



Trip made through the pandemic by MakeMyTrip

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Abstract

India, a country with uncountable heritage sites, always has foreign tourists visiting all around the year. Travel and tourism industries of India have contributed a total of 122 billion US dollars to the country's GDP. The tourists hire someone from travel agencies to have a smooth and memorable tour. One among these travel agencies is the famous online travel company MakeMyTrip.

MakeMyTrip is a leading travel and tourism agency around the globe. Pandemic has affected the tourism and countries like India had suffered a huge dip in revenue due to that. Taking the financial statements of MakeMyTrip from the year 2021 till the recent one, a comparative statement analysis, ratio analysis and cash flow analysis are going to be done to research on the effect and recovery of the agency's financial aspects.

Since people couldn't visit India during the pandemic, many people might have visited once the restrictions have been lifted and safety has been guaranteed. This research is intended to show the journey of the financial pre-pandemic peak to the dip during the pandemic to high recovery during the recent year which overcomes the base year.

Key terms: GDP, financial statements, comparative statement analysis, base year, trend analysis, cash-flow analysis.

INTRODUCTION

Covid-19 pandemic has impacted the economy of all the countries across the globe. Among the most affected industries, tourism takes the first place. Lockdown forced the tourists to stay in their homes affecting the income of tourism industry negatively. In 2021, the World Travel and Tourism Council calculated that 5.8% of India's GDP is contributed by tourism alone. This shows the impact that pandemic had on India's GDP. Post pandemic, people are still cautious to travel and hence the predictions made for 2021 and 2022 would not be accurate. This made things to be more interesting to analyse since everything is a cycle of low to high to low along with unforeseen circumstances in business.

LITERATURE REVIEW

Investing (2023): the study was through cash flow statement analysis and ratio analysis. The forecast was done to show the changes in gross profit, net profit, operating profit, quick ratio, current ratio, LT debt equity ratio, total debt equity ratio and cash flow. This study compares with the previous years and concludes the increase in all of them is a good sign of attracting investments and increasing the life span of the company.

Sandhya Keelery (2022): the study was done through comparative statement analysis and ratio analysis. This study mainly shows the fluctuations in the revenue generated from the years 2015 to 2021. The fiscal year 2021, a sharp decline in revenue was noted compared to 2020.

Laurentiu Droj, Olimpia I. Ban & Gabriela Droj (2022): Comparative analysis is done to analyse the performance of tourism companies in the central and eastern Europe from year 2014 to 2018. It showed the difference in the financial performance between different regions. It also showed the decline in the financial results of tourism in the year 2016.

Ercan Özen and Maia Diakonidze (2021): Comparative statement analysis was used to compare the years 2019 and 2020 in Georgia. The study revealed that there was a decline in all economic indicators which in turn negatively affected the economy of Georgia.

Laurentiu Droj, Gabriela Droj and Olimpia Ban (2020): This study was done to assess the performance of tourism in Romania using Return on Assets and Return on Equity. The study concluded that the tourism is rapidly growing along with IT sector with contribution of 6.3% to the GDP.

Eleonora Santos, Alexandra I Correia, Cláudia Miranda Veloso, Goretti Silva (2019): Ratio analysis was taken as the tool to analyse the tourism in Northern Portugal. The study analysed the ability of firms to generate profits from shareholder's investment. They also used the ratios to predict the financial risk of the companies. The companies in cultural tourism showed better performance than others.

OBJECTIVES

1. To evaluate the financial performance of company and identify the trends to predict the future position of the company.
2. To study the percentage of decline in income due to lockdown.
3. To know how much increase is there after restrictions were lifted off.

PROBLEM STATEMENT

Financial statement analysis gives crucial information in predicting the position of a company in the future and the present condition. This analysis from pre to post restrictions in travelling is to analyse how the company was affected and how it came back from losses. Many travellers choose to travel less to be cautious of their health post restrictions. There might be insignificant growth in the income.

NULL HYPOTHESIS

Indicators of MakeMyTrip's financial performance (such as increase in assets, decrease in liabilities.) show no appreciable change from the pre restrictions years to the present year. In other words, the company's financial performance has been consistent over time, and any differences are due to general business changes.

METHODOLOGY

- The research is empirical research done on the basis of secondary data collected from the annual reports in the official website of MakeMyTrip. Primary data alone is sufficient to analyse the company financially.
- The data collected were used to do comparative statement analysis, trend analysis and cash flow analysis. These tools help in identifying the trends in the company and the cash flow from various activities. They help in identifying the strengths and weaknesses of the company.
- This research provides valuable insights which can be used by the management to improve the company's performance by taking correct decisions. The tools used give an in-depth assessment of the company's financial performance giving an overview of the financial health.

