

# **Project Report**

**“WORKING CAPITAL MANAGEMENT IN HCL INFOSYSTEMS LIMITED”**

**Submitted to**

**G. S. College of Commerce & Economics, Nagpur**

**Affiliated to**

**Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur**

In partial fulfillment for the award of the degree of

**Bachelor of Business Administration**

**Submitted by**

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**Under the Guidance of**

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**Academic Year 2022 – 23**



**G.S. College Of Commerce & Economics, Nagpur**

**Academic Year 2022 – 23**



**CERTIFICATE**

This is to certify that “Mohammad Ahtesham Avez” has submitted the project report titled “WORKING CAPITAL MANAGEMENT IN HCL INFOSYSTEMS LIMITED”, towards partial fulfillment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he/she has ingeniously completed his/her project as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

**DR. PRAGATI PANDEY**  
(Project Guide)

**DR. AFSAR SHEIKH**  
(Co-Ordinator)

**Place:**

**Date:**

**G.S. College Of Commerce & Economics, Nagpur**

**Academic Year 2022 – 23**



**DECLARATION**

I here-by declare that the project with title “WORKING CAPITAL MANAGEMENT IN HCL INFOSYSTEMS LIMITED” has been completed by me in partial fulfillment of BACHELOR OF BUSINESS ADMINISTRATION degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

**Name and Student Signature**  
Mohammad Ahtesham Avez

**Place:**

**Date:**

**G.S. College of Commerce & Economics, Nagpur**

**Academic Year 2022 – 23**



**ACKNOWLEDGEMENT**

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to Dr. Swati Kathaley, Principal, G.S. College of Commerce & Economics, Nagpur.

I am extremely thankful to my Project Guide Dr. Pragati Pandey for his/her guideline throughout the project. I tender my sincere regards to Co-Ordinator, Dr. Afsar Sheikh for giving me outstanding guidance, enthusiastic suggestions and invaluable encouragement which helped me in the completion of the project.

I will fail in my duty if I do not thank the non-Teaching staff of the college for their Co-operation.

I would like to thank all those who helped me in making this project complete and successful.

**Student Name and Signature**

**Place: Nagpur**

**Date:**

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# INTRODUCTION

## INTRODUCTION

### WORKING CAPITAL MANAGEMENT

Working capital management is a business strategy designed to ensure that a company operates efficiently by monitoring and using its current assets and liabilities to their most effective use.

### UNDERSTANDING WORKING CAPITAL MANAGEMENT

Working capital management requires monitoring a company's assets and liabilities to maintain sufficient cash flow to meet its short-term operating costs and short-term debt obligations.

Working capital management involves tracking various ratios, including the working capital ratio, the collection ratio, and the inventory ratio.

Working capital management can improve a company's cash flow management and earnings quality by using its resources efficiently



## WHY MANAGE WORKING CAPITAL?

Working capital management helps maintain the smooth operation of the net operating cycle, also known as the cash conversion cycle (CCC)—the minimum amount of time required to convert net current assets and liabilities into cash.


Working capital management can improve a company's cash flow management and earnings quality through the efficient use of its resources. Management of working capital includes inventory management as well as management of accounts receivable and accounts payable.

Working capital management also involves the timing of accounts payable (i.e., paying suppliers). A company can conserve cash by choosing to stretch the payment of suppliers and to make the most of available credit or may spend cash by purchasing using cash—these choices also affect working capital management.

## WORKING CAPITAL FORMULA:

### Working Capital

$$\text{Working Capital} = \text{Current Assets (Net of Depreciation)} - \text{Current Liabilities}$$









# COMPANY PROFILE

## HCL INFOSYSTEMS LTD COMPANY PROFILE

Industry Communications & Networking	Sector Technology	Employees 179	Equity Type ORD
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HCL Infosystems Limited is an India-based company, which is primarily engaged in the value-added distribution of technology, mobility and consumer electronic products. The Company operates through four segments. Hardware Products & Solution segment's business comprise of sale of information technology (IT) products and solutions to enterprise and government customers. The Services segment's business provides IT infrastructure managed services, multi-vendor technical support, application management, business services activities and support services. Learning segment's business includes rendering training services, sale of educational digital content and related hardware offers for private schools, colleges, other education institutes and vocational training. The Distribution segment consists of the distribution of consumer products, including telecommunication, digital lifestyle products, and consumer electronics and home appliances; enterprise products, including IT products and other.

## Top Executives

Name	Age	Since	Title
Pawan Kumar Danwar	56	2014	Non Independent & Non Executive Director
Sangeeta Talwar	66	2014	Independent & Non-Executive Director
Nikhil Sinha	62	2009	Non-Executive & Independent Chairman
Kaushik Dutta	60	2014	Independent & Non-Executive Director
Neelesh Agarwal	0	2022	Additional Non-Independent Non-Executive Director
Ritu Arora	49	2015	Independent & Non-Executive Director



Noida,201301 India



+91 12 0252 0977



+91 12 0252 0977



<https://www.hclinfosystems.in>



## **OBJECTIVES OF HCL INFOSYSTEMS LTD.**

### **VISION STATEMENT:**

"Together we create the Enterprises of Tomorrow"

### **MISSION STATEMENT:**

"To provide world-class Information Technology solutions and services in order to enable our customers to serve their customers better"

### **CORE VALUES:**

- Nothing transforms life like education.
- We shall honour all commitments
- We shall be committed to Quality, Innovation and Growth in every endeavour
- We shall be responsible corporate citizens

### **QUALITY POLICY:**

"We shall deliver defect-free products, services and solutions to meet the requirements of our external and internal customers, the first time, every time."

# LITERATURE REVIEW

## LITERATURE REVIEW

**A Study on Working Capital Management in HCL Infosystems by Apoorv Pandey and his research end up to this:**

- The working capital position of the company is sound and the various sources through which it is funded are optimal.
- The company has used its dividend policy, purchasing, financing and investment decisions to good effect can be seen from the inferences made earlier in the project.

**A Study on Working Capital Management in HCL Infosystems by Dipankar Hans and his research end up to this:**

- Sales are decreasing during the year 2009-10. Hence profitability has declined over this time period
- Due to increase in the time period for the realization of debtors, cash and bank balance has decreased.

**A Study on Working Capital Management in HCL Infosystems by Sanjay Gupta and his research end up to this:**

- Stock turnover ratio is decreasing; it shows that capital is blocked into the inventory.

