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Cost-Benefit Analysis of Responsible Luxury and Sustainable Initiatives and their Financial Viability in Welcomhotel

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Abstract

This research paper presents a cost-benefit analysis of responsible luxury and sustainable initiatives at WelcomHotel, a flagship brand under ITC Hotels, to assess their financial viability over the five-year period from 2020-21 to 2024-25. Using analytical research methodology based on secondary data drawn from ITC Hotels annual reports, Balance sheet and Profit & Loss Accounts, the study employs Ratio Analysis and Trend Analysis as Key tools. The findings reveal a consistent improvement in profitability, liquidity and asset efficiency with the net profit ratio reaching a record 47.41% in 2024-25, indicating that WelcomHotel's Sustainability driven strategies have positively contributed to long-term financial resilience and operational excellence.

Keywords: Cost-Benefit Analysis, WelcomHotel, ITC Hotels, Ratio Analysis, Responsible Luxury, Trend Analysis, Profitability.

Introduction

The Hospitality Industry has increasingly embraced responsible luxury by integrating sustainability practices into high-end service offerings. Responsible luxury focuses on delivering premium guest experiences while minimizing environmental impact, supporting local communities, and maintaining ethical business operations. As consumer awareness and regulatory expectations continue to grow, hotels are under pressure to adopt sustainable initiatives such as energy efficiency, waste reduction, water conservation, and responsible sourcing.

WelcomHotel, a prominent brand under ITC Hotels, has implemented several sustainability-driven strategies aligned with its commitment to environmental stewardship and social responsibility. Conducting a cost-benefit analysis of these responsible luxury practices is essential to evaluate whether the financial investments

made in sustainability generate long-term economic, environmental, and reputational benefits. This analysis helps determine the effectiveness of sustainability initiatives in enhancing operational efficiency, customer satisfaction, brand value, and overall profitability. The study aims to provide insights into how sustainable luxury can create value for both the organization and its stakeholders.

Review of Literature

Kanwal Iqbal Khan and Ayesha Shehzad (2025) "An Impact of sustainable financial markets and Economic Stability".

The study indicates that while these initiatives introduce new complexities in regulatory reporting, their long-term impact on economic stability is positive, acting as a buffer against the volatility associated with stranded assets and fossil fuel dependency. Furthermore, the integration of sustainable mandates fosters a more transparent investment environment, aligning private capital flows with broader systemic stability goals.

Caroline Grauel, Christoph Burmann and Michael Schade (2025) "Sustainability preferences of luxury consumers"

The study's findings suggest that for luxury consumers, sustainability is rarely a primary driver in purchasing decisions, and there is a notable lack of willingness to pay a premium for sustainable luxury goods. Despite luxury brands' efforts to communicate green initiatives, the research indicates that consumers often recognize the social importance of sustainability without translating that awareness into actual purchasing behavior, suggesting that luxury brand image and traditional value perceptions still outweigh environmental or ethical concerns.

Vitor Pereira, Graça Miranda Silva, and Álvaro Dias (2024) "Sustainability Practices in Hospitality: Case Study of a Luxury Hotel in Arrábida Natural Park".

The study of a luxury hotel in the Arrábida Natural Park highlights that high-end establishments are increasingly integrating environmental initiatives such as energy efficiency, waste reduction, and carbon emission management alongside social practices like community engagement and employee well-being.

Yongji Jin (2024) "The Effectiveness of ESG and Sustainability on Luxury Brand".

The study examines how environmental, social, and governance (ESG) standards are reshaping the luxury fashion industry, focusing particularly on the Prada Group. The research highlights Prada's 2023 commitment to the United Nations Global Compact and argues that ethical and sustainable transitions have become essential for sustaining competitive advantage and long-term financial performance.

M.Celestin (2018) "The impact of sustainable cost accounting on business profitability: Balancing financial performance with environmental responsibility".