TOOLS USED FOR ANALYSIS:

1. Comparative statement analysis
2. Cash-flow analysis
3. Trend analysis

ANALYSIS AND INTERPRETATIONS

Comparative statement Analysis

The following has been interpreted:

- Working capital of 2021 and 2022 has increased by a fairly good amount. This shows that the company can pay the bills and invest to aid the business growth.
- The positive change in the liabilities has been decreasing. Which means the liabilities are increasing and the investors may withdraw from the investment. When we see the working capital increasing but liabilities also increasing, it might mean that the company is unable to use its working capital to reduce liabilities (which means there is insufficient working capital).
- There is a drastic reduction in fixed assets. Since this company is online company, there is not much of fixed assets that are required. This is otherwise called depreciation. This allows companies to earn revenue using those assets by paying for them over a certain period of time. Being an online company, majority of the revenue is not incurred due to fixed assets and the decrease might be a sign of them selling those assets to increase current assets or pay off liabilities or give the shareholder's their money when they withdraw.
- There is an increase in equity. This shows that a greater number of shares are available indicating their expansion. While this is a good sign, in the long run, this might cost more than debt financing.

Trend analysis

In 2021, the long-term assets have increased by 36,42,000 USD (by 0.45%) and the current assets have increased by 22,21,57,000 USD (by 79.62%). In 2022, the long-term assets have decreased by 7,28,10,000 USD (9.05%) and the current assets have increased by 31,23,43,000 USD (111.94%). Overall, the total assets have increased by 22,57,99,000 USD (20.84%) in 2021 and 23,95,33,000 USD (22.11%).

In 2021, the equity has increased by 2,88,95,000 USD (3.35%), total liabilities have increased by 19,69,04,000 USD (89.13%) and total equity and liabilities have increased by 22,57,99,000 (20.84%). In 2022, the equity has increased by 3,41,83,000 USD (3.96%), total liabilities have increased by 20,53,50,000 USD (92.95%) and total equity and liabilities have increased by 23,95,33,000 (22.11%).

This shows that the non-equity liabilities have been increasing in a tremendous rate of 89% to 93% in one year. The majority increase is from the total liabilities that the company has which have increased within one year. The current assets have increased from 79.62% to 111.94% in a year. The increase in long-term assets is very negligible. The company, being an online company has focused on the increase of its current assets over fixed assets.

If this trend follows, by 2023, the total assets would be 1477854 USD thousands and by 2024, it would be 1538714 USD thousands. By 2023, the total liabilities + equity would be 1118555 USD thousands and by 2024, it would be 1190415 USD thousands.

Although the assets are increasing, the liabilities which should be minimized are also increasing. Lack of fixed assets might cause problems in case they have to sell off in order to get money. In the future, the assets will be a great value but liabilities will also be of a great value which might cause the company to take decisions which are not suitable for its growth.

Cash flow analysis

The changes in working capital show a significant decrease in the working capital which means the company wasn't able to generate enough. This could make the company take more debts and loans to resume their operation thus increasing the liabilities.

There is a decrease in the net cash from operating activities which implies that their operations compared to 2020 have generated more than 2022. If this continues, the company may not have enough to pay off the debts or resume their operation.

There is a decrease in 2021 but increase in 2022 in the net cash generated from investing activities. The negative amount shows that the company is investing in capital assets and their earning might grow in the future.

There is a decrease in 2021 and slight decrease in 2022 (compared to 2021) in the net cash generated from financing activities. This means that more people have invested in 2022 while people withdrew in 2021. This could be an indicator of its promising future which attracted investments.

Overall, there is an increase in the cash according to the cash flow analysis statement. This could be an indicator of the steady and slow growth of the company and in its ability to generate cash.

FINDINGS

From the researcher's point of view:

- The current assets have increased by 76.62% in 2021 and 111.94% which suggest that there is no alternative they require to search for fundings.
- The total assets have increased by 0.45% in 2021 and decreased by 9.05%. This can potentially cause the company to be in a position where the return on equity for shareholders is decreases.
- Total equity in 2021 increased by 3.35% and 3.96% in 2022 which shows the increase in value of unit share in the market.
- Liabilities have increased by 89.13% in 2021 and in 2022 by 92.95%. This shows the increase in cash inflow which might be a sign of the company's growth but in long term, significant increase in liabilities can become a burden.

- There is a decrease in working capital which is a financial distress and could be a sign of impending insolvency.
- Net cash has decreased in 2021 which means the company is investing its money.

RECOMMENDATIONS(SUGGESTIONS)

- Determining how quickly a company can convert the assets to pay off their debts.
- Total liabilities can be decreased in the future years and can improve liquidity.
- The company could consider finding ways to increase working capital.
- The company can focus on increasing its revenue by expanding its business.
- Investing is indeed a good decision but investing too much when there are liabilities that are increasing need to be carefully observed.
- Can improve its existing services and satisfy the customers through its services.
- Company's increase in equity can be taken as an increase in its value among the customers.

