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# A Study on Working Capital Analysis of HCL

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**ABSTRACT**

Finance, the process of raising funds or capital for any kind of expenditure. Consumers, business firms, and governments often do not have the funds available to make expenditures, pay their debts, or complete other transactions and must borrow or sell equity to obtain the money they need to conduct their operations. Savers and investors, on the other hand, accumulate funds which could earn interest or dividends if put to productive use. These savings may accumulate in the form of savings deposits, savings and loan shares, or pension and insurance claims; when loaned out at interest or invested in equity shares, they provide a source of investment funds. Finance is the process of channelling these funds in the form of credit, loans, or invested capital to those economic entities that most need them or can put them to the most productive use. The institutions that channel funds from savers to users are called financial intermediaries.

## INTRODUCTION OF STUDY:

***"Working Capital is the Life-Blood and Controlling Nerve Centre of a business"***

Working capital management refers to the administration of all aspects of current assets, namely cash, marketable securities, debtors, and stock(inventories) and current liabilities. The financial manager must determine levels and composition of current assets. He must see that right sources are tapped to finance current assets, and that current liabilities are paid in time. He must see that right sources are tapped to finance current assets, and that current liabilities are paid in time. There are many aspects of working capital management, which make it an important function of the financial manager.

## STATEMENT OF PROBLEM:

To grow the business, as it incur costs before receive cash for the products and services. Lack of visibility on cash and working capital performance across the organisation. Lack of cash awareness across departments and geographies.

## SCOPE OF STUDY:

This study is aimed to bringing light the stress experienced by the public sector IT employees and their impact on work, social, and family life. This study also focused to identify the factors causing stress among employees and the coping strategies to manage stress. The style of managing the stress helps not only the employees in the selected banks but also serves as an indicator for the administrators and management of it which these respondents belong. Also, This study shall be of great help to the psychologists, psychiatrists, academicians and researchers who are interested in the field of study of institutional behaviour.

## OBJECTIVES:

To evaluate or analyse the organizational financial discipline and Fiscal soundness. To find out the variance attained in related to projected and actual figure. To see the liquidity position of the company. To see the changes in the working capital. To see the components of working capital is properly maintained.

## RESEARCH METHODOLOGY:

PERIOD OF STUDY

The period of study covers 6 months the data collected from 5 years from 2019-2023

SOURCE OF STUDY

The assessment is based on the secondary data collected from the annual report published by Hindustan Computer Limited.

TOOLS OF ANALYSIS

1. Ratios
   - Liquidity Ratio
   - Solvency Ratio
2. Common size statement
3. Comparative statement
4. Trend Analysis

## LIMITATIONS OF STUDY:

Due to time constraints, only specific sample size has been collected. Customers may have faced some problems/conflicts so they may have given negative feedback. Customer may be not interested to express their views to the questionnaire.

## REVIEW OF LITERATURE

**Dr. V. Vijayalakshmi and K. Sowndarya published (2020)** a research paper titled "Working capital management and firm performance: A study of HCL Technologies Limited "in the International Journal of Recent Technology and Engineering. The study examined the impact of efficient working capital management on the financial performance of HCL and found that the company' s effective management of working capital has significantly improved its financial performance.

**Dr. Archana Jain and Dr. Indu Jain published (2018)** a research paper titled "Impact of working capital management on profitability: An empirical study of HCL Technologies Limited "in the Global Journal of Enterprise Information System. The researchers analysed the relationship between working capital management and profitability of HCL and concluded that the company' s effective management of working capital has a positive impact on its profitability.

**Pooja Kaur and Dr. P. C. Tripathi(2017)** published a research paper titled " A comparative analysis of working capital management of HCL and Infosys " in the International Journal of Research in Commerce and Management. The authors compared the working capital management practices of HCL and Infosys and found that HCL had a better cash management system and overall working capital management system compared to Infosys.

**Dr. D. Anitha and Dr. M. Natarajan(2015)** published a research paper titled "Working capital management efficiency of selected IT companies in India" in the International Journal of Business and Management. The study examined the working capital management efficiency of HCL and other IT companies in India and found that HCL had a better inventory management system and receivables management system than its peers.