The study identifies a significant positive correlation between the implementation of SCA and growth in shareholder value. Celestin's findings suggest that firms adopting these practices benefit from a substantial reduction in operational costs averaging 9% by 2017 while simultaneously mitigating the financial risks associated with regulatory penalties.

Research Gap

Existing studies have extensively examined sustainability, green management, and responsible luxury practices in the hospitality industry, particularly in relation to environmental performance,

operational efficiency, and customer perception. Prior research highlights the financial advantages of green technologies, improved brand reputation, and increased guest loyalty resulting from sustainable initiatives. However, most of these studies focus on conceptual frameworks, competitor brands, or industry-wide sustainability trends rather than conducting a comprehensive, property-specific cost-benefit analysis.

Research Methodology Type of Research

Analytical research focuses on examining and evaluating data rather than just describing it. The study involves analyzing Balance Sheet and Profit & Loss Account, which requires interpretation. It helps in comparing costs of sustainable initiatives vs benefits gained. This method supports financial decision-making and conclusions. It is ideal for EF cost-benefit analysis and financial viability studies.

Sources of Data Secondary Data

The secondary data are collected from existing sources it includes annual reports of ITC hotels, Balance Sheet and Profit & Loss Account, Company website, Research articles and journals, Books and online databases for the past five years (2020-2021 to 2024-2025). Easily available and cost-effective it helps in financial analysis.

Objectives of the Study

- To Analyse the financial benefits of sustainable initiatives at WelcomHotel.
- To Suggest improvements for better financial outcomes.

Tools of Analysis

- Ratio Analysis
- Trend Analysis

Data Analysis and Interpretation

Ratio Analysis

Ratio Analysis is a quantitative method used to evaluate a company's performance, liquidity, and profitability by comparing specific data points from its financial statements, such as the Balance sheet and Income statement.

Profitability Ratio

Profitability Ratios are a class of financial metrics used to assess a company's ability to generate earnings relative to its revenue, operating costs, balance sheet assets or shareholders equity over a specific period of time.

Gross Profit Ratio

Gross Profit Ratio is a financial metric that represents the relationship between a company's gross profit and its net sales revenue.

$$\text{Gross Profit Ratio} = (\text{Gross Profit} / \text{Net Sales}) * 100$$

Table 1 Gross Profit Ratio

Year	Gross Profit	Net Sales	Gross Profit Ratio
2020-2021	25510.50	48524.54	52.57
2021-2022	30108.75	59745.56	50.40

2022-2023	37163.09	70251.28	52.90
2023-2024	38458.29	70105.29	54.86
2024-2025	37617.68	74236.07	50.67

Source: Secondary data



Chart 1 Gross Profit Ratio

The Gross Profit Ratio remained moderate at 52.57 in 2020-21 and dipped to 50.40 in 2021-22, the company improved to 52.90 in 2022-23. A slight recovery to 54.86 in 2023-24. In the year 2024-2025, the company achieved its highest volume of Net Sales at Rs. 74,236.07 Lakhs and Gross Profit decreased slightly to Rs. 37,617.68 Lakhs, causing the Gross Profit Ratio to drop to 50.67.

Net Profit Ratio

The Net Profit Ratio is a key financial metric that measures how much of each dollar in revenue is translated into actual profit after all expenses have been paid.

$$\text{Net Profit Ratio} = (\text{Net Profit} / \text{Net Sales}) * 100$$

Table 2: Net Profit Ratio

Year	Net Profit (Loss)	Net Sales	Net Profit Ratio
2020-2021	13031.64	48524.54	26.85
2021-2022	15057.83	59745.56	25.20
2022-2023	18753.31	70251.28	26.69
2023-2024	20421.97	70105.29	29.13
2024-2025	35195.61	74236.07	47.41

Source: Secondary data



The company shows a very stable profit-margin, the period began with a strong Net Profit Ratio of 26.85 in 2020-2021. In the year 2021-2022 the Net Profit Ratio saw a slight dip to 25.20. This year recorded the lowest Net Profit Ratio at 26.69 (2022-2023). By 2023-2024 the company successfully reversed this trend through improved operational efficiency bringing the ratio back up to 29.13. This year was an exceptional success, with the Net Profit Ratio skyrocketing to 47.41 (2024-2025). The profit nearly doubled to reach Rs.35195.61 Lakhs, even though sales only grew by a small amount