Fixed asset turnover ratio has decreased this year, which shows that assets have not been used efficiently as they had been used in the previous year.

# PROBLEM DEFINITION

## **PROBLEM DEFINITION**

At HCL a substantial part of the total assets is covered by current assets. Current assets form around 80% of the total assets. However, this could be less profitable on the assumption that current assets generate lesser returns as compared to fixed assets.

But in today's competition it becomes mandatory to keep large current assets in form of inventories so as to ensure smooth production an excellent management of these inventories has to be maintained to strike a balance between all the inventories required for the production.

So, in order to manage all these inventories and determine the investments in each inventory, the system call for an excellent management of current assets which is really a tough job as the number of inventories required are large in number.

Here comes the need of working capital management or managing the investments in current assets. Thus, in big companies like HCL it is not easy at all to implement a good working capital management as it demands individual attention on its different components.

So, I have been given this topic to make an in-depth analysis and detailed study to come out with a clear magnified view as to whether the management of working capital at HCL is sound or not.



# SCOPE OF STUDY

## **SCOPE OF STUDY**

- This project will be a learning device for the finance student.
- Through this project I would study the various methods of the working capital management.
- The project will be a learning of planning and financing working capital.
- The project would also be an effective tool for credit policies of the companies.
- This will show different methods of holding inventory and dealing with cash and receivables.
- This will show the liquidity position of the company and also how do they maintain a particular liquidity position

## OBJECTIVE OF STUDY

## **OBJECTIVE OF STUDY**

The objectives of this project were mainly to study the inventory, cash and receivable at HCL Infosystems Ltd., but there are some more and they are –

- The main purpose of our study is to render a better understanding of the concept “Working Capital Management”.
- To understand the planning and management of working capital at HCL Infosystems Ltd.
- To measure the financial soundness of the company by analysing various ratios.
- To suggest ways for better management and control of working capital at the concern.

## LIMITATION OF STUDY

## **LIMITATION OF STUDY**

- We cannot do comparisons with other companies unless and until we have the data of other companies on the same subject.
- Only the printed data about the company will be available and not the back-end details.
- Future plans of the company will not be disclosed to the trainees.
- Lastly, due to shortage of time it is not possible to cover all the factors and details regarding the subject of study.
- The latest financial data could not be reported as the company's websites have not been updated.

# RESEARCH METHODOLOGY

## **RESEARCH METHODOLOGY**

Methodology includes the overall research procedures, which are followed in the research study. This includes Research design, the sampling procedures, and the data collection method and analysis procedures. To broad methodologies can be used to answer any research question-experimental research and non-experimental research. The major difference between the two methodologies lies in the control of extraneous variables by the intervention of the investigator in the experimental research.

### **RESEARCH DESIGN**

A research design is defined, as the specification of methods and procedures for acquiring the Information needed. It is a plant or organizing framework for doing the study and collecting the data. Designing a research plan requires decisions all the data sources, research approaches, Research instruments, sampling plan and contact methods.

### **RESEARCH DESIGN IS MAINLY OF FOLLOWING TYPES: -**

- 1. Exploratory research.**
- 2. Descriptive studies**

#### **Exploratory Research**

The major purposes of exploratory studies are the identification of problems, the more precise Formulation of problems and the formulations of new alternative courses of action. The design of exploratory studies is characterized by a great amount of flexibility and ad-hoc veracity.

#### **Descriptive Studies**

Descriptive research in contrast to exploratory research is marked by the prior formulation of specific research Questions. The investigator already knows a substantial amount about



the research problem. Perhaps as a Result of an exploratory study, before the project is initiated. Descriptive research is also characterized by a pre-planned and structured design.

## **DATA COLLECTION METHODS**

### **Primary Data**

These data are collected first time as original data. The data is recorded as observed or encountered. Essentially, they are raw materials. They may be combined, totalled but they have not extensively been statistically processed. For example, data obtained by the peoples.

### **Secondary Data**

The Secondary data collected has been collected from books, journals, brochures, internet and other secondary sources.

- Official Publications,
- Publications Relating to Trade
- Journal/ Newspapers etc
- Industry Associations

# HYPOTHESIS

## **HYPOTHESIS**

Hypothesis is usually considered as the principal instrument in research. Its main function is to suggest new experiments and observations. In fact, many experiments are carried out with the deliberate objects of testing hypothesis

**H0:** Working Capital Management is not beneficial for the HCL Infosystems Ltd.

**H1:** Working Capital Management is beneficial for the HCL Infosystems Ltd.

# DATA ANALYSIS AND INTERPRETATION

## DATA ANALYSIS AND INTERPRETATION

### Balance Sheet of Previous 5 Years of HCL Infosystems

(Rs. In Crores)

Equities & Liabilities	Mar 2022	Mar 2021	Mar 2020	Mar 2019	Mar 2018	Trend Mar 18 - Mar 22
Share Capital	65	65	65	65	65	
Reserves & Surplus	-280	-305	-107	38	169	
Current Liabilities	690	827	1,060	1,780	2,460	
Other Liabilities	15	61	28	112	181	
<b>Total Liabilities</b>	<b>491</b>	<b>649</b>	<b>1,046</b>	<b>1,997</b>	<b>2,877</b>	
<b>Assets</b>						
Fixed Assets	4	35	55	87	112	
Current Assets	279	311	630	1,447	2,346	
Other Assets	207	301	361	463	418	
<b>Total Assets</b>	<b>491</b>	<b>649</b>	<b>1,046</b>	<b>1,997</b>	<b>2,877</b>	
<b>Other Info</b>						
Contingent Liabilities	650	643	507	779	672	

**INTERPRETATION FROM PAST 5 YEARS BALANCE SHEET:**

- Company's Reserve and surplus has been decreasing continuously in past 5 years.
- Reserve and surplus have gone negative in past 5 years.
- Current liabilities are decreasing year by year.
- Difference between current liabilities of 2018 and 2022 is 1770 Crores.
- Current Assets are also decreasing year by year.
- Difference between current assets of 2018 and 2022 is 2067 Crores.
- Current assets are decreasing and Current liabilities are also decreasing and that will affect the Current ratio.
- Fixed assets are also decreasing at a tremendous rate.
- Company has to face lots of Contingent liabilities in the past few years.
- There is no change in the share capital of the company.

But in order to find the Working Capital, we only need the current assets and current liabilities of the company, and finding the current ratio and quick ratio will also help us analyse the working capital of the firm.

