REVIEW OF RESEARCH

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PERFORMANCE ANALYSIS OF HCL TECHNOLOGIES LTD., AND TECH MAHINDRA LTD

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ABSTRACT:

The aim of the study is to analyze the performance of HCL Technologies Limited and Tech Mahindra Limited during the period 2008 to 2017. The findings of the study reveal that the HCL Technologies Limited and Tech Mahindra Limited have better performance in terms of sales. The Profit after Tax to Sales Ratio performance of H.C.L Technologies has remained between 12 per cent to 19 per cent. The Profit after Tax to Sales Ratio of Tech Mahindra has decreased when compared to HCL Technologies Limited. Both the companies have less dependence on borrowings. Interest coverage ratio of the companies shows efficiency meeting their Interest obligation. This is primarily due to very low Debt content in the capital structure of the companies. The overall performance of the companies is good in terms of Sales, Profit after Tax, Profit after Tax to Sales Ratio, Long Term Debt to Equity Ratio, Interest Coverage Ratio, Net Working Capital, Current Ratio, Debtor Turnover Ratio and Cash Holding Ratio of the companies during the study period.

KEYWORDS: *Performance analysis of IT Companies .*

INTRODUCTION

India has occupied the leadership position in Information Technology sector in all over the world in the recent years. Strong demand for past few years has placed India amongst the fastest growing IT markets in Asia-Pacific region. The Indian IT sector is one of the most flourishing industries, but there is a fear of collapsing of the Indian IT sector with the recession in the US market. So this type of study is mandatory to carry on at this point of time to reveal the actual financial scenario of this industry and to check whether it will continue its growth position or able to hold the leadership position to next decade[1].

With the financial changes and the approaches of Liberalization, Privatization and Globalization, India encountered an extreme change in its economy, as far as National salary, Standard of living, Employment openings and so forth. LPG invited numerous remote nations to put capital and set up business in India. IT is one such industry entered India and made a huge explosion. Because of all these, there is a radical change in the desires for representatives added to change in pay design. In India, ITeS (Information Technology empowered Services) is the quickest developing portion of the administration division industry. IT and ITeS began around the mid-90s, has now developed significantly. India is currently the world's favored market for IT administrations, among different contenders, for example, Australia, China, Philippines and Ireland.

[1] https://www.researchgate.net/publication/260361872 Financial Performance in IT Sector in India-A Case Study

Research by the National Association of Software Services and Companies (NASSCOM) has uncovered that quality introduction, day in and day out administrations, India's novel geographic area and the speculator well disposed expense structure in India have all made the business prominent in India .

REVIEW OF LITERATURE

This section presents a review of previous studies relating to the research problem selected for the present study and enables the researcher to have an in-depth knowledge over the various concepts of research problem. A review of the important studies and different concepts relating to the financial performance has been presented. In this regard, the researcher has referred to various academic journals and magazines.

Ashvin, et al (2018)[2] analyzed the performance of five companies from the Information Technology Sector of India. The companies were selected on the basis of market capitalization. The variables viz Sales, Profit After Tax, Long Term Debt To Equity, Interest Coverage, Working Capital, Debtors Turnover and Cash holdings of the companies were examined over a period of 10 years. The study revealed that all these companies have performed well in terms of Sales and Profit After Tax. Also, all the companies are equity driven and do not face any problem to meet with interest obligation. Performance on the front of working capital has also been found very satisfactory. Cash holdings of the companies are very comfortable. All the companies except Tech Mahindra are consistent in their performance on various parameters. Tech Mahindra has managed to be on the surface, but with considerable inconsistency.

Roopa, et al (2017) called attention to that the financial changes and the strategies of Liberalization, Privatization and Globalization has gotten an extreme change in Indian economy, India has encountered improvement regarding National pay, Standard of living, Employment openings and so forth. LPG invited numerous outside nations to put capital and set up business in India. IT and its is one such segment which picked up its development energy amid this period, in this way striking a spot for India in Global market. The segment has a noticeable commitment to GDP and is one of the real exporters in the administration division. Today this is the division which is pulling in major outside speculators to put their cash in India. The real criteria for venture are extraordinary budgetary execution. In this way the goal of the present examination is to break down the monetary execution of chose [forty five] Indian IT and ITeS organizations, recorded in National Stock Exchange. The investigation demonstrated that enormous organizations are better entertainers and medium organizations are reliable entertainers.

