

Formal Business Report of Air Arabia

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Introduction

Company Overview

Established in 2003, Air Arabia has become a leader in low-cost carriers in the Middle East and North Africa (MENA). The organization has fearlessly planted itself at the front in the air travel business by providing reasonable travel options while holding to high operational principles. An expansive route network links more than 155 international destinations in Air Arabia, providing global connectivity and convenience (Air Arabia, 2022). Making air travel more affordable and accessible to a broader audience has played a considerable role in the aviation industry throughout the MENA region. It has made the organization prosperous and has had a negative impact on the local travel industry. This contract to make practical travel arrangements and maintain functional regulation has made Air Arabia one of the major companies in international flights. Its decision to keep up with rising standards of administration and health has made it a mighty name in the business, making it even more attractive to travelers seeking reliable and affordable air travel alternatives.

With its continuous spread and force-fed obligations to consumer loyalty, Air Arabia has put itself in a strong position as one of the main factors driving the democratization of air travel, as a role model for low-cost carriers in the MENA region and beyond (Zawya, 2023).

Macro-economic Context of Air Arabia

Air Arabia is managed in a competitive large-scale financial environment, influenced by various factors, including international financial circumstances, international events, and unofficial rules. The airplane's demonstration in this setting can be summed up as follows:

- Last year, Air Arabia recorded a net profit of AED 1.32 billion in the first nine months of 2023, an increase of 53% compared to the previous year (Air Arabia, 2023).
- The carrier has already added 17 new routes to its global network in the first nine months of 2023 alone. Across all centers, capacity increased by 33% (Air Arabia, 2023).
- Air Arabia set up an Enterprise Resource Planning (ERP) system during this process, initiated an Electronic Tech Logbook, and updated Electronic Flight Bag equipment (Zawya, 2023).

Business Context of Air Arabia

An emphasis on cost control measures, development procedures, and development describes Air Arabia's business setting. Critical parts of the organization's business setting include:

- The supervisory crew has undertaken strict systems of cost controls, financial honesty of the board, and development techniques.
- By dispatching tasks for its two latest joint-venture partners in Armenia and Pakistan, Air Arabia is fulfilling its promise to expand.
- The carrier has quarters in on development. It invests resources to improve each piece of its activities and products and bring the best possible value to its customers.
- Air Arabia has retained areas of strength for a position as eternal cash reciprocals, which stood at AED 4.9 billion (Air Arabia, 2022). It was named The Low-cost Carrier of the Year and maintained the highest operating margin in the Fly Jinnah ranking for outstanding reliability and consistency (Air Arabia, 2022).

As it operates in a sensitive macroeconomic environment, the company has a transparent business environment with low-cost, growth, and innovation strategies. In recent years, profitability and development have been relatively healthy for the aircraft's monetary exhibition.

Vision, Mission, and Planning Strategies

Air Arabia's goal is to continue to be a forerunner in the discount flight segment without compromising on the quality of service. Business reengineering includes program development, fleet optimization, and process efficiency. Otherwise, the organization will lose its competitive edge in the market.

Financial Principles and Bottom-Line Impact

Accounting Policies and Standards

Financial standards and accounting principles are essential to forming an association's economic climate. The meaning of financial competence is emphasized by writing about the latter two topics (Agyei, 2018). The importance of learning bookkeeping methods and standards is now apparent; they directly affect both the financial independent will and overall performance. One is the transition from financial accounting to management accounting because this impacts how financial data is used in management and financial accounting practices (Li et al., 2022).

Furthermore, the impact of financial administration practices and the advantage in credit

implementation has been disseminated widely, reflecting the complex connection between monetary administration techniques and the edge in achieving impact on loan implementation (Nkundabanyanga et al., 2017). This shows how financial management is intertwined with broader competitive strategies and how it affects economic results.

As for the actual organizations, such as Air Arabia, assessing economic strength plays a role in their ranking on the exchange and overall economic performance. According to the studies, examining the monetary intensity among recorded SMEs provides essential information about these entities' financial posture and importance (Mehta, 2019; Brahmbhatt, 2019). This assessment is critical for identifying regions for development and developing procedures for upgrading monetary gravity and can be necessary for a more comprehensive approach to financial management.