Now we will look closely to the current assets and current liabilities using accounting tools like current ratio, quick ratio, etc.

**CURRENT RATIO:**

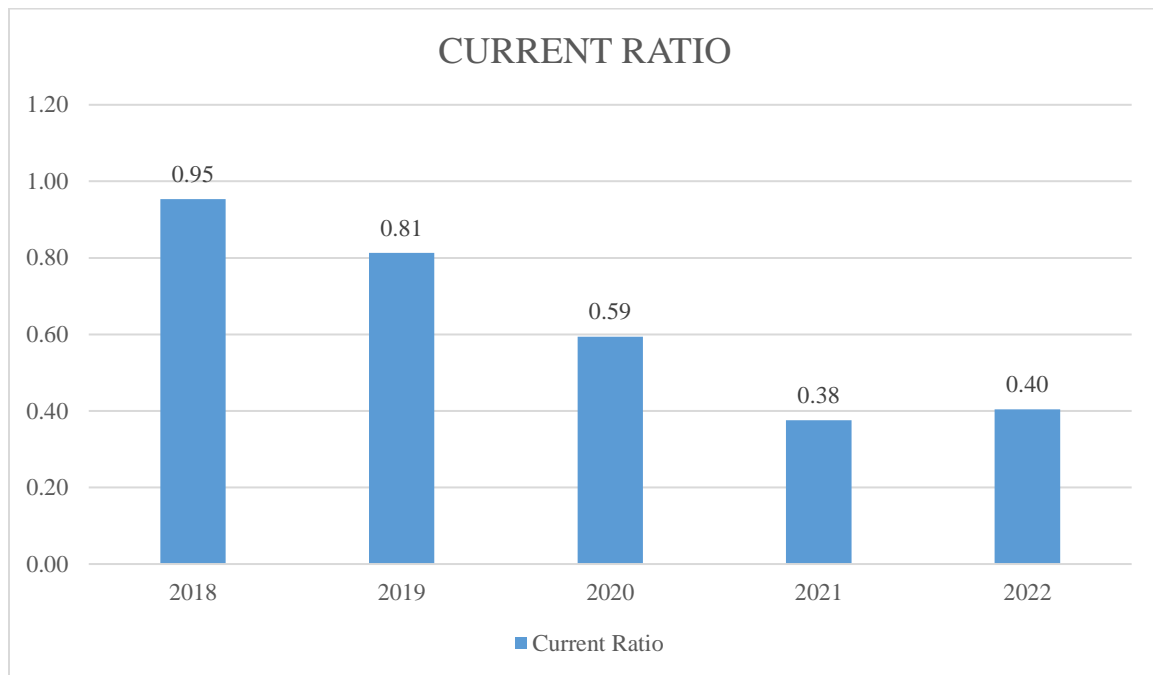
The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

**FORMULA OF CURRENT RATIO:**

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

**Current ratios of past 5 years:**

<b>Year (Ended on 31<sup>st</sup> March)</b>	<b>Current Asset (₹ in crores)</b>	<b>Current Liability (₹ in crores)</b>	<b>Current Ratio (times)</b>
2018	₹2,346	₹2,460	0.95
2019	₹1,447	₹1,780	0.81
2020	₹630	₹1060	0.59
2021	₹311	₹827	0.38
2022	₹279	₹690	0.40



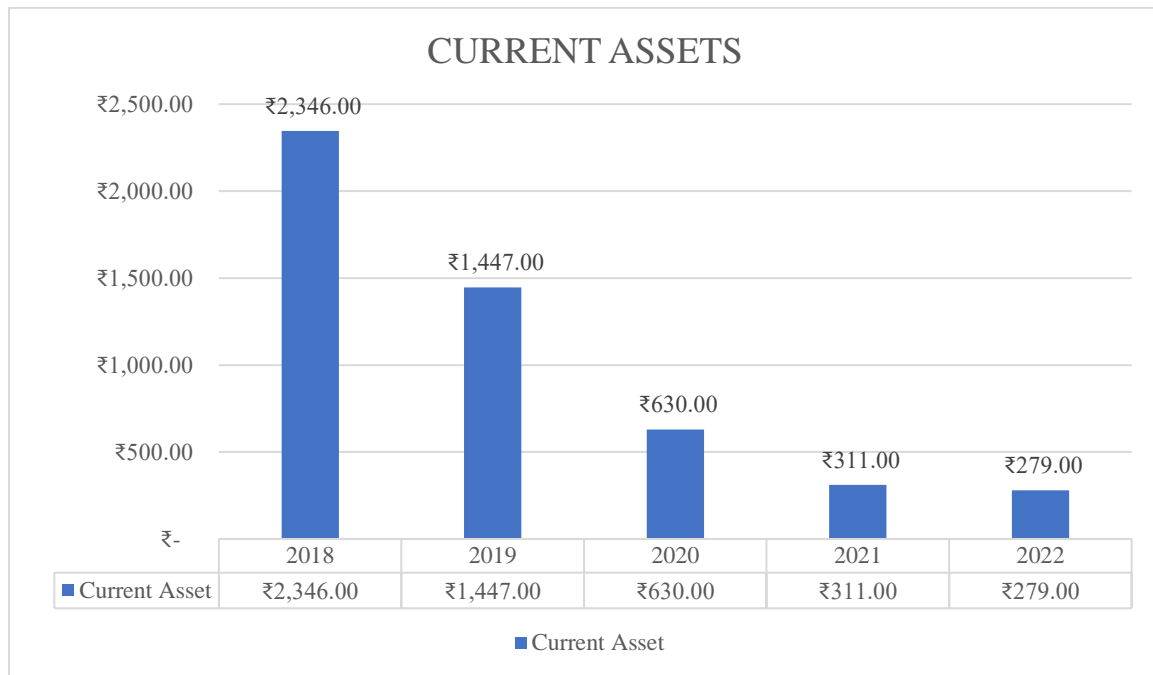
### **INTERPRETATION FROM PAST 5 YEARS CURRENT RATIO:**

- Current ratio is decreasing continuously from past 5 years except 2022.
- The ratio decreased by 15% in 2019 as compared to that in 2018.
- The ratio decreased by 27% in 2020 as compared to that in 2019.
- The ratio decreased by 37% in 2021 as compared to that in 2020.
- The ratio Increased by 8% in 2022 as compared to that in 2021.
- Drop in current ratio in 5 years is 0.55 times
- Current Ratio has Increased in only 2022.