**Dr. Saikat Gochhait and Dr. Jayanta Sarkar (2013)** published a research paper titled "Working capital management in HCL Technologies Limited: An empirical study" in the 5 International Journal of Recent Advances in Organizational Behaviour and Decision Sciences. The researchers analysed the working capital management practices of HCL over a period of 10 years and concluded that HCL has been successful in managing its working capital effectively.

## HISTORY AND PROFILE

HCL Technologies Limited, HCL Tech (formerly Hindustan Computers Limited), is an Indian multinational information technology (IT) services and consulting company headquartered in Noida. It emerged as an independent company in 1991 when HCL entered into the software services business. The company has offices in 52 countries and over 210,966 employees.

HCL Enterprise was founded in 1976.

The first three subsidiaries of parent HCL Enterprise were:

- HCL Technologies – originally HCL's R&D division. It emerged as a subsidiary in 1991
- HCL Infosystems.
- HCL Healthcare.

The company originally was focused on hardware but, via HCL Technologies, software and services became a main focus.

## ANALYSIS AND INTERPRETATION FINANCIAL STATEMENT ANALYSIS:

RATIO ANALYSIS:

A ratio analysis is a quantitative analysis of information contained in a company's financial statements. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency. Ratio are calculated from current year figures and then compared to past years, other companies, the industry, and also the companies assess the performance of the company. Besides, ratio analysis is used predominantly by proponents of financial analysis.

- Liquidity Ratios
- Solvency Ratios

LIQUIDITY RATIO:

Liquidity is a very critical part of a business. Liquidity is required for a business to meet its short-term obligations. Liquidity ratios are a measure of the ability of a company to pay off its short-term liabilities.

Liquidity ratios determine how quickly a company can convert the assets and use them for meeting the dues that arise. The higher the ratio, the easier is the ability to clear the debts and avoid defaulting on payments.

This is a very important criterion that creditors check before offering short term loans to the business. An organization which is unable to clear dues results in creating impact on the creditworthiness and also affects credit rating of the company.

Types of Liquidity Ratio:

There are following types of liquidity ratios:

1. Current Ratio or Working Capital Ratio
2. Quick Ratio also known as Acid Test Ratio
3. Cash Ratio also known Cash Asset Ratio or Absolute Liquidity Ratio

SOLVENCY RATIO:

Solvency ratio is of the various ratios used to measure the ability of a company to meet its long-term debts. Moreover, the solvency ratio quantifies the size of a company's after-tax

income, not counting non-cash depreciation expenses, as contrasted to the total debt obligations of the firm. Solvency ratio studies the firm's ability to meet its long-term obligations.

TREND ANALYSIS:

Trend analysis involves the collection of information from multiple time periods and plotting the information on a horizontal line for further review. The intent of this analysis is to spot actionable patterns in the presented information. T shows changes in the amounts of corresponding financial statement items over a period a time. It is a useful tool to evaluate the trend situation.

## FINDINGS, SUGGESTIONS, CONCLUSION FINDINGS:

RATIO ANALYSIS:

**1.** COMMON EQUITY RATIO:

- HCL Technologies' s common equity last quarter was 657.7 Billion.
- HCL Technologies' s common equity for the fiscal years ending March 2019 to 2023 averaged 561.8 Billon.
- HCL Technologies' s operated at median common equity of 600.1 Billion from the fiscal years ending March 2019 to 2023.
- Looking back at last 5 years, HCL Technologies' s common equity peaked in September 2023 to 657.7 Billion.
- HCL Technologies' s common equity hit its 5-year low in March 2019 of 419.4 Billion.
- HCL Technologies' s common equity increased in each of the last 5 fiscal years from 419.5 Billion in 2019 to 654.1 Billion in 2023.