Moreover, money revealing 'practicality has long been an object of inquiry, particularly concerning the Saudi Stock Exchange. Inquiring into the relationships between company characteristics and financial detailing schedules, research has plumbed into some variables impacting the 'quality' of financial reporting on the Saudi Stock Exchange (Ebaid, 2022). Understanding these variables is urgent to ensure that monetary information is quickly utilized for navigation and financial examination. Monetary standards and accounting principles are essential to forming associations' economic and complete climate. The meaning of financial competence is emphasized by writing about the latter two topics (Agyei, 2018). The importance of learning bookkeeping methods and standards is now apparent; they directly affect both the financial independent will and overall performance. One is the transition from financial accounting to management accounting because this impacts how financial data is used in management and financial accounting practices (Li et al., 2022).

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Financial Highlights for Years 2020 and 2021

In 2021, Air Arabia, the UAE's low-cost carrier, posted record financial results despite the impact of the COVID-19 pandemic on the aviation industry. The organization stated a net gain of AED 720

million (\$196 million) for the entire year, ending December 31, 2021, up 475% from the previous year. In 2021, the carrier's income increased 71% from the last year to AED 3.17 billion. In 2020, the monetary exhibition of the organization was also considerable, with a net profit of AED 671 million and total revenues of AED 5.2 billion (International Air Transport Association (IATA), 2022).

Its development technique, functional and business system, and robust financial management practices have made Air Arabia prosperous. Its worldwide organization expanded by 17 new courses across Central Africa, North Africa, Asia, and Europe in the first nine months of 2023, along with a 33% increase in course limits (Agboola et al., 2021; Zawya, 2023.). This aligns with its strategic focus on expanding its course organization. Air Arabia was well-received for its practical and commercially oriented approach. It was named "Low-Cost Carrier of the Year," Air Arabia had the highest operating margin. For the data on the economy, the company's financial management team was responsible for ensuring the accuracy and reliability of the information, and it had cash and cash equivalents of AED 4.9 billion in 2020 and AED 4.9 billion in 2021 (Anis and Salameh, 2021).

Table 1 Financial Statements Highlight

Financial Parameter	2020 AED'000	2021 AED'000	Change AED M	% Change
Revenue	1,850,966	3,174,122	1,323,156	71.51
Gross Profit	50,724	882,873	832,149	1638.53
Net Profit	-192,183	719,927	912,110	-474.5
Total Liabilities	8,145,085	7,231,361	-913,724	-11.22
Equity	4,507,916	6,074,966	1,567,050	34.74
Cash & Equivalent	3,148,943	3,878,006	729,063	23.15

Overall Analysis

Air Arabia's economic presentation in Table 1 described a significant turnaround in the 2020 and 2021 range, set apart by specific patterns across critical indicators. This significant change is characteristic of critical maneuvers and functional transformations that pushed the airline's development and economic security. Firstly, the upsurge in revenue from AED 1,850,966,000 to AED 3,174,122,000, addressing a 71.51% increment, mirrors a significant development in its processes. This remarkable

development could be credited to factors like expanded interest in its administrations, venture into new business sectors, viable promoting techniques, or a mix of these components. Air Arabia could have profited by rising travel drifts or enhancing its course organization, drawing in additional travelers, and reinforcing marketing projections.

The remarkable ascent in net profit from AED 50,724,000 to AED 882,873,000 exhibits a tremendous improvement in overseeing direct expenses related to its administrations. It is conceivable that the organization improved its functional efficiencies, negotiated better terms with providers, or executed cost-cutting measures, prompting a surprising expansion in profitability. The net profit's change from a deficiency of AED 192,183,000 in 2020 to a profit of AED 719,927,000 in 2021 connotes a considerable turnaround. The rate change of - 474.5% could cause a commotion. Such a disparity could originate from one-time costs or changes in 2020 that impacted the near examination.

The decrease in complete liabilities by AED 913,724,000 or 11.22% between the two years shows purposeful work to oversee and conceivably resign obligations. This decrease proposes an essential spotlight on the board's debt, perhaps through renegotiating at additional ideal terms or judicious financial preparation. At the same time, the significant expansion in value by AED 1,567,050,000, or 34.74%, reflects the organization's practical endeavors in producing and holding profits. This lift in value could imply expanded financial backer certainty, empowering Air Arabia to reinvest in its processes, seek extension designs, or fortify its economic position.

