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A STUDY OF FINANCIAL PERFORMANCE ANALYSIS OF HCL TECHNOLOGIES

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ABSTRACT

This study examines how effectively HCL Technologies has managed its short-term financial obligations over the past ten years. It uses key measures like the current ratio and quick ratio to assess the company's liquidity. The results show that HCL has maintained a steady and healthy cash flow for its daily operations. The study also compares HCL's liquidity ratios from 2015 to 2024.

KEY WORDS: *Financial Performance, Liquidity Ratios*

INTRODUCTION

HCL Technologies is a multinational IT company started in India. The company head office is located in Noida. HCL was established in 1976 as one of India's original IT start-ups. It is a founder of modern computing with many creations, including the introduction of personal computers focused on an 8-bit microprocessor in 1978. HCL Technologies offers services in various sectors, including technology, talent management solutions and healthcare. It also consists of three companies Financial performance analysis is the process of evaluating business, budgets and other finance related transactions to determine their performance and suitability Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid or profitable enough to warrant a monetary investment, The statement includes the income statement, balance sheet, statement of cash flow, notes to accounts and a statement of changes in equity. It is used by a variety of stakeholders, such as credit and equity investors, the government, the public and decision-makers within the organization. These stakeholders have different interests and apply a variety of different techniques to meet their needs.

The financial performance analysis of a company or a firm is generally done using ratio analysis, comparative statements and common size statements. Ratio analysis is the comparison of the hems in the financial statements of a business. Ratio analysis is used to evaluate a number of issues with an entity, such as its liquidity, efficiency of operations, and profitability. This type of analysis is particularly useful to analysis outside of a business, since their primary sources of information about an organization is its financial statements.

OBJECTIVE

- To study the overall financial performance of HCL Technologies over a period of Ten years
- To evaluate the financial position of the company in terms of liquidity.

REVIEW OF LITERATURE

Mr. K. Mahendran and Mr. KishorKumar S (2023) A Study of Financial Performance Analysis For HCL Tech The process of identifying a company's strengths and weaknesses is referred to as financial analysis. By determining the relationship between the items on the balance sheet and profit and loss account of the business, the study is completed. The investigation was conducted by examining HCL Technologies' five-year financial statements.

Mr. P. Kanagaraj (2021) A Study of Financial Performance Analysis for HCL TECHNOLOGY ltd The study is done by establishing the relationship between the items of the company profit and loss account and balance sheet. The study is done by analyzing Six years financial statement of HCL technologies. The data is Secondary data and main objective of the study is to find the financial analysis of the company and also to help in finding the growth of the company. There are various tools used in the study is current ratio, Liquid ratio, net profit ratio, gross profit ratio, return on asset ratio, proprietary ratio, Total asset turnover ratio, Inventory turnover ratio.

Mr.R. Singh (2020), has highlighted the adoption of advanced analytics and machine learning in HCL Technologies' financial analysis and streamlined the evaluation of key ratios. This technological integration contributes to more accurate and timely financial insights, aiding in strategic decision-making.

Haitham Nobanee (2020): 'A Study on financial performance on Dell Technologies. The author had made the study to analysis company financial position with data collected from yahoo finance for the period of 2015-2016 to 2018-2019. The Analysis consists of four different ratios and made up a suggestion to increase company's financial stability indicate good health of the company

Mr. S. Gupta (2018), discussed the challenges such as the complexity of global operations and currency exchange fluctuations and highlight the need for careful consideration when interpreting certain financial ratios. Acknowledging these challenges is crucial for a nuanced understanding of HCL Technologies' financial health.

Dr. S. Mehta (2019), conducted research analyzing HCL Technologies' financial performance during a period of global economic uncertainty. The study revealed that HCL's diversified portfolio and global presence played a significant role in maintaining financial stability during challenging economic conditions.

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RESEARCH METHODOLOGY

In order to identify and collect data about the features of a particular problem or event, this study uses a descriptive research design. In this case, HCL TECH financial performance is the topic of discussion. The study covers the period of ten years from 2015 to 2024. The data required for this study is collected from secondary data. Secondary data may be collected from,

- Annual Reports of HCL TECH (2015–2024)
- Financial Databases
- Regulatory Reports

Liquidity ratios, have been used to analyze the collected data.