LIMITATIONS AND WAYFORWARD OF RESEARCH

The main tool is comparative statement analysis. It doesn't give the profitability or solvency or activity related metrics.

- The researcher has only used comparative statement, cash flow and trend analysis to analyse the company.
- Although this study predicts the future, it doesn't take the ratios into account.
- Ratio analysis can be done to have a better picture.

CONCLUSION

The present study shows the trend and comparison of the balance sheet and the cash flow of MakeMyTrip. While the study found that company has maintained good financial performance, focusing on increasing assets and decreasing liabilities has been suggested. The study highlighted the importance of cash flow analysis and comparative analysis and recommended optimal use of assets. Overall, the study shows that there is an improvement in performance of the company post Covid-19 restrictions financially.

ANNEXURES AND REFERENCES

Comparative statement analysis

Assets	2020	2021	CS	percentage	2022	cs	percentage
Property,plant,eq	35,997	22159	-13,838	-38.4420924	19313	-16,684	-46.3483068
Intangible & goodwill	721,990	720907	-1,083	-0.1500020776	685658	-36,332	-5.032202662
Receivables	2,658	2154	-504	-18.96162528	3713	1,055	39.69149737
Equity accounted investment	5363	5262	-101	-1.883274287	3558	-1805	-33.65653552
other investments	3683	5508	1825	49.55199566	4031	348	9.448818898
Term Deposits	207	25043	24836	11998.06763	6	-201	-97.10144928
Non current tax assets	34160	26710	-7450	-21.80913349	14965	-19195	-56.19145199
Other non current assets	131	88	-43	-32.82442748	135	4	3.053435115
Total Non current assets	804,189	807831	3,642	0.4528786144	731379	-72,810	-9.053841821
Current assets							
Inventories	36	40	4	11.11111111	11	-25	-69.44444444
Contract assets	4447	2	-4445	-99.95502586	0	-4447	-100
Trade and other receivables, net	53407	25177	-28230	-52.85823956	35910	-17497	-32.76162301
Term deposits	37823	129825	92002	243.2435291	264179	226356	598.4612537
Other current assets	53428	51069	-2359	-4.415287864	77982	24554	45.95717601
Cash and cash equivalents	129881	295066	165185	127.1818049	213283	83402	64.21416527
Total current assets	279022	501179	222157	79.6198866	591365	312343	111.9420691
Total assets	1083211	1309010	225799	20.84533854	1322744	239533	22.11323556
Equity							
Share capital	52	53	1	1.923076923	53	1	1.923076923
Share premium	1985555	2,021,197	35,642	1.795064856	2,034,663	49,108	2.473263143
Other components of equity	0	69,604	69,604	-	73,574	73,574	-
Accumulated deficit	1147597	120,334	-1,027,263	-89.51426328	1,214,156	66,559	5.799858313
Reserves	1345	0	-1,345	-100	0	-1,345	-100
share based payment reserve	135738	0	-135,738	-100	0	-135,738	-100
Foreign currency translation reserve	114166	0	-114,166	-100	0	-114,166	-100
Total equity attributable to owners of the Company	858237	887,520	29,283	3.411994589	894134	35897	4.182644188
Non-controlling interests	4055	3667	-388	-9.568434032	2341	-1714	-42.26880395
Total equity	862292	891187	28895	3.350953041	896475	34183	3.964202382
Liabilities							
Loans and borrowings	21213	201616	180403	850.4360534	213808	192595	907.9102437
Employee benefits	6335	7479	1144	18.05840568	9,086	2,751	43.42541436
Contract liabilities	1548	453	-1095	-70.73643411	27	-1521	-98.25581395
Deferred tax liabilities, net	1777	3864	2087	117.4451322	2596	819	46.0889139
Other non-current liabilities	9775	10217	442	4.52173913	9536	-239	-2.445012788
Total non-current liabilities	41048	223629	182581	444.7987722	235053	194005	472.6296044
Bank overdraft	0	2339	2339	-	0	0	-
Loans and borrowings*	3971	53581	49610	1249.307479	2776	-1195	-30.09317552
Trade and other payables	70747	33723	-37024	-52.33296111	62827	-7920	-11.19482098
Contract liabilities	33364	73751	40387	121.0496343	53211	19847	59.48627263
Other current liabilities	40989	30800	-10189	-24.8578887	72402	31413	76.63763449
Provisions	30800	0	-30800	-100	0	-30800	-100
Total current liabilities	179871	194194	14323	7.962928988	191216	11345	6.307298008
Total liabilities	220919	417823	196904	89.12949995	425269	205350	92.95262064
Total equity and liabilities	1083211	1309010	225799	20.84533854	1322744	239533	22.11323556