Return on Investment (ROI)

Return on Investment (ROI) is a financial metric used to evaluate the efficiency or profitability of an investment

$$\text{Return on Investment} = (\text{Net Profit}/\text{Investment}) * 100$$

Table 3 Return on Investment

Year	Net Profit	Investment	Return on Investment
2020-2021	13031.64	71580.54	18.20
2021-2022	15057.83	75092.50	20.05
2022-2023	18753.31	82261.74	22.79
2023-2024	20421.97	87327.60	23.38
2024-2025	35195.61	84009.20	41.89

Source: Secondary data

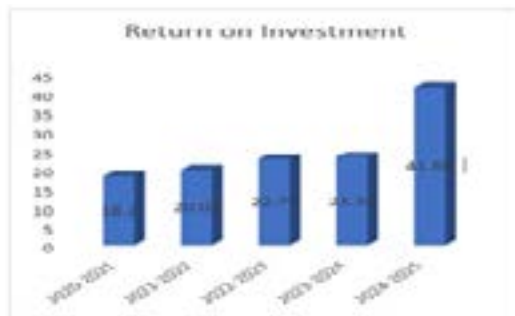


Chart 3 Return on Investment

The company achieved consistent growth from 2020-2024, steadily increasing its ROI from 18.20 to 23.38 as Net Profit crossed the Rs.20,000 lakhs milestone. In the year 2024-2025 marked a major breakthrough where a strategic reduction in investment combined with a near-doubling of net profit to Rs.35,195.61 lakhs. This resulted in an exceptional ROI of 41.89 signaling a highly successful help in operational efficiency and overall profitability.

Liquidity Ratio

Liquidity Ratio is a type of financial metric used to determine a company's ability to pay off its short-term debt obligations without raising external capital.

Current Ratio

Current Ratio is a specific type of liquidity ratio that measures a company's ability to pay off its short-term liabilities (debts due within one year) using its short-term assets.

$$\text{Current Ratio} = \text{Current Asset} / \text{Current Liabilities}$$

Table 4 Current Ratio

Year	Current Asset	Current Liabilities	Current Ratio
2020-2021	31815.42	10174.17	3.12
2021-2022	30942.01	11478.09	2.69
2022-2023	35203.44	12415.62	2.83
2023-2024	36070.67	12415.61	2.90
2024-2025	39755.94	13122.14	3.02

Source: Secondary data

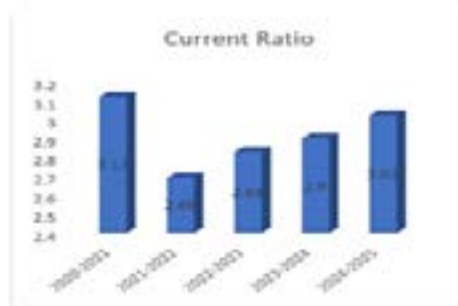


Chart 4 Current Ratio

In 2020-2021, the company started strong with its highest ratio of 3.12, indicating a very high margin of safety for meeting short-term obligations. There was a slight dip in 2021-2022 to 2.69 as Current Liabilities grew at a faster rate than assets, yet the position remained robust. In 2022-2023, the ratio began a steady upward trend, rising to 2.83 as assets increased significantly. This growth continued into 2023-2024, reaching 2.90, supported by a further increase in current assets. In 2024-2025, the ratio climbed back to 3.02, driven by a substantial peak in current assets.

