
HCL TECHNOLOGIES LIMITED: AN INVESTIGATION INTO THE FINANCIAL PERFORMANCE ANALYSIS OF THE COMPANY

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ABSTRACT: The purpose of financial analysis is to evaluate the strengths and weaknesses of a business. The analysis is concluded through the determination of the correlation between the entries presented on the balance sheet and the company's profit and loss account. A evaluation of the financial statements of HCL Technologies for a period of five years was incorporated into the examination. The principal objectives of the research are to identify the financial analysis of the organization and provide assistance in forecasting its development. This research makes use of secondary sources of information. The research employed a range of metrics, including but not limited to the debt to equity ratio, debt to asset ratio, asset turnover ratio, basic earnings per share, fast ratio, cash ratio, and dividend payout ratio.

Key words: Financial performance analysis, Ratio analysis.

1. INTRODUCTION

An exhaustive examination of assets, liabilities, equity, expenses, revenues, and overall profitability are all components of a financial performance study. By establishing the relationship between the components of the profit and loss statement and the balance sheet, a financial performance analysis aims to identify the firm's financial strengths and weaknesses. Funds are necessary for the efficient operation of the organization. Determining the company's assets and liabilities through the accurate correlation of the profit and loss statement and balance sheet. An assortment of procedures and methods are utilized when evaluating the fiscal performance of a business.

STATEMENT OF THE PROBLEM

By highlighting the relationship between the balance sheet items and the profit and loss accounts, the financial analysis effectively pinpoints the company's advantages and disadvantages. The careful strategic planning of the company's capital structure, investments, and distribution is essential to its operational efficiency. Long-term survival is only achievable for businesses that apply efficient cost-cutting strategies and apply scientific money allocation

and distribution tactics. Since finance serves as a company's primary engine and backbone, it is critical that the firm's performance be evaluated on a timely basis. This study aims to provide a better knowledge of HCL Technologies' present performance and state by assessing the company's financial performance.

OBJECTIVES

- To analyse the profitability, liquidity, and solvency position of HCL Technologies Limited using ratio analysis for past five years.
- To provide findings and suggestions to enhance the performance of HCL.

SCOPE OF THE STUDY

This report fully analyzes HCL Technologies' financial status using accounting ratios and other approaches. Financial statements, comprising revenue and balance accounts, are reviewed for fiscal years 2018, 2019, 2020, 2021, and 2022. The analysis covers a wide range of factors that affect the company's financial status. The study includes data collected over the previous five years.

RESEARCH METHODOLOGY NATURE OF DATA

Secondary resources, including the internet,

periodicals, journals, annual reports of companies, and prior research articles, were utilized to acquire the data for this study.

DATA ANALYSIS

The collected data are analyzed using:

- Ratio Analysis.

PERIOD OF STUDY

Five years of financial statements have been analysed under this study. That is 2018 to 2022.

LIMITATIONS OF THE STUDY

- The analysis focused primarily on the preceding five years' financial statements, which did not accurately reflect the company's total profitability.
- The data used in the research is based on the organization's publicly available historical outcomes. As a result, the predictive usefulness of analysis metrics for future corporate performance is not constant.

2. REVIEW OF LITERATURE

The objective of the 2020 initiative led by Endri Endri, Adi Sumarno, and Herbin Sarangi is to conduct an analysis of the financial performance of Indonesian food and beverage companies. The principal aim of this research is to determine the organization's capital, assets, liabilities, financial status, and operational performance throughout various time intervals. According to the study's findings, the organization may enhance its asset management practices, potentially resulting in increased productivity and more streamlined resource utilization.

Partha Ghosh and an assistant professor conducted an analysis of the financial condition of several Indian oil refineries (2019) using data gathered from 2005 to 2018. We aim to discern the disparities that exist between the financial position and operational performance of a given company. The analysis was conducted using secondary sources of data. In order to ascertain the statistical significance of the data, f-tests, variance analyses, and mean tests were applied.

RATIO ANALYSIS

TABLE – 1 LIQUIDITY RATIOS

Financial Years	Current Ratio	Quick Ratio	Cash Ratio	Dividend Payout Ratio
2017-2018	3.29	3.28	0.50	22.98
2018-2019	2.93	2.93	0.98	13.43
2019-2020	1.69	1.69	0.09	15.13
2020-2021	2.77	2.76	0.50	37.25
2021-2022	2.97	2.97	0.54	104.75
Average	2.73	2.73	0.52	38.71

The subsequent two years saw an improvement in the current ratio, which peaked at 2.77 in 2020-2021 and then climbed to 2.97 in 2021-2022, signifying a strengthened financial position for the organization. Over a five-year period, the average current ratio of the company was 2.73. Overall, the data indicates that the organization maintained a stable financial position throughout the five-year duration; nevertheless, a temporary decline in the current ratio was observed in 2019-2020, but it was subsequently recovered in the following years.