ANALYSIS AND INTERPETATION

LIQUIDITY RATIO

1.CURRENT RATIO

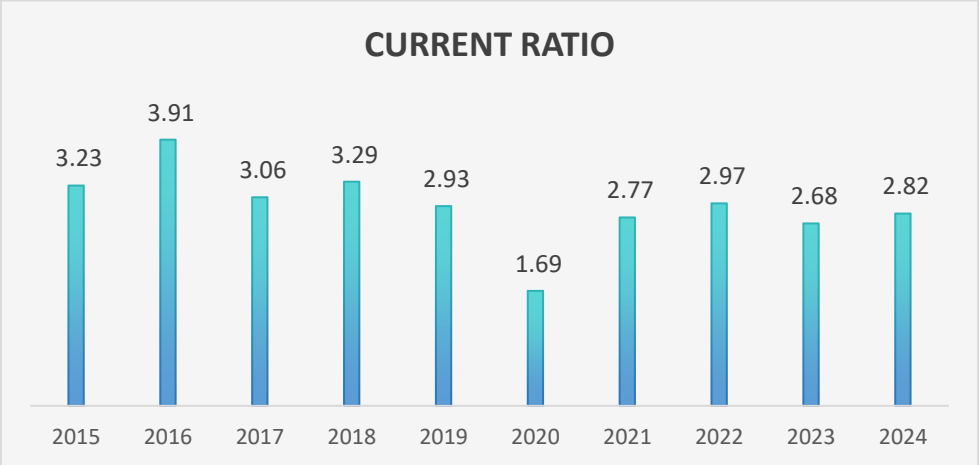
The Current Ratio is a financial metric that shows a company's ability to pay its short-term liabilities with its short-term assets. It helps investors and creditors understand the liquidity position of a business. Current Ratio = Current Assets/Current Liabilities

TABLE 1 : CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2015	16,174.28	5,000.38	3.23
2016	17,640.18	4,512.99	3.91
2017	18,116	5,915	3.06
2018	15,448	4,693	3.29
2019	18,707	6,379	2.93
2020	23,530	13,941	1.69
2021	27,714	10,019	2.77
2022	26,887	9,043	2.97
2023	28,571	10,667	2.68
2024	29,545	10,464	2.82
AVERAGE	22233.246	8063.437	2.94
S.D	5580.118945	3208.871511	0.56

INTERPRETATION

The company's current assets have steadily increased from 16,174 in 2015 to 29,545 in 2024, indicating a strong capacity to cover short-term obligations. Current liabilities have also risen, but at a slower pace, resulting in an average current ratio of 2.94, well above the benchmark of 2.0, reflecting a healthy liquidity position. Despite some fluctuations, the overall stability in liquidity demonstrates prudent financial management, allowing the company to navigate operational uncertainties effectively.



2.QUICK RATIO

The Quick Ratio, also known as the Acid-Test Ratio, is a financial metric that measures a company's ability to pay its short-term liabilities using its most liquid assets (excluding inventory). Quick Ratio = Current Assets – Inventory/Current Liabilities

TABLE 2: QUICK RATIO

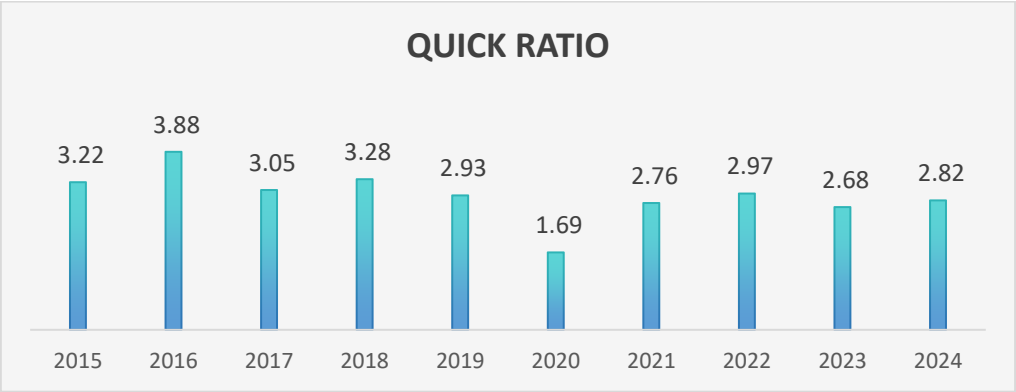
YEAR	CURRENT ASSETS	INVENTARY	CURRENT LIABILITIES	QUICK RATIO
2015	16,174.28	84	5,000.38	3.22
2016	17,640.18	128.56	4,512.99	3.88
2017	18,116	90	5,915	3.05
2018	15,448	40	4,693	3.28
2019	18,707	18	6,379	2.93