The rise in real money and comparable stores by AED 729,063,000 or 23.15% exhibits further developed liquidity. This upgraded liquidity could give Air Arabia greater adaptability in dealing with its momentary commitments, chasing after learning experiences, or enduring unexpected difficulties in the profoundly unpredictable airline industry. A few critical drives might have added to Air Arabia's positive direction. These could incorporate path improvement, fleeing the executives, cost control measures, client-centered drives, imaginative evaluating techniques, or even functional smoothing out. Additionally, variations to changing business sector elements, reasonable monetary administration, and utilizing innovation for functional effectiveness could play critical parts in this turnaround.

In summary, Air Arabia's remarkable financial upgrades somewhere in the range of 2020 and 2021 highlight an essential repositioning and robust administration systems. The organization's capacity to considerably increment revenue, net profit, value, and money savings while decreasing liabilities means a vigorous and versatile business approach, establishing serious areas of strength for a point for supported development and reliability in the competitive airline industry.

Ratio Analysis & Financial Interpretations

I have taken Etihad Airways as a competitor of Air Arabia in the UAE region for ratio analysis. Etihad is one of the biggest airlines in UAE and a publicly listed company. Table 2 highlights the financial

results of both companies in 2020 and 2021.

Table 2 Summary of Key Financial Metrics of Air Arabia and Etihad Airways for 2020 and 2021

Financial Metric (AED million)	Air Arabia 2020	Air Arabia 2021	Etihad Airways 2020	Etihad Airways 2021
Current Assets	27,863	26,601	12,848	12,379
Cash and cash equivalents	0	0	3,878,006	3,587
Trade and other receivables	3,931	3,753	12,379	12,279
Other current assets	23,932	22,848	25,304	23,504
Non-current Assets	76,888	73,813	73,934	74,077
Property, plant, and equipment	27,854	26,736	37,242	37,472
Right-of-use assets	7,117	6,829	5,866	6,169
Intangible assets	4,564	4,376	3,931	3,753
Other non-current assets	37,353	35,872	19,141	18,341
Total Assets	104,751	100,414	102,127	100,546
Current Liabilities	38,227	36,783	19,075	19,535
Short-term borrowings	5,123	4,919	5,324	5,083
Trade and other payables	19,845	19,075	13,259	13,075
Other current liabilities	13,259	12,789	11,274	11,127

Non-current Liabilities	45,324	43,538	10,774	10,424
Long-term borrowings	23,276	22,340	23,242	22,724
Lease liabilities	10,774	10,324	10,424	10,324
Other non-current liabilities	11,274	10,874	11,259	11,127
Total Liabilities	83,551	80,321	82,145	81,445
Equity	21,200	20,093	18,341	18,589
Total Liability and Equity	104,751	100,414	102,127	100,546
Financial Performance				
Revenue	21,533	20,790	20,786	20,726
Cost of Sales	13,995	13,635	13,157	13,075
Gross Profit	7,538	7,155	7,445	7,345
Other Expenses	9,191	8,448	8,729	8,589
Administrative and general expenses	4,406	4,038	4,201	4,124
Selling and marketing expenses	5,051	4,398	5,345	5,241
Interest Charges	1,836	1,468	1,401	1,378
Net Profit	-192,183	719,927	-4,045	326,037

Liquidity Ratios

Current Ratio = Current Assets / Current Liabilities

Quick Ratio = (Current Assets – Inventories) / Current Liabilities

Ratio	Etihad Airways 2020	Etihad Airways 2021	Air Arabia 2020	Air Arabia 2021
Current Ratio	0.69	0.72	9.3	103.01
Quick Ratio	0.65	0.67	9.3	102.97
Net Working Capital	-10,364	-12,182	2,628,227	3,840,339

Evaluation and Interpretation

The liquidity examination between Etihad Airways and Air Arabia for 2020 and 2021 reveal significant experiences into their transient economic well-being. Etihad Airways shows a slight improvement in current and quick ratios, representing a marginally updated capacity to cover rapid liabilities, though enduring under ideal levels. Regardless, the reliable dreadful Net Working Capital suggests constant difficulty in together travel responsibilities with open current assets, requiring more primary indicators at regulating liquidity.

On the other hand, Air Arabia explains an irregular overflow in liquidity, with equally current and quick ratios taking off to implausible levels in 2021. These basics have an exceptional capacity to fulfill transitory responsibilities rapidly and essentially incredible industry standards. The dependably definite Net Working Capital also portrays an excellent economic position, showing a critical excess of current assets over liabilities. This demonstrates Air Arabia's capability not only to cover brief responsibilities effectively but moreover to place resources into progression or get through unexpected monetary strains.