2017-2018 saw a Quick Ratio of 3.28 for the company, which is indicative of solid financial health. However, in the subsequent year, the ratio declined to 2.93, indicating a marginal deterioration in the organization's financial health. Between 2019 and 2020, the ratio decreased to 1.69, which is worrisome because it indicates that the organization might encounter difficulties in satisfying its immediate financial commitments using its easily obtainable assets. The Quick Ratio exhibited a positive trend over the subsequent biennium, ascending from 2.76 in 2020-2021 to 2.97 in 2021-2022, thereby signifying an enhancement in the financial condition of the organization.

The cash ratio values vary considerably over the previous five fiscal years, spanning from 0.09 to 0.98. This range signifies substantial fluctuations in the organization's capacity to fulfil its immediate financial commitments exclusively through cash and cash equivalents. As indicated by the cash ratio of 0.52 for the specified period, the organization generally maintains sufficient cash on hand to fulfill its immediate financial

commitments. Nevertheless, this might not be the case in every year.

The dividend payment ratio exhibits substantial annual variation, with an average value of 38.71%. During the 2018-2019 and 2019-2020 seasons, the payout ratio remained significantly low at 15.13% and 13.43%, respectively. Nonetheless, between 2020-2021 and 2021-2022, there was a substantial increase, with respective growth rates of 37.25 and 104.75 percent. The company is allocating a substantial portion of its profits to shareholders, as indicated by the high dividend payment ratio during the period of 2021-2022. This may lead to reduced retained earnings available for future ventures and expansion.

TABLE – 2 SOLVENCY RATIOS

Financial Years	Debt to Equity Ratio	Debt to Asset Ratio	Interest Coverage Ratio
2017-2018	0.19	0.16	396.74
2018-2019	0.23	0.19	620.69
2019-2020	0.43	0.30	46.96
2020-2021	0.27	0.21	70.11
2021-2022	0.25	0.20	121.72
Average	0.28	0.21	251.25

The average debt-equity ratio was 0.28. Over the last five years, the Debt to Equity ratio has fluctuated between 0.19 and 0.43. The company's debt-to-equity ratio is reasonable and consistent, reflecting a balanced financial approach.

The company's debt-to-asset ratio has averaged 0.21 during the last five years, indicating a moderate debt-to-asset ratio. Overall, the data show that the firm has maintained a moderate debt-to-asset ratio during the last five years.

The interest coverage ratio ranged between 620.69 in 2018-2019 and 46.96 in 2019-2020. The five-year average interest coverage ratio is 251.25. The data show that the company's ability to pay interest has fluctuated over time, with some years performing better than others.

TABLE – 3 PROFITABILITY RATIOS

Financial Years	Return on Asset Ratio	Return on Equity Ratio	Asset Turnover Ratio	Basic Earnings Per share	Net Profit Margin
2017-2018	22.43	26.71	67.26	52.54	33.35
2018-2019	21.85	26.89	69.45	59.69	31.47
2019-2020	16.76	24.05	60.93	33.06	27.51
2020-2021	15.79	20.07	64.44	32.22	24.51
2021-2022	20.35	25.53	76.07	40.10	26.76
Average	19.44	24.65	67.63	43.52	28.72

The return on assets (ROA) increased from 22.43% in the 2017-2018 period to 21.85% in the 2018-2019 year. However, the Return on Assets (ROA) declined to 16.76% in the fiscal year 2019–2020. The Return on Assets (ROA) experienced a decrease to 15.79% in the fiscal year 2020–2021, followed by an increase to 20.35% in the fiscal year 2021–2022. The mean return on assets (ROA) for the specified period is 19.44%. Despite some swings in performance, the comprehensive study of the Return on Assets (ROA) data indicates that the company has consistently generated satisfactory earnings from its assets.

The company achieved a return on equity (ROE) ratio of 24.65% during a period of five years. This indicates that the company is returning a significant share of the initial investment made by the investors. The organization has consistently achieved a strong and stable return on equity over the past five years, with minimal levels of data variability. Nevertheless, the presence of negative skewness suggests that the company's return on equity was below average in some years.