Nicolae Baltes, et al (2016)[3] their study aims at determining the financial performance of companies in the pharmaceutical industry between 2009 and 2014 by means of the indicator of the financial return rate, using multiple linear regressions as research method. By analyzing the evolution of the share of companies in the pharmaceutical industry based on the trend of the financial rate of return, they estimate that the number of entities that resort to supporting the financial activities from loans and liabilities is growing in the period under analysis. This is due mainly to the liquidity crisis faced by entities, as a result of the high recovery duration of debts. Also, using the multiple linear regression they highlight that, the financial return of pharmaceutical companies is positively influenced by their economic profitability, by the equity multiplier and by inflation, and negatively, by the net profit margin.

[2] Dr. Ashvin R. Dave and Ms. Devanshi R. Shah, (2018) " Financial Performance Analysis of Indian Companies In Information Technology Sector", International Journal of Management Studies, Vol.–V, Issue –2(1), pp 45-51.

[3] Nicolae Baltes, And Georgiana Daniela Minculete (2016) " Study On The Financial Performance Of Companies Operating In The Pharmaceutical Industry In Romania" Studia Universitatis “Vasile Goldis” Arad. Economics Series Vol 26 Issue 1/2016 ISSN 1584-2339. Web: Publicatii.Uvvg.Ro/Index.Php/Studiaeconomia. pp 58–68.

Marimuthu KN (2018)[4] evaluated the financial performance of Indian textile Industry and any influence on the financial performance and business growth through the changes on working capital, liquidity position etc. An empirical study is based on secondary data (2001-02 to 2010-12) select Bombay Dyeing and Manufacturing Company (BDMC) from the topmost listed NSE Indian textile industry. Findings and suggestions; normally funds are highly required for day-to-day business activities of the firm and what way utilizes it and in what way should exit from losses of investment are discussed. It concludes with the investment and profitability and liquidity position of BDMC is increasing positively and decreasing the debt-coverage ratio is the strength of the firm.

Kandasamy, et al (2011)[5] analyzed the liquidity and profitability of SAIL. The study tested the liquidity and profitability through the Spearman's rank correlation analyses. They found that the company maintains overall control; the liquidity and profitability positions and the company's techniques adopted for liquidity asset management is satisfactory.

Jyotirmoy Koley (2019)[6] the objective of his study is to identify financial position and performance of the selected banks and to examine whether any significant difference exists in their performance. The study is based on secondary data which has been collected from annual reports of the selected banks covering a period of five years from 2013-14 to 2017- 18. The CAMEL model has been used to assess the financial strength of the selected banks. T-test has been used for the important parameters like capital adequacy, asset quality, management efficiency, earnings ability and liquidity to draw the conclusion the study.

From the above literature review, it appears that over the years, various attempts have been made by the researchers and academicians to evaluate the financial position and performance of various industries from different aspects. But there is no seminal work done on the analysis of the financial position of hcl technologies limited and Tech Mahindra limited in India. So, the present study has tried to highlight this untouched area.

STATEMENT OF THE PROBLEM

The development of industries depends on several factors such as finance, personnel, technology, the quality of the product and marketing. Out of these, financial and operating aspects assume a significant role in determining the growth of industries. All of the company's operations virtually affect its need for cash. Most of the data covering operational areas are however outside the direct responsibility of the financial executive. Unless the top management appreciates the value of a good financial and operating analysis, there will be continuing problems for the financial executives to find the profitability position of the concern[7]. In this context the researcher is interested in undertaking an analysis to find the financial performance of hcl technologies limited and Tech Mahindra limited. Hence, the present study entitled "Performance Analysis of Hcl Technologies Ltd., And Tech Mahindra Ltd" has been undertaken.

RESEARCH METHODOLOGY

In the present study analytical research method was used to analyze the financial performance of the Hcl Technologies Ltd., and Tech Mahindra Ltd. secondary data was collected from financial

4 Marimuthu KN (2018) "Financial Performance Analysis of Indian Textile Industry (A Study on Bombay Dyeing and Manufacturing Company)" (2012). Available at https://dx,doi.org/10.2139/ssrn3168369.