## CURRENT ASSETS:

The Current Assets account is a balance sheet line item listed under the Assets section, which accounts for all company-owned assets that can be converted to cash within one year. Assets whose value is recorded in the Current Assets account are considered current assets.



## INTERPRETATION FROM PAST 5 YEARS CURRENT ASSETS:

- Current assets are declining continuously in past 5 years, which is not good for the company.
- 2018 marked the highest current asset in past 5 years with the amount touching ₹2346 crores.
- 2022 marked the lowest current asset in past 5 years with the amount touching ₹279 crores.
- In year 2019, the current asset shown a drop of 38%.
- In year 2020, the current asset shown a drop of 56%.
- In year 2021, the current asset shown a drop of 51%.
- In year 2022, the current asset shown a drop of 10%.

**CURRENT LIABILITIES:**

Current liabilities are a company's short-term financial obligations that are due within one year or within a normal operating cycle. An operating cycle, also referred to as the cash conversion cycle, is the time it takes a company to purchase inventory and convert it to cash from sales. An example of a current liability is money owed to suppliers in the form of accounts payable.

**INTERPRETATION FROM PAST 5 YEARS CURRENT LIABILITIES:**

- Current liabilities are also decreasing every year in past 5 years but at a slower rate than current asset, that is also not good for the company.
- Current liabilities show its highest point in past 5 years in 2018, with the amount of ₹2460 crores.
- Current liabilities show its highest point in past 5 years in 2022, with the amount of ₹690 crores.
- In year 2019, current liabilities show drop of 28%.
- In year 2019, current liabilities show drop of 40%.
- In year 2019, current liabilities show drop of 22%.
- In year 2019, current liabilities show drop of 17%.

**QUICK RATIO:**

The quick ratio is an indicator of a company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets.

**FORMULA OF CURRENT RATIO:**

$$\text{Quick Ratio} = \frac{\text{"Quick Assets"}}{\text{Current Liabilities}}$$

Quick assets are defined as the most liquid current assets that can easily be exchanged for cash. For most companies, quick assets are limited to just a few types of assets:

$$\text{Quick Assets} = \text{Cash} + \text{CE} + \text{MS} + \text{NAR}$$

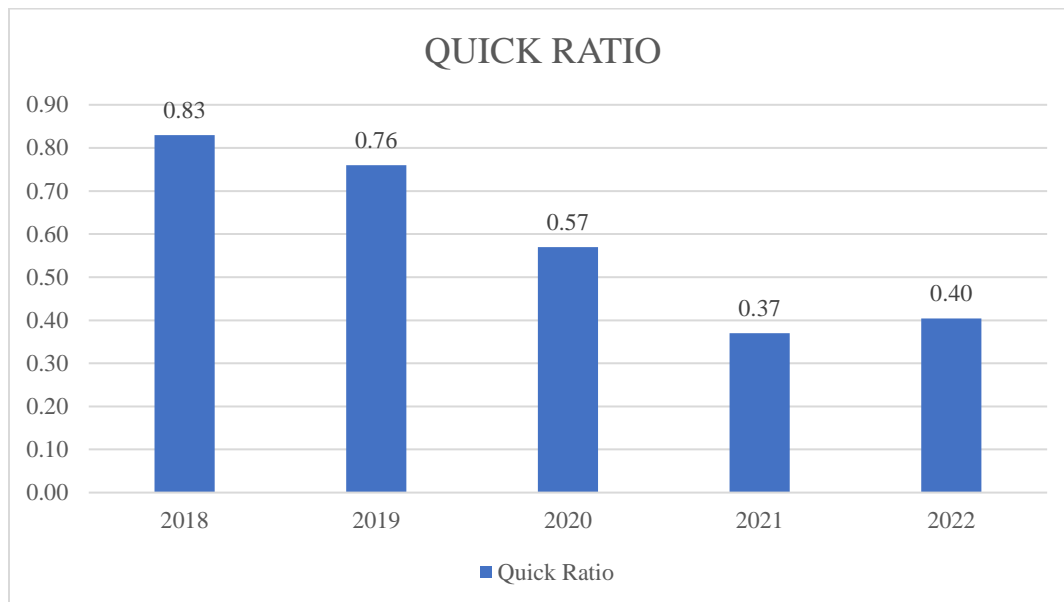
**where:**

CE = Cash equivalents

MS = Marketable securities

NAR = Net accounts receivable

<b>Year (Ended on 31<sup>st</sup> March)</b>	<b>Quick Ratio (times)</b>
2018	0.83
2019	0.76
2020	0.57
2021	0.37
2022	0.40



### **INTERPRETATION FROM PAST 5 YEARS QUICK RATIO:**

- Quick ratio is also decreased in the past 5 years except 2022.
- In comparison to 2018, the quick ratio dropped by 8% in 2019.
- In comparison to 2019, the quick ratio dropped by 25% in 2020.
- In comparison to 2020, the quick ratio dropped by 35% in 2021.
- In comparison to 2021, the quick ratio increased by 9% in 2022.
- The difference of quick ratio in past 5 years is 0.43 times.
- The quick ratio has increased only in the year 2022.

**WORKING CAPITAL:**

Working capital, also known as net working capital (NWC), is the difference between a company's current assets—such as cash, accounts receivable/customers' unpaid bills, and inventories of raw materials and finished goods—and its current liabilities, such as accounts payable and debts. It's a commonly used measurement to gauge the short-term health of an organization.

