earning Before Interest and Tax (EBIT) Trend Of Hyatt

(Rs. In million)

Fiscal Year	Sales (Y)	Deviation of x from 2006/07 (X)	X <sup>2</sup>	XY	Trend Values (Y <sub>n</sub> = a+bx)
2005/06	(34.80)	-2	4	69.60	(23.43)
2006/07	(26.07)	-1	1	26.07	(16.18)
2007/08	19.64	0	0	19.64	(8.93)
2008/09	35.88	1	1	35.88	(1.68)
2009/010	(39.32)	2	4	(78.64)	5.57
Total	(44.67)	0	10	72.55	-

Where,  $Y = (44.67)$        $X^2 = 10$        $XY = 72.55$

$$a = \frac{\sum Y}{N} = \frac{(44.67)}{5} = (8.93)$$

And

$$b = \frac{\sum XY}{\sum X^2} = \frac{72.55}{10} = 7.25$$

Y<sub>n</sub> = a+bx

Y <sub>1</sub>	(8.93)	+	7.25 * (-2)	= (23.43)
Y <sub>2</sub>	(8.93)	+	7.25 * (-1)	= (16.18)
Y <sub>3</sub>	(8.93)	+	7.25 * 0	= (8.93)
Y <sub>4</sub>	(8.93)	+	7.25 * 1	= (1.68)
Y <sub>5</sub>	(8.93)	+	7.25 * 2	= 5.57
Y <sub>6</sub>	(8.93)	+	7.25 * 3	= 12.82
Y <sub>7</sub>	(8.93)	+	7.25 * 4	= 20.07
Y <sub>8</sub>	(8.93)	+	7.25 * 5	= 27.23
Y <sub>9</sub>	(8.93)	+	7.25 * 6	= 34.57
Y <sub>10</sub>	(8.93)	+	7.25 * 7	= 41.82

## ANNEX -6 (A)

### Operating, Administration and General Expenses Trend of Radisson

(Rs. In million)

Fiscal Year	Sales (Y)	Deviation of x from 2006/07 (X)	X <sup>2</sup>	XY	TrendValues (Y <sub>n</sub> =a+bx)
2005/06	186.50	-2	4	(373)	177.16
2006/07	180.94	-1	1	(180.94)	189.81
2007/08	195.81	0	0	0	202.46
2008/09	217.60	1	1	217.60	215.11
2009/010	231.46	2	4	462.92	227.76
Total	1012.31	0	10	126.58	-

Where,  $\Sigma Y = 1012.31$      $\Sigma X^2 = 10$      $\Sigma XY = 126.58$

$a = \frac{\Sigma Y}{N} = \frac{1012.31}{5} = 202.46$

N                      5

And

$b = \frac{\Sigma XY}{\Sigma X^2} = \frac{126.58}{10} = 12.65$

X<sup>2</sup>                      10

Y<sub>n</sub> =a+bx

Y <sub>1</sub>	202.46	+	12.65 * (-2)	= 177.16
Y <sub>2</sub>	202.46	+	12.65 * (-1)	= 189.81
Y <sub>3</sub>	202.46	+	12.65 * 0	= 202.46
Y <sub>4</sub>	202.46	+	12.65 * 1	= 215.11
Y <sub>5</sub>	202.46	+	12.65 * 2	=227.76
Y <sub>6</sub>	202.46	+	12.65 * 3	= 240.41
Y <sub>7</sub>	202.46	+	12.65 * 4	= 253.06
Y <sub>8</sub>	202.46	+	12.65 * 5	= 265.71
Y <sub>9</sub>	202.46	+	12.65 * 6	= 278.36
Y <sub>10</sub>	202.46	+	12.65 * 7	= 291.01

## ANNEX -6 (B)

### Operating, Administration and General Expenses Trend of Hyatt

(Rs. In million)

Fiscal Year	Sales (Y)	Deviation of x from 2006/07 (X)	X <sup>2</sup>	XY	Trend Values (Y <sub>n</sub> = a+bx)
2005/06	206.13	-2	4	(412.26)	184.95
2006/07	173.37	-1	1	(173.37)	195.20
2007/08	197.17	0	0	0	205.55
2008/09	213.56	1	1	213.56	215.85
2009/010	237.54	2	4	475.08	226.15
Total	1027.77	0	10	103.01	-

Where,  $\Sigma Y = 1027.77$        $\Sigma X^2 = 10$        $\Sigma XY = 103.01$

$$a = \frac{\Sigma Y}{n} = \frac{1027.77}{10} = 205.55$$

And

$$b = \frac{\Sigma XY}{\Sigma X^2} = \frac{103.01}{10} = 10.301$$

Y<sub>n</sub> = a+bx

Y <sub>1</sub>	205.55	+	10.30* (-2)	= 184.95
Y <sub>2</sub>	205.55	+	10.30* (-1)	= 195.20
Y <sub>3</sub>	205.55	+	10.30* 0	= 205.55
Y <sub>4</sub>	205.55	+	10.30* 1	= 215.85
Y <sub>5</sub>	205.55	+	10.30* 2	= 226.15
Y <sub>6</sub>	205.55	+	10.30* 3	= 236.45
Y <sub>7</sub>	205.55	+	10.30* 4	= 246.75
Y <sub>8</sub>	205.55	+	10.30* 5	= 257.05
Y <sub>9</sub>	205.55	+	10.30* 6	= 267.35
Y <sub>10</sub>	205.55	+	10.30* 7	= 277.65