5 Kandasamy, S., and M. P. Mahesh "Financial Health of Steel Authority of India Limited– Z-score Analysis," Research Lines IV, No. I-B (January - Jun 2011): 126.

6 Jyotirmoy Koley (2019) "Analysis of Financial Position and Performance of Public and Private Sector Banks in India: A Comparative Study on SBI and HDFC Bank", NSOU-Open Journal, A multidisciplinary Online Journal of Netaji Subhas Open University, INDIA, Vol.2 No.1.

7 V.Vijayalakshmia and M.Srividyab (2014) "A Study On Financial Performance Of Pharmaceutical Industry In India", Journal of Management and Science, Vol.4. No.3, pp.36-54.

statements of the companies and annual reports of the companies, journals and magazines. The required data were collected from 2008-2017. The variable such as Sales, Profit After Tax, Profit After Tax to Sales Ratio, Long Term Debt to Equity Ratio, Interest Coverage Ratio, Net Working Capital, Current Ratio, Debtor Turnover Ratio and Cash Holding Ratio were used to measure the financial performance of the selected companies.

RESULTS AND DISCUSSION

HCL TECHNOLOGIES LIMITED

HCL Technologies Limited (Hindustan Computers Limited) is an Indian worldwide innovation organization, headquartered in Noida, Uttar Pradesh, India. It is a backup of HCL Enterprise. Initially an innovative work division of HCL, it developed as an autonomous organization in 1991 when HCL wandered into the product administrations business.

The organization has workplaces in 44 nations, including the United States, France and Germany, and the United Kingdom with an overall system of R&D, "development labs" and "conveyance focuses", and 120,000+ representatives and its clients incorporate 250 of the Fortune 500 and 650 of the Global 2000 organizations. It works crosswise over segments including aviation and safeguard, car, banking, capital markets, concoction and procedure ventures, shopper merchandise, vitality and utilities, human services, greetings tech, mechanical assembling, protection, life sciences, assembling, media and diversion, mining and common assets, oil and gas, retail, telecom, and travel, transportation, coordinations and neighborliness.

HCL Technologies is on the Forbes Global 2000 rundown. It is among the main 20 biggest traded on an open market organizations in India with a market capitalization of $18.7 billion as of May 2017. As of May 2018, the organization, alongside its auxiliaries, had combined income of $7.8 billion. The performance analysis HCL Technologies Limited is shown in table 1.

Table 1
Performance Analysis Of HCL Technologies Limited

Years	Sales (Rs. Cr.)	Profit After Tax (Rs. Cr.)	Profit After Tax to Sales Ratio	Long Term Debt to Equity Ratio	Interest Coverage Ratio	Net Working Capital (Rs. Cr.)	Current Ratio	Debtor Turnover Ratio	Cash Holding Ratio
2008	7562.78	1053.83	13%	0.62	41.35	1038.50	1.4:1	5.62	9.04
2009	10229.41	1319.45	12%	1.30	43.42	2060.23	1.5:1	5.43	7.03
2010	12136.29	1259.00	10%	1.00	12.37	2360.64	1.6:1	5.16	6.97
2011	15730.43	1646.63	10%	0.81	13.72	2592.81	1.6:1	6.12	9.85
2012	20830.55	2427.08	11%	0.85	25.27	2624.85	1.4:1	6.42	11.70
2013	25581.06	4044.58	15%	0.69	60.44	5161.29	1.6:1	6.11	9.26
2014	32143.66	6507.76	20%	0.52	91.60	10087.80	2:01	6.32	5.19
2015	36701.22	7301.95	19%	0.45	127.95	13119.75	2.3:1	6.01	3.94
2016	30780.80	5605.25	18%	0.42	127.18	14700.48	2.4:1	4.33	3.22
2017	47567.53	8,604.37	18%	0.38	148.71	15128.13	2.3:1	5.95	5.19
Mean	23926.373	3976.99	14.6%	0.70	69.20	6887.44	1.81	5.74	7.13
S.D	12954.98	2835.41	3.89	0.29	50.98	5731.33	0.39	0.63	2.77
C.V (%)	54.15%	71.30%	26.64%	41.43%	73.67%	83.21%	21.54%	10.98%	38.85%
CAGR (%)	20.19%	23.37%	3.31%	-0.05%	0.14%	0.31%	5.09%	0.01%	-0.05%

Source: Annual Reports

Table 1 shows the mean sales of HCL was Rs.23926.373 Cr with a standard deviation of 12954.98. The coefficient of variation was 54.15 per cent, which shows the variable nature of the sales during the study period. The overall increase in its Turnover over the years while 2016 had seen Sales less than the previous year. Sales have grown at a compound annual growth Rate of 20.19 per cent.