Quick Ratio

Quick Ratio is a more conservative version of the current ratio. It measures a company’s ability to meet its short-term obligations using only its most liquid assets.

$$\text{Quick Ratio} = (\text{Current Asset} - \text{inventory}) / \text{Current Liabilities}$$

Table 5 Quick Ratio

Year	Current Asset	Inventory	Current Liabilities	Quick Ratio (%)
2020-2021	31815.42	9470.87	10174.17	2.19
2021-2022	30942.01	9997.77	11478.09	1.82
2022-2023	35203.44	10593.90	12415.62	1.98
2023-2024	36070.67	12631.51	12415.61	1.88
2024-2025	39755.94	15061.01	13122.14	1.88

Source: Secondary data

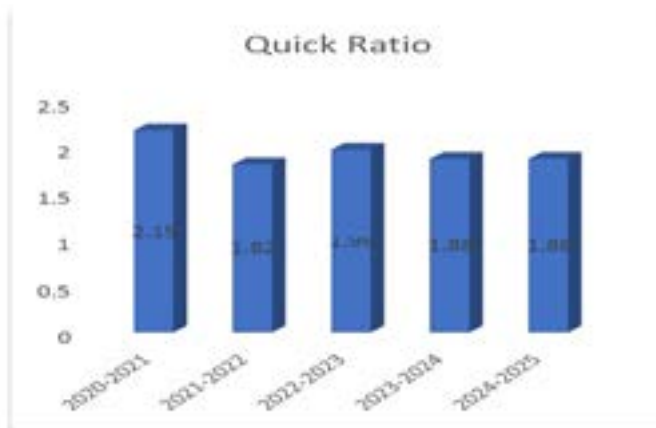


Chart 5 Quick Ratio

The company started with its strongest liquidity position of 2.19 in 2020-2021, indicating it held more than double the liquid assets needed to cover its immediate debts. In 2021-2022, the ratio declined to 1.82 as current liabilities grew faster than assets. In 2022-2023, there was a positive recovery to 1.98 driven by a significant jump in current assets. In 2023-2024, the ratio dipped slightly to 1.88 and levelled off, while assets increased, a sharp rise in inventory limited the growth of immediate liquidity. In 2024-2025, the position remained stable at 1.88, showing that despite inventory hitting a five-year high, the growth in total current assets was sufficient to keep pace with rising liabilities.

Efficiency

Efficiency is the ability to achieve a specific goal or task with the minimum amount of wasted effort, resources or time. In essence, it is about “doing things right” to ensure that the input required whether that is money, energy or hours yields the maximum possible output

Asset Turnover

Asset Turnover is a financial ratio that measures how effectively a company uses its assets to generate sales or revenue.

It acts as an indicator of operational efficiency: the higher the ratio, the better a company is at performing its core business activities using the resources it owns

$$\text{Asset Turnover} = \text{Net Sales} / \text{Total Assets}$$

Table 6 Asset Turnover

Year	Net Sales	Total Assets	Asset Turnover
2020-2021	48524.54	71580.54	0.67
2021-2022	59745.56	75092.50	0.79
2022-2023	70251.28	82261.74	0.85
2023-2024	70105.29	87327.60	0.80
2024-2025	74236.07	84009.20	0.88

Source: Secondary data

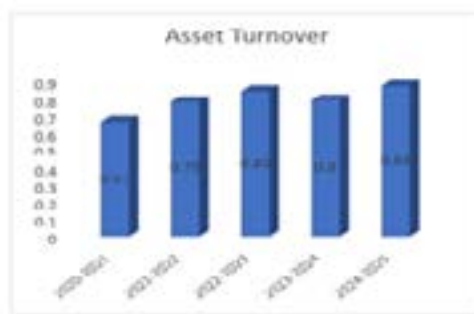


Chart 6 Asset Turnover

The company's asset turnover ratio shows a generally positive trend, indicating increasing efficiency in utilizing its assets to generate revenue. Starting at 0.67 in 2020-2021, the ratio climbed steadily to a peak of 0.85 by 2022-2023 as revenue growth outpaced asset expansion. Although there was a slight dip to 0.80 in 2023-2024 due to a marginal revenue decline and higher asset holding, the company rebounded strongly in 2024-2025. Ending with its highest efficiency of 0.88, the final year demonstrates a leaner asset base (84,009.20) producing its maximum recorded revenue (74,236.07).