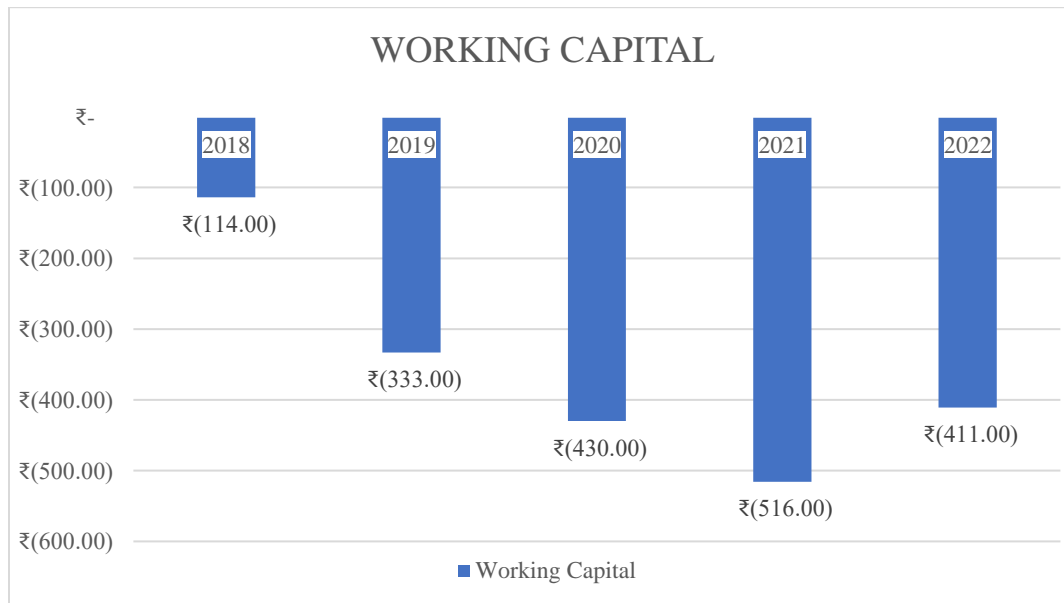
**FORMULA OF WORKING CAPITAL:**





**Working Capital Formula** = Current Assets – Current Liabilities

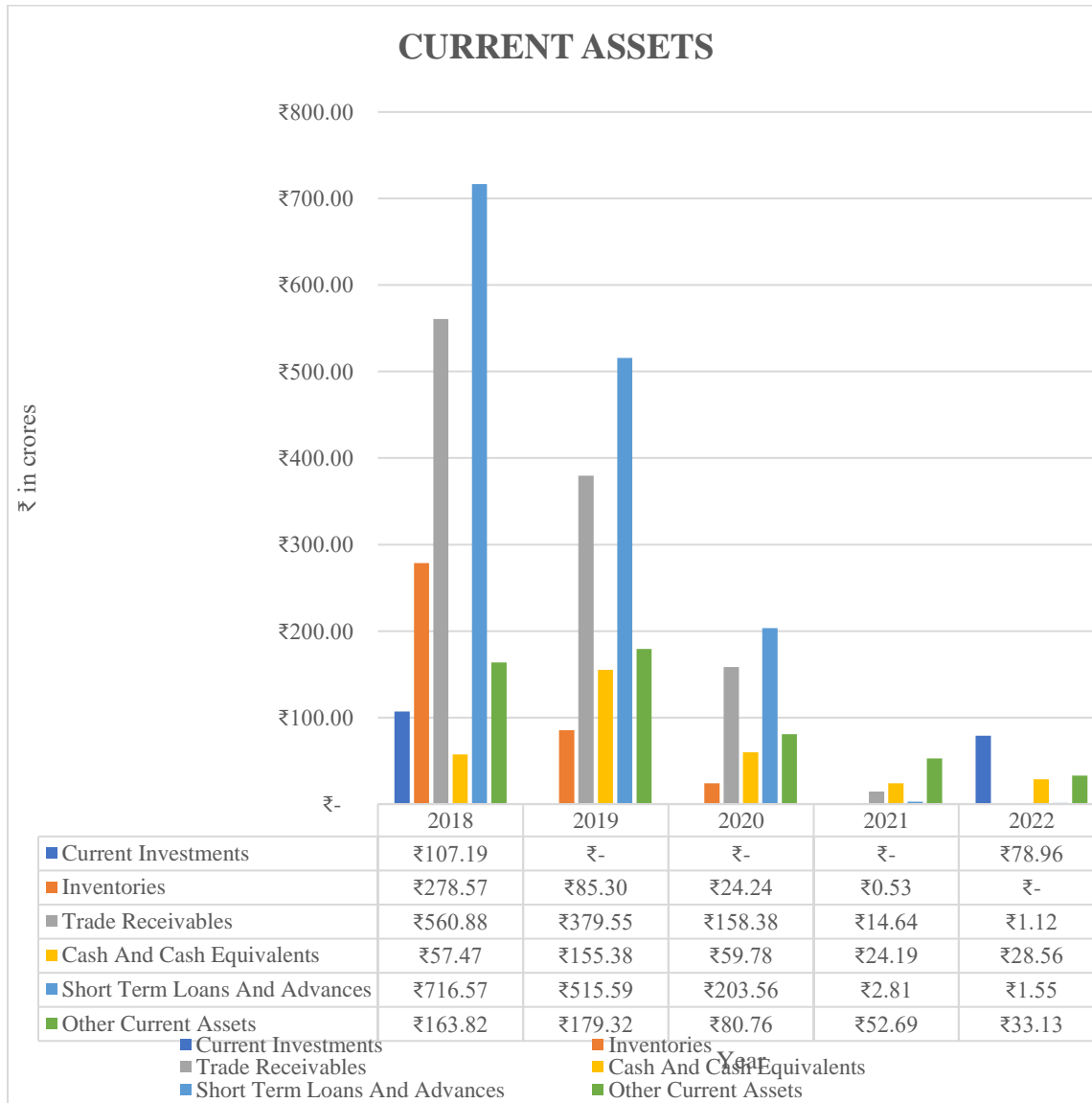
<b>Year (Ended on 31<sup>st</sup> March)</b>	<b>Current Asset (₹ in crores)</b>	<b>Current Liability (₹ in crores)</b>	<b>Working Capital (₹ in crores)</b>
2018	₹2,346	₹2,460	₹-114
2019	₹1,447	₹1,780	₹-333
2020	₹630	₹1060	₹-430
2021	₹311	₹827	₹-516
2022	₹279	₹690	₹-411



### **INTERPRETATION FROM PAST 5 YEARS WORKING CAPITAL:**

- Company's working capital is too low
- Company's working capital of past 5 years is in negative numbers.
- Working capital of year 2019 is 192% less than the working capital of 2018.
- Working capital of year 2020 is 29% less than the working capital of 2019.
- Working capital of year 2021 is 20% less than the working capital of 2020.
- Working capital of year 2022 is 20% more than the working capital of 2021.
- The difference in working capital in past 5 years is ₹297 crores.
- The working capital has only increased in the year 2022 yet it is not positive.