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2020	23,530	14	13,941	1.69
2021	27,714	18	10,019	2.76
2022	26,887	23	9,043	2.97
2023	28,571	35	10,667	2.68
2024	29,545	25	10,464	2.82
AVERAGE	22233.246	47.506	8063.437	2.93
S.D	5580.118945	39.23536279	3208.871511	0.555356398

INTERPRETATION

The company's current assets, excluding inventory, have steadily increased from 16,174 in 2015 to 29,545 in 2024, demonstrating a strong capacity to meet short-term obligations. With minimal inventory averaging just 47.5, the quick ratio remains healthy at 2.93, indicating that the company can easily cover its liabilities with liquid assets. This lean inventory strategy enhances liquidity and reflects robust operational efficiency and prudent financial management, ensuring excellent short-term financial health.



3.CASH RATIO

It shows how well a company can cover its current debts immediately, without having to sell inventory or collect receivables.

Cash Ratio = (Cash + Cash Equivalents) /Current Liabilities

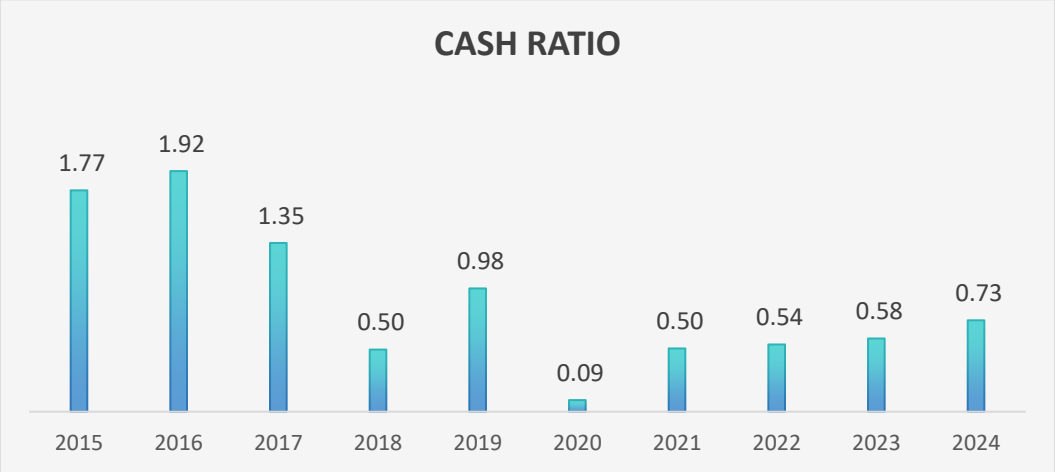
TABLE 3

YEAR	CASH ANDCASH EQUIVALENTS	CURRENT LIABILITIES	CASH RATIO
2015	8,829.41	5,000.38	1.77
2016	8,662.96	4,512.99	1.92
2017	7,962	5,915	1.35
2018	2,325	4,693	0.50
2019	6,273	6,379	0.98
2020	1,291	13,941	0.09
2021	5,056	10,019	0.50
2022	4,849	9,043	0.54
2023	6,231	10,667	0.58
2024	7,629	10,464	0.73
AVERAGE	5910.837	8063.437	0.90
S.D	2572.172331	3208.871511	0.60

INTERPRETATION

The company's cash and cash equivalents have fluctuated significantly, starting at 8,829.41 in 2015, dropping to a low of 1,291 in 2020, and recovering to 7,629 by 2024, with an average cash holding of about 5,911. The cash ratio averaged 0.90, indicating strong liquidity, although it dipped to 0.09 in 2020, highlighting a critical liquidity gap. Despite some variability, a strong positive trend in the cash ratio suggests improved liquidity management and a growing buffer against short-term financial shocks.

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FINDING

1. Liquidity is Stable: Current ratio (2.94) and quick ratio (2.93) are well above safe thresholds, showing strong short-term financial health.
2. Lean Inventory Strategy: Quick ratio stays high due to low inventory levels, which supports liquidity without overstocking.
3. Cash Liquidity Fluctuates: Cash ratio averaged 0.90, but showed vulnerability in 2020 with a low of 0.09, indicating a temporary liquidity crisis

CONCLUSTION

The analysis of HCL Technologies liquidity ratios shows a stable short-term financial position, with healthy current and quick ratios.

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