Trend Analysis

Trend Analysis is used to examine the pattern of financial performance of the company over a period of time. In this method, one year is taken as the base year and the figures of subsequent years are expressed as a percentage of the base year.

$$\text{Total Percentage} = \text{Current year value} / \text{Base year value} * 100$$

Trend Analysis of Total Assets

Table 7 Trend Analysis of Total Assets

Year	Total Assets	Trend Percentage
2020-2021 (Base Year)	71580.54	100
2021-2022	75092.50	104.90
2022-2023	82261.74	114.92

2023-2024	87327.60	121.99
2024-2025	84009.20	117.36

Source: Secondary data

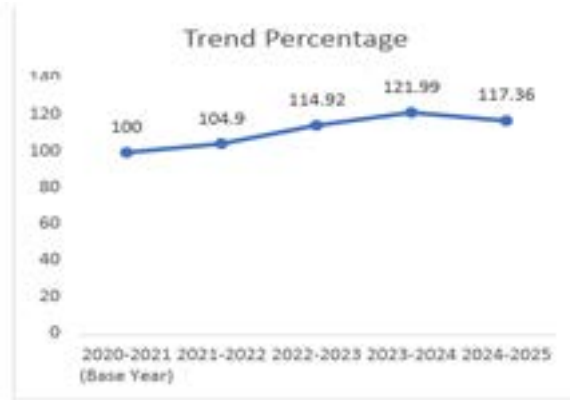


Chart 7 Trend Analysis Percentage

The trend analysis of total assets experienced consistent growth over four years, reaching a peak valuation of 87,327.60 in the 2023-2024 period. This upward trajectory was interrupted in 2024-2025, where assets saw a slight contraction to 84,009.20, bringing the trend percentage down to 117.36. Despite this recent dip, the overall asset base remains significantly stronger than the 2020-2021 base year, reflecting a net growth of 17.36 over the five-year span.

Trend Analysis of Gross Profit

Table 8 Trend Analysis of Gross Profit

Year	Gross Profit	Trend Percentage
2020- 2021 (Base Year)	25510.50	100
2021-2022	30108.75	118.02
2022-2023	37163.09	145.67
2023-2024	38458.29	150.75
2024-2025	37617.68	147.45

Source: Secondary data

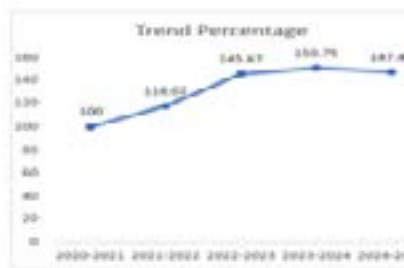


Chart 8 Trend Analysis Percentage

The trend analysis of gross profit shows a consistent upward trajectory in gross profit from the 2020-2021 base year through 2023-2024, peaking at a trend percentage of 150.75. This significant growth indicates a robust improvement in operational efficiency and sales performance over the four-year period. The final year 2024-2025 shows a slight marginal decline to 147.45, suggesting a minor stabilization or increase in production costs

Trend Analysis of Current Ratio

Table 9 Trend Analysis of Current Ratio

Year	Current Ratio	Trend Percentage
2020-2021 (Base Year)	3.12	100
2021-2022	2.69	86.21
2022-2023	2.83	90.70
2023-2024	2.90	92.94
2024-2025	3.02	96.79