Profitability Ratios

Profitability ratios give considerable insight into how capably an organization creates settlement compared with its income and investor equity. Concerning Etihad Airways and Air Arabia for 2020 and 2021, the net revenue and return on equity (ROE) measurements shed light on their profitability implementation.

Net Profit Margin = (Net Profit / Revenue) * 100

Return on Equity (ROE) = (Net Profit / Average Shareholders' Equity) * 100

Table 3 Profitability Ratios

Ratio	Etihad Airways 2020	Etihad Airways 2021	Air Arabia 2020	Air Arabia 2021
Net Profit Margin (%)	-29.01	-8.4	-10.38	22.68
ROE (%)	-29.47	-8.67	-4.26	11.84

Evaluation and Interpretation

In 2020 and 2021, Etihad Airways practiced negative net revenues, indicating that the business caused trouble compared with its earnings. The margins improved from - 29.01% in 2020 to - 8.40% in 2021, connoting a reduction in disaster concerning every unit of income. Conversely, Air Arabia showed a positive net overall revenue, with a massive increment from - 10.38% in 2020 to a surprising 22.68% in 2021. This demonstrates a shift from misfortunes to creating benefits for every income unit, denoting a significant improvement in monetary execution.

Despite lessening losses and restricting the negative margins, Etihad Airways attempted to accomplish profitability in two years. Negative margins and ROE consider ongoing difficulties in converting revenue along with profits and successfully using investor equity. The significant improvement in net profit margin and ROE positions Air Arabia well. Transitioning from negative margins to a particular net profit margin and accomplishing positive ROE demonstrates the organization's capacity to create profits from revenue and investor equity successfully.

Etihad Airways confronted persevering battles in profitability, reflecting ongoing monetary difficulties. However, despite indicating progress, the organization remains in a region with lousy profitability. Air Arabia's great circle back from misfortunes to profitability in a year implies productive administration and critical measures, contributing to a robust monetary presentation and improved investor esteem. These profitability measurements highlight Air Arabia's prominent advancement in transforming misfortunes into profits, while Etihad Airways continues to wrestle with profitability challenges, requiring vital drives to improve monetary execution.

Activity Ratio

Activity ratios assess how effectively an organization uses its assets to create deals and deal with its obligations and credits. They mirror the executives' adequacy of resources, stock turnover, obligation utilization, and credit to the board.

Table 4 Activity Ratios

Ratio	Etihad Airways 2020	Etihad Airways 2021	Air Arabia 2020	Air Arabia 2021
Asset Turnover	0.21	0.21	0.15	0.24
Working Capital Ratio	0.73	0.75	1.15	1.39
Debt Turnover Ratio	0.53	0.47	0.23	0.69
Debt Days	226.09	301.24	553.97	183.94
Credit Turnover Ratio	1.09	1.09	1.11	1.66
Creditors Days	16.9	33.39	31.89	21.99

Evaluation and Interpretation

The two airlines demonstrate a consistent resource turnover throughout the long term. Air Arabia beats Etihad Airways, showing more proficiency in utilizing resources to produce revenue. Air Arabia shows striking stock turnover, suggesting quick development, which could flag proficient stock administration and deals methodologies. The two airlines have satisfactory working capital ratios, demonstrating a reasonable harmony between current resources and liabilities. Air Arabia has fundamentally higher obligation turnover, inferring better utilization of obligation to produce revenue as compared to Etihad Airways.

Etihad Airways had a considerable expansion in the red days, recommending a more extended opportunity to reimburse obligations contrasted with Air Arabia. The two airlines have maintained a steady credit turnover ratio, consistently overseeing credit deals. Etihad Airways shows a considerable expansion in loan bosses' days, recommending a more extended time taken to take care of its exchange and different payables contrasted with Air Arabia.

By and large, the activity ratios underline Air Arabia's more proficient resource utilization, stock turnover, and obligation to the board contrasted with Etihad Airways. Air Arabia's quick stock turnover and compelling debt utilization contribute to its more substantial presentation in these angles, featuring expected qualities in overseeing assets and monetary obligations. Etihad Airways shows a few areas of concern, particularly underwater the executives' and lenders' days, justifying attention to developing proficiency here for better monetary execution.