**2.** CURRENT RATIO:

- HCL Technologies' s latest twelve months current ratio is 2.6x.
- HCL Technologies' s current ratio for the fiscal years ending March 2019 to 2023 averaged 2.3x

- HCL Technologies operated at current median quick ratio of 2.5x from fiscal years ending March 2019 to 2023.
- Looking back at last 5 years, HCL Technologies' s current ratio peaked in September 2023 to 2.6x.
- HCL Technologies' s current ratio hit its 5-year low in March 2020 of 1.6x.
- HCL Technologies' s current ratio decreased in 2019 (2.4x, -0.4), 2020 (1.6x, -33.0%) and 2023 (2.5x, -2.3) and increased in 2021 (2.5x, +52.5%) and 2022 (2.6x, +3.3%).

**3.** QUICK RATIO:

- HCL Technologies' s latest twelve months current ratio is 2.6x.
- HCL Technologies Quick ratio for fiscal years ending March 2019 to 2023 averaged 2.0x.
- HCL Technologies operated at median quick ratio of 2.1x from fiscal years ending March 2019 to 2023.
- Looking back at last 5 years, HCL Technologies' s quick ratio peaked in September 2023 to 2.3x.
- HCL Technologies' s quick ratio hit its 5-year low in March 2020 of 1.3x.
- HCL Technologies' s quick ratio decreased in 2020 (1.3x, -37.5%) and increased in 2019 (2.1x, +11.3%), 2021 (2.0x, +51.6%), 2022 (2.2x, +9.2%), and 2023 (2.2x, +0.5%).

**4.** CASH FLOW RATIO:

- HCL Technologies' s latest twelve months Cash flow ratio is 6.2x.
- HCL Technologies cash flow ratio yield for fiscal years ending March 2019 to 2023 averaged 5.7%.
- HCL Technologies operated at median cash flow ratio yield of 5.1% from fiscal years ending March 2019 to 2023.
- Looking back at last 5 years, HCL Technologies' s quick ratio peaked in March 2020 at 8.4%.
- HCL Technologies' s cash flow ratio hit its 5-year low in March 2020 of 4.0%.
- HCL Technologies' s cash flow ratio decreased in 2021 (6.6%, -21.3%) and 2022 (4.3%, -34.5%) and increased in 2019 (4.0%, +130.9%), 2020 (8.4%, +107.7%) and 2023 (5.1%, +17.9%).

## SUGGESTIONS:

The management of working capital plays a vital role in running of a successful business. So, things should go with a proper understanding for managing cash, receivables and inventory. HCL info systems is managing its working capital in a good manner, but still there is some scope or improvement in its management. This can help the company in raising its profit level by making less investments in accounts receivables and stocks etc. This will ultimately improve the efficiency of its operations. Following are few recommendations given to the company in achieving its desired objectives.

- The business runs successfully with adequate amount of the working capital but the company should see to it that the cash should not be tied up in excessive amount of working capital.
- Though the present collection systems is near perfect, the company as due to the increasing sales should adopt more effective measures so as to counter the threat of bad debts.
- The over purchasing function should be avoided as it could lead to liquidity problems.
- The investment of cash in marketable securities should be increased, as it is very profitable for the company.
- Holding of excessive and sufficient stock must be avoided as it creates a burden on the cash resources of the business and results in lost sales, delays for customers, etc respectively.

## CONCLUSION:

Hindustan Computers Limited, also known as HCL enterprise, is the one of the India' s largest electronics, computing and Information Technology Company. HCL Career Development Centre or LEARNING DIVISION is an initiative that enables individuals to benefit from HCL expertise in the space and become Industry ready IT professionals, HCL dominates the It space as a leader. Any changes in the working capital will have an effect on a business's cash flows. A positive change in working capital indicates that the business has paid out cash, for example in purchasing or converting inventory, paying creditors etc. Hence, an increase in working capital will have a negative effect on the business's cash holdings. However, a negative change in working capital indicates lower funds to pay off short term liabilities, which may have had repercussions to the future of the company.

HCL Technologies has gone a long way from its humble beginnings as a computer manufacturer to succeeding in several other sectors such as healthcare, banking, and finance. They are constantly improving their strengths in order to expand their possibilities and minimise threats and limitations.