The HCL's average Profit After Tax was Rs. 3976.99 Cr. The standard deviation and coefficient was 2835.41 and 71.30 per cent. The Profit after Tax compound annual growth rate was 23.37 per cent. The Profit after Tax has continuously increased during the study period.

The Profit after Tax to Sales ratio has been on average of 14.6 per cent over the decade. The standard deviation and coefficient of variation was 3.89 and 26.64 per cent.

The mean Long Term Debt to Equity Ratio was 0.70. The standard deviation and coefficient of variation was 0.29 and 41.43 per cent. The ratio has been at an average of 0.70 over the study period.

The mean Interest Coverage Ratio was 69.20 with standard deviation and coefficient of variation was 50.98 and 73.67 per cent. The compound annual growth rate of the ration was 0.14 per cent during the study period. Though a few years have seen lesser Interest Coverage Ratio, the company gradually has been able to maintain it at a higher level and hence is in a comfortable position to honor its Interest obligations.

The average Net Working Capital of the company was Rs.6887.44 Cr. The standard deviation and coefficient of variation was 5731.33 and 0.31per cent. The net working capital has increased 0.31 per cent over the study period. The Company has improved its Net Working Capital since the year 2014 and has been consistent thereafter.

The mean Current Ratio was 1.81 times and the standard deviation and coefficient of the ratio were 0.39 and 21.54 per cent. The ratio had improved 5.09 percent during the study period. The company has maintained its Current Ratio at 1 to 2 times in last 10 years.

The mean Debtor Turnover Ratio of the company was 5.74. The standard deviation and coefficient of variation was 0.63 and 10.98 per cent. The Accounts receivable has been maintained at 5-6 times throughout the year. The HCL's Cash Holding is on average of 7.13 times during the study period.

TECH MAHINDRA LIMITED

Tech Mahindra Limited is an Indian multinational provider of information technology (IT), networking technology solutions, Integrated Engineering Solutions (IES) and Business Process Outsourcing (BPO) to various industry verticals and horizontals. Tech Mahindra is headquartered in Pune and has its registered office in Mumbai. Part of the Mahindra Group, Tech Mahindra is a US$4.9 billion company with over 121,840+ employees across 90 countries. Tech Mahindra was positioned fifth in India's IT firms and in general 111th in Fortune India 500 rundown for 2012. Tech Mahindra, on 25 June 2013, announced the completion of a merger with Mahindra Satyam. Tech Mahindra has 926 active clients as of March 2018. Tech Mahindra is part of USD 21 billion Mahindra Group that employs more than 200,000 people in over 100 countries. The Group operates in the key industries that drive economic growth, enjoying a leadership position in tractors, utility vehicles, after-market, information technology and vacation ownership[8]. The performance analysis of Tech Mahindra Limited is shown in table 2.