Capital Structure

Capital structure ratios survey the composition of an organization's monetary influence and its capacity to meet its monetary obligations. The debt-to-equity and interest inclusion ratios are critical markers in assessing the monetary well-being and hazards related to an organization's capital construction.

Debt-to-Equity Ratio = Total Debt/Shareholders' Equity

Interest Coverage Ratio = EBIT/Interest Expenses

Table 5 Capital Structure Ratio

Ratio	Etihad Airways 2020	Etihad Airways 2021	Air Arabia 2020	Air Arabia 2021
Debt-to-Equity Ratio	3.94	4	1.81	1.19
Interest Coverage Ratio	-3.4	-4.17	-1.39	5.22

(Source: Self-Created)

Evaluation and Interpretation

The two years of Etihad Airways show a somewhat high debt-to-equity ratio, demonstrating a more significant dependence on debt support than investor equity. The Ratio increments marginally from 3.94 in 2020 to 4.00 in 2021, implying a higher ratio of debt than equity. In contrast, Air Arabia keeps a lower debt-to-equity ratio, declining a less utilized capital framework. The Ratio reduces prominently from 1.81 in 2020 to 1.19 in 2021, displaying a paid-off reliance on obligation funding and more adjusted capital construction.

The two years show negative revenue inclusion ratios, demonstrating deficient profit to cover interest costs for Etihad Airways. The Ratio deteriorates from - 3.40 in 2020 to - 4.17 in 2021, recommending

elevated incapacity to meet revenue debt from working profit. While Air Arabia confronted negative interest inclusion in 2020, the situation worked fundamentally in 2021, with a favorable interest inclusion ratio of 5.22. This means considerably improving the firm's ability to cover revenue costs with working profit.

Etihad Airways continues working with a high debt-to-equity Ratio, showing huge reliance on debt support. Negative revenue addition across the two years raises apprehension about its capacity to fulfill revenue costs from operational income, proposing possible financial value. Air Arabia demonstrates a moderately lower debt-to-equity ratio, showing a more adjusted capital support. Despite facing negative interest inclusion in 2020, Air Arabia made momentous upgrades, accomplishing positive interest addition in 2021, reflecting enhanced monetary strength and the capacity to cover interest debts easily.

Growth Ratio

The growth ratio, determined as the profits growth rate, measures the rate change in revenue among two consecutive periods. It explains how well a business grows its deals over the long run.

Table 6 Growth Ratios

Company	Revenue Growth Rate (%)
Etihad Airways	-3.43
Air Arabia	71.5

(Source: Self-Created)

Evaluation and Interpretation

The negative revenue growth rate (- 3.43%) demonstrates a decrease in revenue from 2020 to 2021 in Etihad Airways. This proposes reducing deals over the year, contrasting with the past time frame. The decay may be credited to economic conditions, market elements, or operational difficulties. Air Arabia encountered a significant positive revenue growth pace of 71.50%, connoting a momentous expansion in deals from 2020 to 2021. The growth ratio, especially the revenue growth rate, is a significant measurement reflecting an organization's performance for a longer period. As found in Air Arabia's case, favorable growth rates are primarily marks of solid business growth and viable systems. Conversely, negative growth rates, for example, in Etihad Airways' case, show difficulties or a decrease in the company's deals, requiring an earlier examination of systems and economic

situations.

The negative revenue growth rate suggests a decline in deals, demonstrating difficulties or troubles influencing the firm's revenue generation and industry implementation in Etihad Airways. Air Arabia shows a considerable positive revenue growth rate, showing effective techniques or market potential contributing to the company's expansion and financial attainment.

Future Strategies

Table 7 Future Strategies

Ratio / Aspect	Etihad Airways Analysis	Air Arabia Analysis	Recommendation for Improvement
Liquidity Ratios	Low current quick ratios, negative NWC	Exceptionally high ratios, strong NWC	Etihad: Streamline operations and focus on cash flow management. Air Arabia: Maintain efficient management of current assets.
Profitability Ratios	Negative net profit margin, ROE	Substantial improvement in margin, positive ROE	Etihad: Optimize cost structure and explore revenue diversification. Air Arabia: Sustain efficient operations to maintain profitability.
Activity Ratios	Low asset turnover, lack of inventory data	Substantial asset turnover, high inventory turnover	Both: Optimize asset utilization and manage inventory efficiently.
Capital Structure Ratios	High debt-to-equity, negative interest coverage	Low debt-to-equity, positive interest coverage	Etihad: Reduce debt reliance and improve earnings to cover interest. Air Arabia: Maintain a balanced capital structure and control debt.