Source: Secondary data

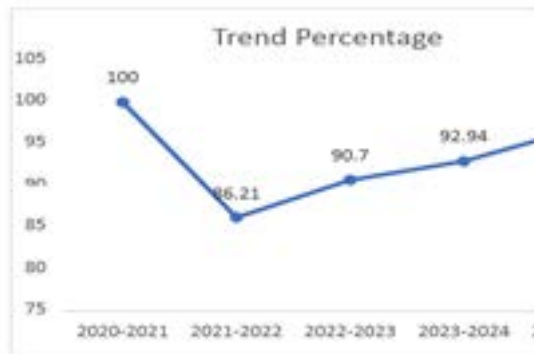


Chart 9 Trend Analysis of Current Ratio

The trend analysis of Current Ratio reveals an initial sharp decline from the 2020-2021 base year to a low of 86.21 in 2021-2022. The company demonstrated a steady and consistent recovery over the subsequent three years, with the trend percentage rising back up to 96.79 by 2024-2025. The ratio remains slightly below the original base year level, the upward trajectory indicates a strengthening of the company’s short-term liquidity position.

Trend Analysis of Revenue from Operations

Table 10 Trend Analysis of Revenue from Operations

Year	Revenue from Operations	Trend Percentage
2020-2021 (Base Year)	48524.54	100
2021-2022	59745.56	123.12
2022-2023	70251.28	144.77
2023-2024	70105.29	144.47
2024-2025	74236.07	152.98

Source: Secondary data

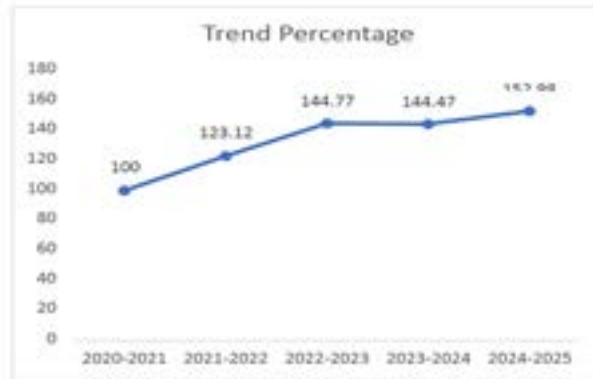


Chart 10 Trend Analysis of Revenue from Operations

The trend analysis of Revenue from operations shows a consistent upward trajectory over the five-year period, growing from the base of 48524.54 in 2020-2021 to 74236.07 in 2024-2025. The trend percentage indicates a significant overall increase of 52.98 compared to the base year, despite a very minor dip in performance during the 2023-2024 final year, reaching its peak percentage. The analysis reflects a strong and healthy recovery and expansion phase for the business, demonstrating long-term financial resilience and positive operational momentum.

Findings

- The Gross Profit Ratio dropped significantly to 50.67 percentage in 2024-25, indicating that rising production costs are outpacing revenue growth.
- The Net Profit Ratio surged to a record high of 47.41 in 2024-2025, showing that the company became much better at converting sales into actual profit.
- The Return on Investment nearly doubled to 41.89 in 2024-2025, showing a massive increase in the profit generated from the company’s invested capital.
- The company maintains a very strong position with a current ratio of 3.02, comfortably exceeding the standard 2:1 requirement for short-term financial stability.
- The Quick Ratio remains strong at 1.88, consistently exceeding the 1:1 benchmark and ensuring immediate debts can be paid without relying on inventory sales.

Suggestions

- Conduct a comprehensive audit of direct costs to identify and mitigate the specific expenses eroding profit margins during high-volume sales periods.
- Investigate whether this massive jump was due to permanent cost cuts or one-time income to ensure this high performance can be maintained in the future.
- The company should strategically reinvest these high returns into modernizing operations or expanding market reach to maintain this exceptional capital efficiency.
- The company should evaluate whether excess liquid assets could be more effectively reinvested into growth projects rather than remaining as idle cash or inventory.
- Closely monitor the rising inventory levels to prevent capital from becoming stagnant, ensuring that high liquidity continues to support efficient business operations.

Conclusion

In conclusion, WelcomHotel by ITC Hotels stands as a globally significant demonstration that responsible luxury is not a contradiction in terms but a commercially robust, financially sound

and strategically intelligent approach to hospitality management. The case for sustainable luxury investments is financially proven and replicable for any luxury hotel chain committed to long term value creation

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