8 Wikipedia, the free encyclopedia

Table 2
Performance Analysis Of Tech Mahindra Limited

Years	Sales (Rs. Cr.)	Profit After Tax (Rs. Cr.)	Profit After Tax to Sales Ratio	Long Term Debt to Equity Ratio	Interest Coverage Ratio	Net Working Capital (Rs. Cr.)	Current Ratio	Debtor Turnover Ratio	Cash Holding Ratio
2008	3766.10	760.6	20%	0.75	84.29	599.4	1.6:1	3.92	46.87
2009	4464.70	1002.70	22%	0.45	437.2	848.2	1.9:1	4.46	14.04
2010	4625.40	687.8	14%	0.6	6.46	650.9	1.5:1	4.75	12.22
2011	5140.20	745.8	14%	0.79	8.24	518.5	1.3:1	4.94	21.18
2012	5489.70	542.1	9%	0.7	7.3	554.1	1.3:1	4.66	21.6
2013	6873.10	742.7	10%	0.62	8.5	373.1	1.1:1	4.55	17.67
2014	18831.40	3062.40	16%	0.5	38.3	5972.3	2.3:1	6.22	9.76
2015	22621.30	2658.60	11%	0.45	62.18	6544	2:01	4.74	7.9
2016	26494.20	3156.70	11%	0.48	73.73	7989.1	2.1:1	4.83	8.25
2017	29140.80	2853.20	9%	0.43	61.79	9933.6	2.5:1	5.25	8.05
Mean	12744.69	1621.26	13.6	0.57	78.79	3398.32	1.76:1	4.83	16.75
S.D	9759.67	1082.85	4.31	0.12	129.51	3767.19	0.44	0.56	11.19
C.V (%)	76.57%	66.79%	31.69%	21.05%	164.37%	110.85%	25.00%	11.59%	66.81%
CAGR (%)	22.7 %	14.13 %	-7.67 %	-5.41 %	-3.06 %	32.42 %	4.56 %	2.96 %	-16.15 %

Source: Annual Reports

It is observed from the table 2 that the mean sales of the company was Rs. 12744.69 Cr. The standard deviation and coefficient of variation of the sales was 9759.67 and 76.57 per cent, which shows a high volatile nature of the sales. Table further indicates that the company has shown a great performance in terms of Sales. The Sales have increased in absolute terms after the year 2014 and with the Annual Average Growth Rate of 22.7 per cent.

The average Profit after Tax to Sales Ratio was Rs. 1621.26 Cr with standard deviation and coefficient of variation of 1082.85 and 66.79 per cent, which indicates that highly variable nature of the ratio. The Profit after Tax to Sales Ratio has decreased over the years from 20 per cent in 2008 to 9 per cent in 2017. The Profit after Tax to Sales in absolute terms has shown major ups and downs. The compound annual growth rate of the ratio was 14.13 per cent during the study period.

The mean Long Term Debt to Equity Ratio 0.57. The standard deviation and coefficient of variation was 0.12 and 21.05 per cent. The company has well maintained Long Term Debt to Equity Ratio consistently below 1 suggesting a lower preference for borrowing.

The mean Interest Coverage Ratio of the company was 78.79. The standard deviation and coefficient of variation shows the highly volatile nature of the ratio during the study period. The Interest Coverage Ratio also has witnessed wide fluctuations, nevertheless there appears to be no cause of concern from the view point of meeting the Interest obligations.

The average net working capital of the company was Rs.3398.32 Cr with standard deviation and coefficient of variation was 3767.19 and 110.85 per cent, which indicates high variability of the working capital, however, Working Capital has increased substantially during the study period.

The average Current Ratio of the company was 1.76:1 and the standard deviation and coefficient of the ratio were 0.44 and 25.00 per cent. The ratio had improved 4.56 per cent during the study period. The company has maintained its Current Ratio at 1 to 2 during the study period.

The Debtor Turnover Ratio is an average of 4.83 times. The standard deviation and coefficient of variation was 0.56 and 11.59 per cent, which shows lesser variability of the ratio. The ratio had improved 2.96 per cent during the study period.

The mean cash holding ratio of the company was 16.75 with standard deviation and coefficient of variation of 11.19 and 66.81 per cent. The Company has maintained a higher cash holding ratio during the study period.

CONCLUSION

To conclude, the HCL Technologies Limited and Tech Mahindra Limited have better performance in terms of sales. The Profit after Tax to Sales Ratio performance of H.C.L Technologies has remained between 12 per cent to 19 per cent. The Profit after Tax to Sales Ratio of Tech Mahindra has decreased when compared to HCL Technologies Limited. Both the companies have less dependence on borrowings. Interest coverage ratio of the companies shows efficiency meeting their Interest obligation. This is primarily due to very low Debt content in the capital structure of the companies. The overall performance of the companies is good in terms of Sales, Profit after Tax, Profit after Tax to Sales Ratio, Long Term Debt to Equity Ratio, Interest Coverage Ratio, Net Working Capital, Current Ratio, Debtor Turnover Ratio and Cash Holding Ratio of the companies during the study period.

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