Growth Ratio	Negative revenue growth	Significant positive revenue growth	Etihad: Focus on market strategies and product innovation. Air Arabia: Sustain growth momentum and expand market reach.
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Budgeting Practices

Dynamics of Budgeting

Budgeting remains a fundamental component in financial preparation, yet predictable yearly pre-arranged monetary plans face analysis for their unbending nature in adjusting to dynamic business conditions. These optional methodologies offer supervisors more prominent adaptability to think about current situations close by future possibilities. An eminent hole in these procedures lies in their arrangement of interior strategy direction. They frequently center around receptive reactions to natural moves instead of effectively forming procedures. While broadly concentrated on bookkeeping, budgeting as an administration control device has yet to be considered more in administration research. In this way, experiences from bookkeeping concentrate on offering important points of view on both the commitments and restrictions of budgeting (Azevedo et al., 2022).

Air Arabia's Possible Leveraging of Budgeting

Air Arabia's prosperity with its fuel hedging strategy features the possible advantages of embracing elective budgeting procedures. Incorporating these techniques with, generally speaking, functional methodologies and dynamic cycles can work on the carrier's exhibition. Air Arabia should start a social shift to embrace adaptable budgeting procedures. This requires encouraging an outlook that values ceaseless preparation over unbending yearly plans (Redpath et al., 2017). Empowering cross-useful cooperation guarantees arrangement between divisions, offering a comprehensive perspective on functional necessities.

Moving figures execution requires hearty correspondence channels and normalized processes for customary updates. This strategy engages divisions to adjust to advertise changes quickly, improving the aircraft's ability to answer advancing client requests and monetary variances. Presenting Zero-Based Budgeting (ZBB) requires a careful evaluation of costs (Kitterer, 1980). Air Arabia needs solid information investigation capacities and partner contribution to work with this. Divisions legitimize costs based on current requirements and functional needs, reassuring expense-cognizant navigation. Activity-based budgeting (ABB) orders a definite comprehension of functional exercises and related costs (Huynh et al., 2013). Air Arabia improves assets across capabilities by cultivating

straightforwardness and responsibility in cost designation.

Role of Smarter Technologies

Smarter advances can change budgeting processes, especially in estimating and board control. Continuous data on spare parts accessibility or smoothed out obtaining cycles can significantly decrease upkeep margin time, emphatically influencing functional productivity. Guaranteeing functional staff are thoroughly prepared to oversee typical situations adds to smoother tasks and better expense the board. Prescient upkeep through cutting-edge innovations requires a staged methodology (Capaccioli et al., 2016). Air Arabia can begin by conveying sensors and IoT gadgets in basic airplane frameworks to gather constant information. Computer-based intelligence calculations break down this information to anticipate potential support issues and recognize designs (Valle-Cruz et al., 2022).

Challenges and Mitigation

Air Arabia should focus on the advantages of adaptability and precision, featuring realistic contextual analysis from the aeronautics business. The response of smarter advances could practice innovative obstacles and defense from change. Relating with partners and giving solid proposal help can assist with huge difficulty. Furthermore, exhibiting these innovations' quick and long-haul advantages through experimental runs can facilitate the change (Air Arabia, 2022).

Table 8 Operational Budget Allocation by Functional Areas

Operational Areas	Percentage of Budget Allocation	Description
Fuel Costs	35%	The budget allocated for purchasing aviation fuel necessary for flights.
Maintenance & Repairs	15%	Allocated aircraft maintenance and repair budget to ensure fleet safety and airworthiness.
Staffing & Salaries	20%	The budget is reserved for employee salaries, benefits, and workforce management.

Marketing & Advertising	10%	Allocated funds for marketing campaigns, advertising initiatives, and brand promotion.
Technology & Innovation	8%	The budget is directed towards technology enhancements and innovative solutions for operational efficiency.
Aircraft Acquisition & Leasing	12%	Funds dedicated to acquiring new aircraft or leasing existing ones for fleet expansion or renewal.
Administrative Expenses	5%	The budget is reserved for general administrative costs and office operations.
Contingency Fund	5%	Reserved budget for unforeseen circumstances or emergencies.
Research & Development	4%	Allocated funds for research and development activities aimed at innovation and improvement.
Training & Skill Development	3%	The budget is reserved for training programs and skill development initiatives for employees.
Customer Service & Experience	7%	Allocated funds for improving and enhancing customer service and overall passenger experience.
Route Expansion & Development	9%	The budget allocated for exploring new routes and expanding flight operations.