The organization has consistently achieved an asset turnover ratio of 67.63 on average during the previous five-year period. This implies a specific degree of steadiness. Overall, the data suggests that the company has efficiently employed its resources to generate revenue, consistently displaying this trend over the past five years.

The average basic earnings per share for a period of five years is 43.52. According to the statistics provided, the firm had a comparatively high basic earnings per share in the fiscal years 2017–2018 and 2018–2019, with values of \$52.54 and \$59.69, respectively. During the fiscal year of 2019-2020, the earnings per share experienced a significant

decline, reaching a low value of 33.06. Nevertheless, the earnings per share witnessed a further rise in the fiscal years 2020–2021 and 2021–2022, hitting 32.22 and 40.10, respectively. The data for Fiscal Years shows a steady decline in the Net Profit Margin of the firm. The average Net Profit Margin is 28.72% for the specified time frame. Although the company continues to make a profit, the available information indicates that its ability to transform revenue into net income may be declining gradually.

FINDINGS

- With an average current ratio of 2.73, the company demonstrated sound financial standing.
- With an average quick ratio of 2.73, the company demonstrated sound financial standing.
- The average cash ratio of the company was 0.52, indicating that it typically possesses sufficient cash reserves to meet its short-term financial obligations.
- The payout ratio had a high degree of unpredictability and varied considerably from year to year, averaging 38.71%.
- The data demonstrates a cautious approach to operating finance, with a moderate percentage that has remained largely steady over the previous five years.
- Based on the available data, the company has consistently kept its debt-to-asset ratio within a healthy range during the last five years.
- The data indicates that the company's capacity to meet its interest obligations has varied greatly over time, with certain years showing noticeably stronger performance than others.
- With an average Return on Assets (ROA) of 19.44% for the chosen period, the business has successfully produced earnings from its assets.
- Over a five-year period, the company's average return on equity (ROE) ratio was 24.65, suggesting that shareholders are getting a relatively strong return on their

investment.

- With an asset turnover ratio of 67.63 for the given period, the business is able to reliably generate sales from its assets.
- The average earnings per share for the previous five years is 43.52, which is very variable.
- The company is still profitable, as evidenced by its average Net Profit Margin over the chosen years of 28.72%.

SUGGESTIONS

- The firm would benefit from looking into the factors behind variations in the dividend payout ratio and evaluating the potential advantages of having a more uniform payment policy.
- Even though the debt-to-equity and debt-to-asset ratios have not changed over the past five years, it is crucial to take the company's financial position into account in the event that interest rates or market conditions fluctuate in the future.
- It would be prudent to take into account measures for strengthening the company's financial stability and lowering its dependency on debt financing given the difference in interest coverage ratio data.
- The factors influencing the ROA and ROE ratios should be further investigated, as these measurements are crucial representations of the profitability and financial stability of a business.
- To compare the company's financial ratios to those of its rivals and industry benchmarks, a benchmarking analysis is advised.
- Examine the factors that have caused the net profit margin to decline over time and consider strategies to boost profitability.
- It would be good to investigate measures to stabilize the company's earnings and lessen the impact of outside events on its financial performance, given the significant volatility in basic profits per share statistics.
- It is advised to perform a scenario analysis in order to determine the likely financial effects on the organization of different

market conditions.

- Examining methods for increasing the company's revenue streams will help it become less dependent on any one product or market.
- Examine all available cost-cutting strategies in-depth in order to raise the profitability and financial performance of the business.
- To identify potential threats to the company's financial stability and develop mitigation methods, it is advised to conduct a risk analysis.
- To evaluate the company's financial situation both now and in the future, do a financial forecasting analysis.
- Analyze possible merger or acquisition prospects to raise the standing and financial performance of the business.
- Think about ways to enhance the company's cash flow management, like reducing payment periods or raising cash reserves.
- To find out how changes in overseas trade circumstances or fluctuations in currency rates would affect the company's financial position, do a sensitivity analysis.
- In order to boost the company's revenue streams and profitability, kindly take into consideration looking into possible chances for expanding into new markets or product lines.

3. CONCLUSION

While the company's financial results indicate overall stability, several areas warrant caution. Furthermore, the variances observed in the Interest Coverage Ratio data suggest that the company's capacity to meet its interest commitments may not always be consistent. To fully comprehend the firm's financial situation and make educated decisions, additional research and analysis of financial statements and other pertinent data are required.

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