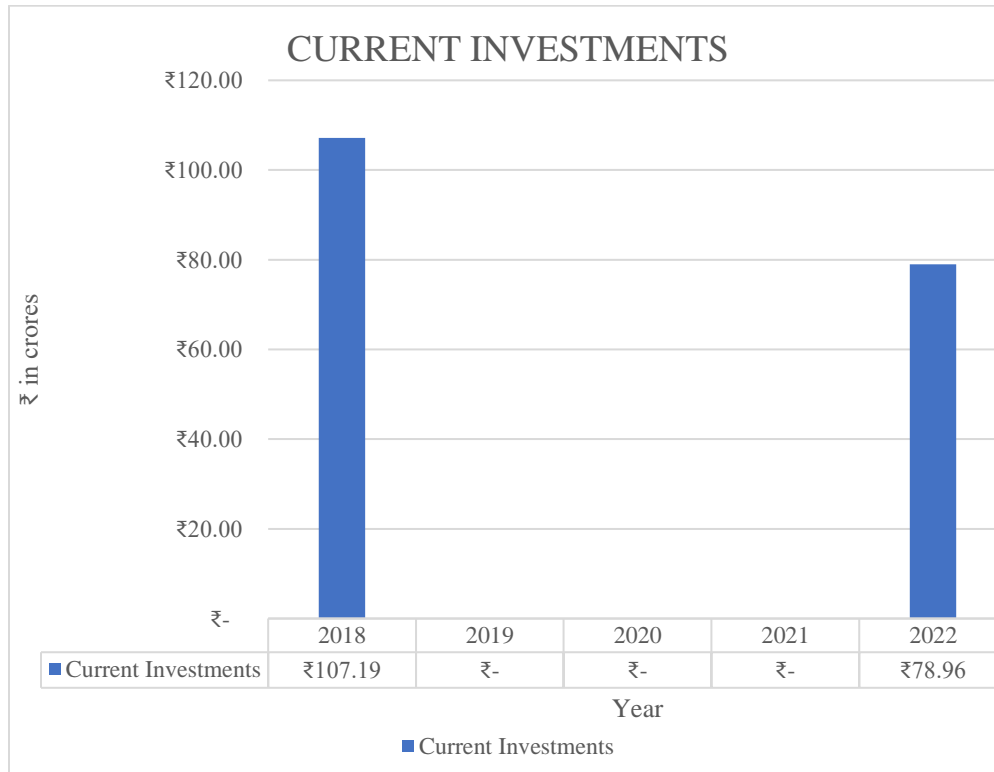
To further understand what causes such significantly lower working capital, let's take a closer look at current assets and current liabilities. Because the working capital is greatly influenced by current assets and current liabilities.

**CURRENT ASSETS:**

As we can see, the current assets are decreasing yearly with only minor variations. To further understand it, we must examine each of the current assets separately.

**CURRENT INVESTMENTS:**

Current investment means an investment which is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made.

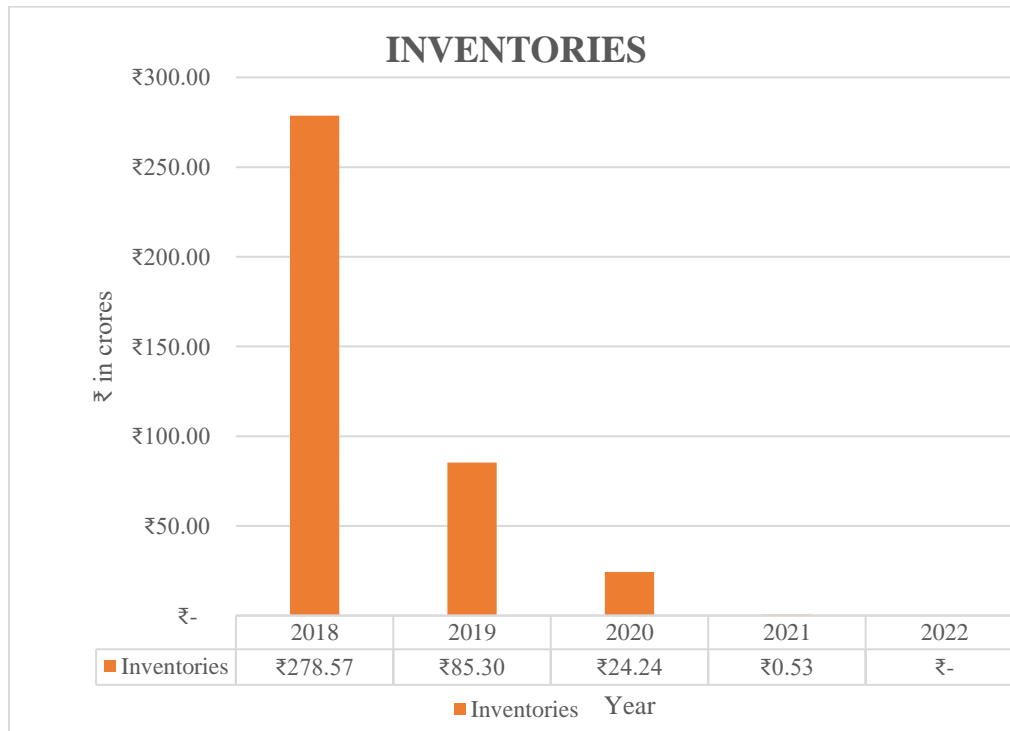
**INTERPRETATION FROM PAST 5 YEARS CURRENT INVESTMENT:**

- 2018's current investment was 107.19.
- But after the year 2018 the current investment is zero in year 2019, 2020, 2021.
- Then we can see the current investments made by the company in year 2022 that is ₹78.96.
- The reason the company has low current investment is may be because of the Covid-19.



## INVENTORIES:

The term inventory refers to the raw materials used in production as well as the goods produced that are available for sale. A company's inventory represents one of the most important assets it has because the turnover of inventory represents one of the primary sources of revenue generation and subsequent earnings for the company's shareholders.