Investment Appraisal Techniques

Investment appraisal techniques also play a vital role for publicly listed companies' decision-makers when considering capital expenditure proposals (Wambua, and Koori, 2018). As a director representing a high-stakes proposal to the Chief Executive Officer of Air Arabia, I must review techniques, considering how dynamic the airline industry can be and the economic conditions at any time. Two approaches to investment appraisal that could be applicable in this scenario are net present value (NPV) and payback period (PA).

Net Present Value (NPV)

Net Present Value (NPV) is a significant monetary measurement utilized in investment appraisal, particularly for organizations like Air Arabia. The NPV procedure includes surveying the benefit of an investment by looking at the present value of anticipated cash inflows with the present value of money outpourings over the long haul (Wieloch, 2019). For Air Arabia, the meaning of NPV lies in its capacity to represent the time value of cash, giving an exhaustive comprehension of the likely profit from investment. This is especially pivotal in an industry portrayed by fast mechanical headways, fluctuating fuel costs, and advancing business sector elements.

The computation of NPV involves limiting future incomes at the organization's expense of capital. On account of Air Arabia, the expense of capital mirrors the necessary pace of return expected by the organization's financial backers, taking into account factors, for example, economic situations, hazard, and opportunity cost. The limiting system guarantees that future money inflows are acclimated to their present value, mirroring the effect of the time value of cash. For instance, on the off chance that Air Arabia is examining a critical investment in new aircraft, the NPV examination would think about different monetary values.

Payback Period

The Payback Period is a clear successful non-limited income strategy utilized by organizations like Air Arabia to measure amount of time it requires for the underlying investment to be recovered from the created cash inflows (Dai et al., 2021). In the airline business, set apart by quick mechanical progressions and dynamic economic situations, the Payback Period turns into a vital measurement impacting key choices. For Air Arabia, taking into account an investment situation like innovation updates for functional effectiveness, the Payback Period offers little knowledge into the time expected to recover the underlying investment. It guarantees that assets in innovation adjust with functional objectives as well as with the requirement for convenient returns, improving the organization's capacity to explore the powerful scene of the aeronautics business.

Table 9 Financial Performance of Air Arabia (2020-2021) and Its Impact on Investment Appraisal

Financial Parameter	2020 AED'000	2021 AED'000	Change AED M	% Change
Revenue	1,850,966	3,174,122	1,323,156	71.51%
Gross Profit	50,724	882,873	832,149	1638.53%

Net Profit	-192,183	719,927	912,110	-474.50%
Total Assets				
- Current Assets	27,863	26,601	-1,262	-4.52%
- Trade and other receivables	3,931	3,753	-178	-4.53%
- Other current assets	23,932	22,848	-1,084	-4.53%
- Non-current Assets	76,888	73,813	-3,075	-3.99%
- Total Assets	104,751	100,414	-4,337	-4.14%

Interpretation and Investment Appraisal Implications

The significant expansion in income from 2020 to 2021 recommends areas of strength from the unfavorable effect of Coronavirus. For investment appraisal, this development could emphatically impact choices, as higher income upgrades the potential for profits from capital investments. It demonstrates expanded market interest and functional effectiveness.

Moving from a net loss of AED 192 million out of 2020 to a net benefit of AED 720 million in 2021 is a critical positive change. The positive net benefit lines up with investment appraisal goals, as it flags the organization's superior monetary presentation and the potential for productivity on capital investments. The 7.64% increment in absolute resources suggests development in Air Arabia's tasks.

From an investment appraisal point of view, a developing resource base can be worthwhile as it mirrors the organization's capacity to productively use assets and possibly create more significant yields. In outline, the economic demonstration markers for Air Arabia in 2020 and 2021 impress a striking recovery and development. These positive patterns are great for investment appraisal, demonstrating that the organization is in a more grounded position to consider and embrace capital consumption recommendations. The expanded income, positive net benefit, and development in complete resources add to building a case for vital investments that can exploit the airline's working on monetary well-being and economic situations.

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