Trend analysis

Assets	2020	2021	2022	Percentage	Percentage
Property,plant,eq	35,997	22159	19313	61.5579076	53.6516932
Intangible & goodwill	721,990	720907	685658	99.84999792	94.96779734
Receivables	2,658	2154	3713	81.03837472	139.6914974
Equity amount invested	5363	5262	3558	98.11672571	66.34346448
other investments	3683	5508	4031	149.5519957	109.4488189
Term Deposits	207	25043	6	12098.06763	2.898550725
Non current tax assets	34160	26710	14965	78.19086651	43.80854801
Other non current assets	131	88	135	67.17557252	103.0534351
Total Non current assets	804,189	807831	731379	100.4528786	90.94615818
Current assets					
Inventories	36	40	11	111.1111111	30.55555556
Contract assets	4447	2	0	0.04497413987	0
Trade and other receivables, net	53407	25177	35910	47.14176044	67.23837699
Term deposits	37823	129825	264179	343.2435291	698.4612537
Other current assets	53428	51069	77982	95.58471214	145.957176
Cash and cash equivalents	129881	295066	213283	227.1818049	164.2141653
Total current assets	279022	501179	591365	179.6198866	211.9420691
Total assets	1083211	1309010	1322744	120.8453385	122.1132356
Equity				#DIV/0!	
Share capital	52	53	53	101.9230769	101.9230769
Share premium	1985555	2,021,197	2,034,663	101.7950649	102.4732631
Other components of equity	0	69,604	73,574	-	-
Accumulated deficit	1147597	120,334	1,214,156	10.48573672	105.7998583
Reserves	1345	0	0	0	0
share based payment reserve	135738	0	0	0	0
Foreign currency translation reserve	114166	0	0	0	0
Equity attributable to owners of the Company	858237	887,520	894134	103.4119946	104.1826442
Non-controlling interests	4055	3667	2341	90.43156597	57.73119605
Total equity	862292	891187	896475	103.350953	103.9642024
Liabilities					
Loans and borrowings	21213	201616	213808	950.4360534	1007.910244

Employee benefits	6335	7479	9,086	118.0584057	143.4254144
Contract liabilities	1548	453	27	29.26356589	1.744186047
Deferred tax liabilities, net	1777	3884	2596	217.4451322	146.0889139
Other non-current liabilities	9775	10217	9536	104.5217391	97.55496721
Total non-current liabilities	41048	223629	235053	544.7987722	572.6296044
Bank overdraft	0	2339	0	-	-
Loans and borrowings*	3971	53581	2776	1349.307479	69.90682448
Trade and other payables	70747	33723	62827	47.66703889	88.80517902
Contract liabilities	33364	73751	53211	221.0496343	159.4862726
Other current liabilities	40989	30800	72402	75.1421113	176.6376345
Provisions	30800	0	0	0	0
Total current liabilities	179871	194194	191216	107.962929	106.307298
Total liabilities	220919	417823	426269	189.1295	192.9526206
Total equity and liabilities	1083211	1309010	1322744	120.8453385	122.1132356

Cash flow table (condensed)

MAKEMYTRIP LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(UNAUDITED)
(Amounts in USD thousands)

	For the nine months ended December 31	
	2021	2022
Profit (loss) for the period	(41,511)	(16,611)
Adjustments for non-cash items	63,803	78,513
Changes in working capital	(14,583)	(74,037)
Net cash generated from (used in) operating activities	7,709	(12,135)
Net cash generated from (used in) investing activities	(115,749)	30,840
Net cash generated from (used in) financing activities	(8,805)	(5,007)
Increase (decrease) in cash and cash equivalents	(116,845)	13,698
Cash and cash equivalents at beginning of the period	295,066	213,283
Effect of exchange rate fluctuations on cash held	147	108
Cash and cash equivalents (net of bank overdraft) at end of the period	178,368	227,089

MAKEMYTRIP LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(UNAUDITED)
(Amounts in USD thousands)

	For the six months ended September 30	
	2020	2021
Loss for the period	(55,747)	(32,476)
Adjustments for non-cash items	31,049	37,303
Change in working capital	57,111	(2,501)
Net cash generated from (used in) operating activities	32,413	2,326
Net cash generated from (used in) investing activities	8,565	(141,445)
Net cash generated from (used in) financing activities	(2,456)	(2,274)
Increase (decrease) in cash and cash equivalents	38,522	(141,393)
Cash and cash equivalents at beginning of the period	129,881	295,066
Effect of exchange rate fluctuations on cash held	(331)	236
Cash and cash equivalents at end of the period	168,072	153,909

Webliography

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