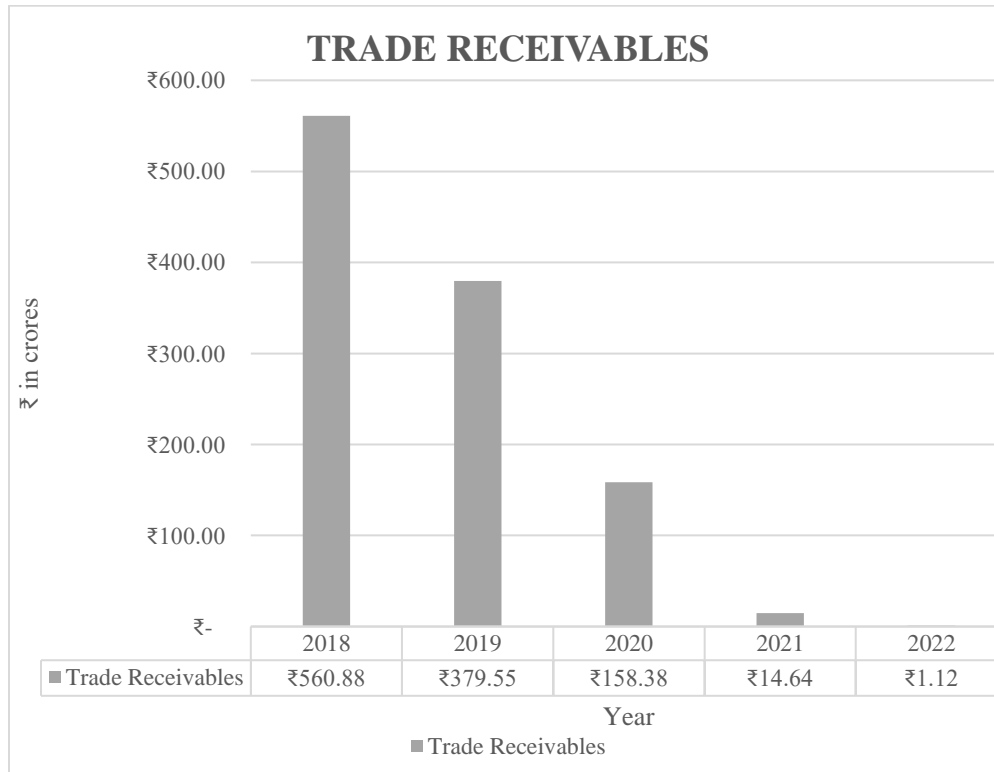


## INTERPRETATION FROM PAST 5 YEARS INVENTORIES:

- Compared to the previous five years, the company's inventories are at their greatest level in 2018 i.e., ₹278.57 crores.
- In 2019 the company has ₹193.27 crores less than the year 2018.
- In year 2020 it falls from ₹85.3 crores to ₹24.24 and making a difference of ₹61.06 crores.
- And in year 2021 the company has maintained a negligible amount of money i.e., ₹0.53 crores.
- Surprisingly the company has an inventory of ₹0 crores in year 2022.
- As we can see by the data company is not at all concerned about its stock.

## TRADE RECEIVABLES:

Trade receivables is the amount that customers owe to a business when buying a product or service on credit. It is a key line item in the balance sheet and is listed under the current assets section due to its short conversion time into cash.

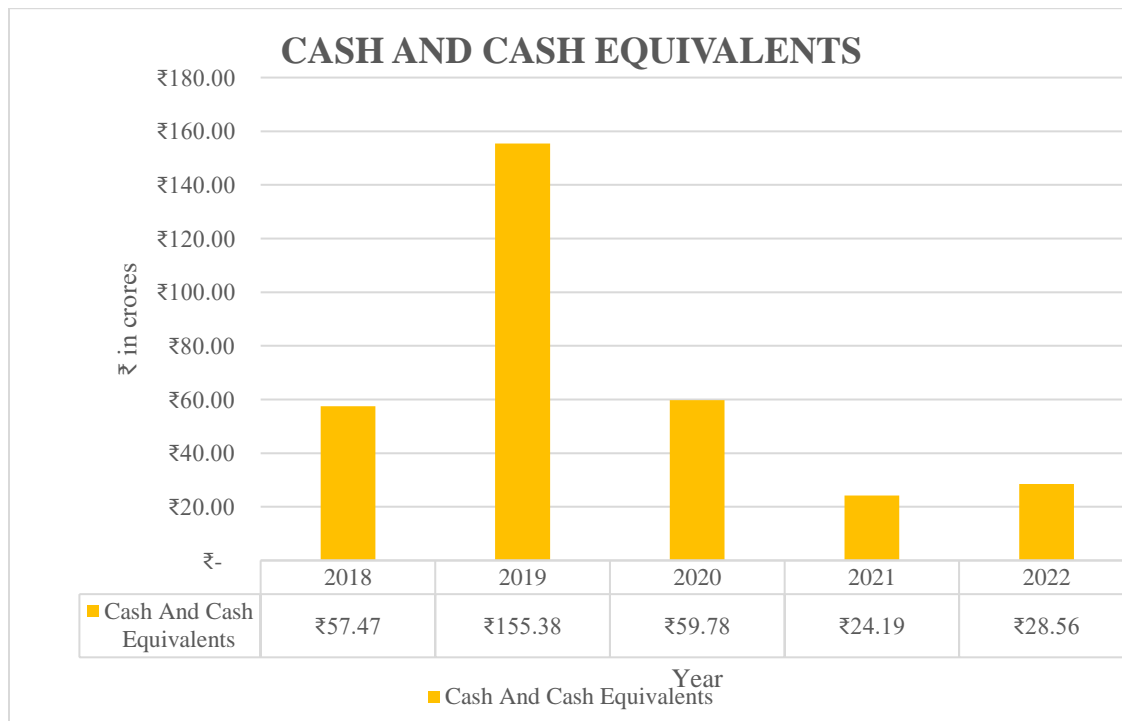


### INTERPRETATION FROM PAST 5 YEARS TRADE RECEIVABLES:

- Trade receivables are decreasing continuously in past 5 years and it's a good thing but too much less of trade receivables also can create problems.
- In 2018 the trade receivables are recorded highest in past 5 years i.e., ₹560.88 crore
- In the year 2019 it drops by ₹181.33 crores.
- In 2020, it further drops by ₹221.17 crores
- In year 2021, trade receivables are declined by ₹143.74 crores.
- In year 2022, it was drowned by ₹13.52 crores.
- Company should maintain a good amount of trade receivables and this will help the company to make higher sales.

## CASH AND CASH EQUIVALENTS:

Cash and cash equivalents refer to the line item on the balance sheet that reports the value of a company's assets that are cash or can be converted into cash immediately. Cash equivalents include bank accounts and marketable securities, which are debt securities with maturities of less than 90 days. However, oftentimes cash equivalents do not include equity or stock holdings because they can fluctuate in value.

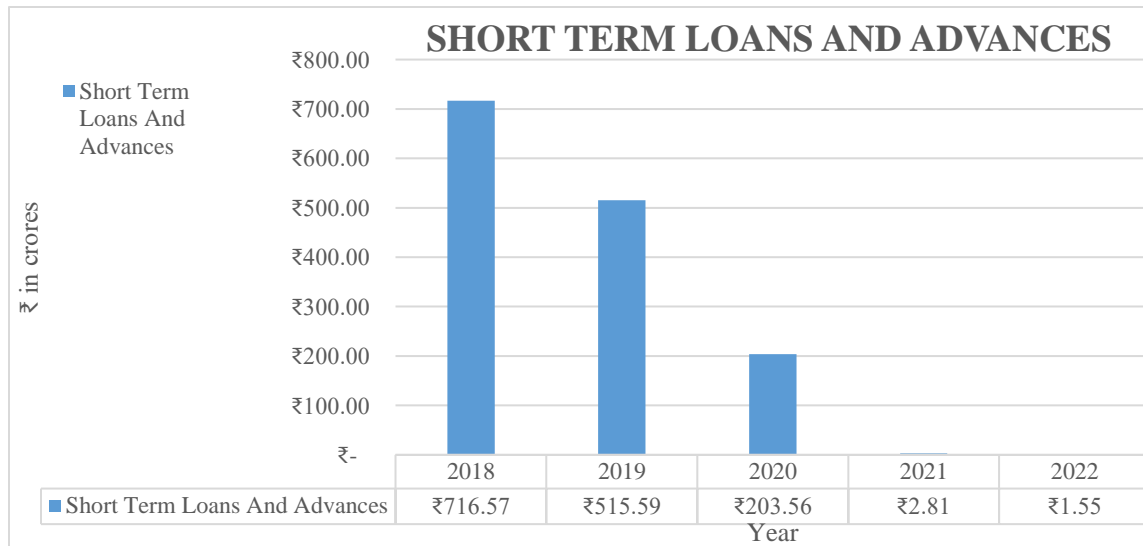


## INTERPRETATION FROM PAST 5 YEARS CASH AND CASH EQUIVALENTS:

- Cash and cash equivalents are volatile in past 5 years.
- The highest cash and cash equivalents were in year 2019 with ₹155.38 crores.
- The lowest cash and cash equivalents were in year 2021 with ₹24.19 crores.
- The cash and cash equivalents rose by ₹97.91 crores in 2019.
- The cash and cash equivalents dropped by ₹95.6 crores in 2020.
- The cash and cash equivalents dropped by ₹35.59 crores in 2021.
- The cash and cash equivalents rose by ₹4.37 crores in 2022.

## SHORT TERM LOANS AND ADVANCES:

A short-term loan is a type of loan that is obtained to support a temporary personal or business capital need. As it is a type of credit, it involves repaying the principal amount with interest by a given due date, which is usually within a year from getting the loan.



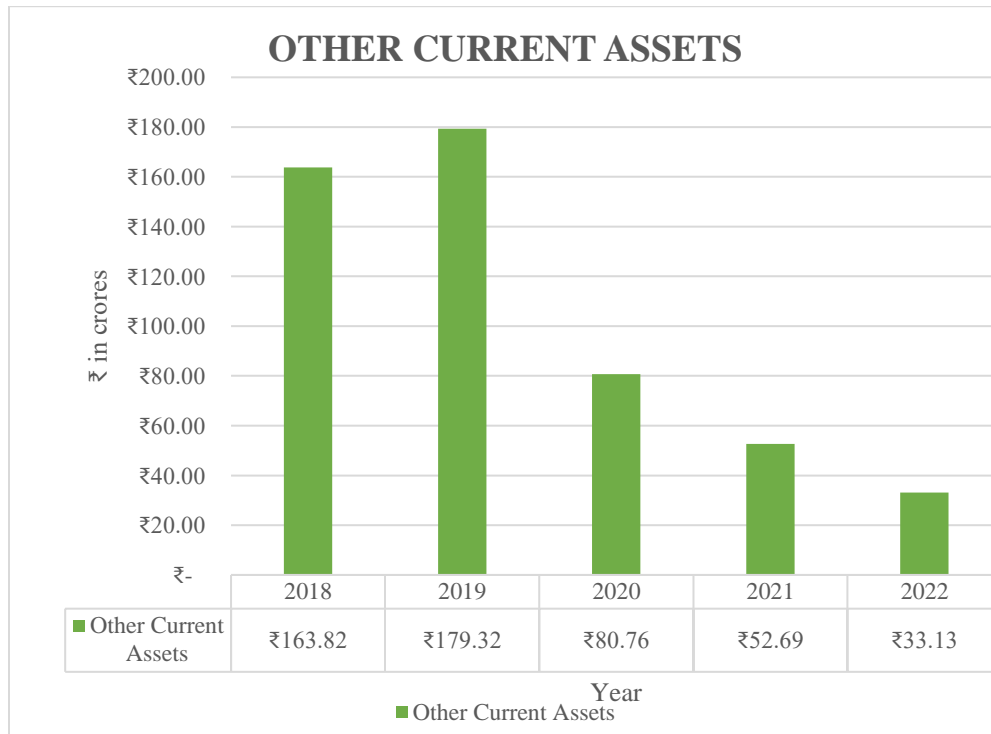
## INTERPRETATION FROM PAST 5 YEARS SHORT TERM LOANS AND ADVANCES:

- Short term loans and advances are decreasing year by year continuously.
- It is good for the company, it should always be minimal.
- The most short-term loans and advances were made in 2018, totalling ₹716.57 crores.
- In the year 2022, 1.55 crores in short-term loans and advances, were the lowest.
- The amount of short-term loans and advances in 2019 is ₹200.98 crores lesser than it was in 2018.
- The amount of short-term loans and advances in 2020 is ₹312.03 crores lesser than it was in 2019.
- The amount of short-term loans and advances in 2021 is ₹200.75 crores lesser than it was in 2020.
- The amount of short-term loans and advances in 2022 is ₹1.26 crores lesser than it was in 2021.

## OTHER CURRENT ASSETS:

Other current assets (OCA) are a category of things of value that a company owns, benefits from, or uses to generate income that can be converted into cash within one business cycle.

They are referred to as “other” because they are uncommon or insignificant, unlike typical current asset items such as cash, securities, accounts receivable, inventory, and prepaid expenses.

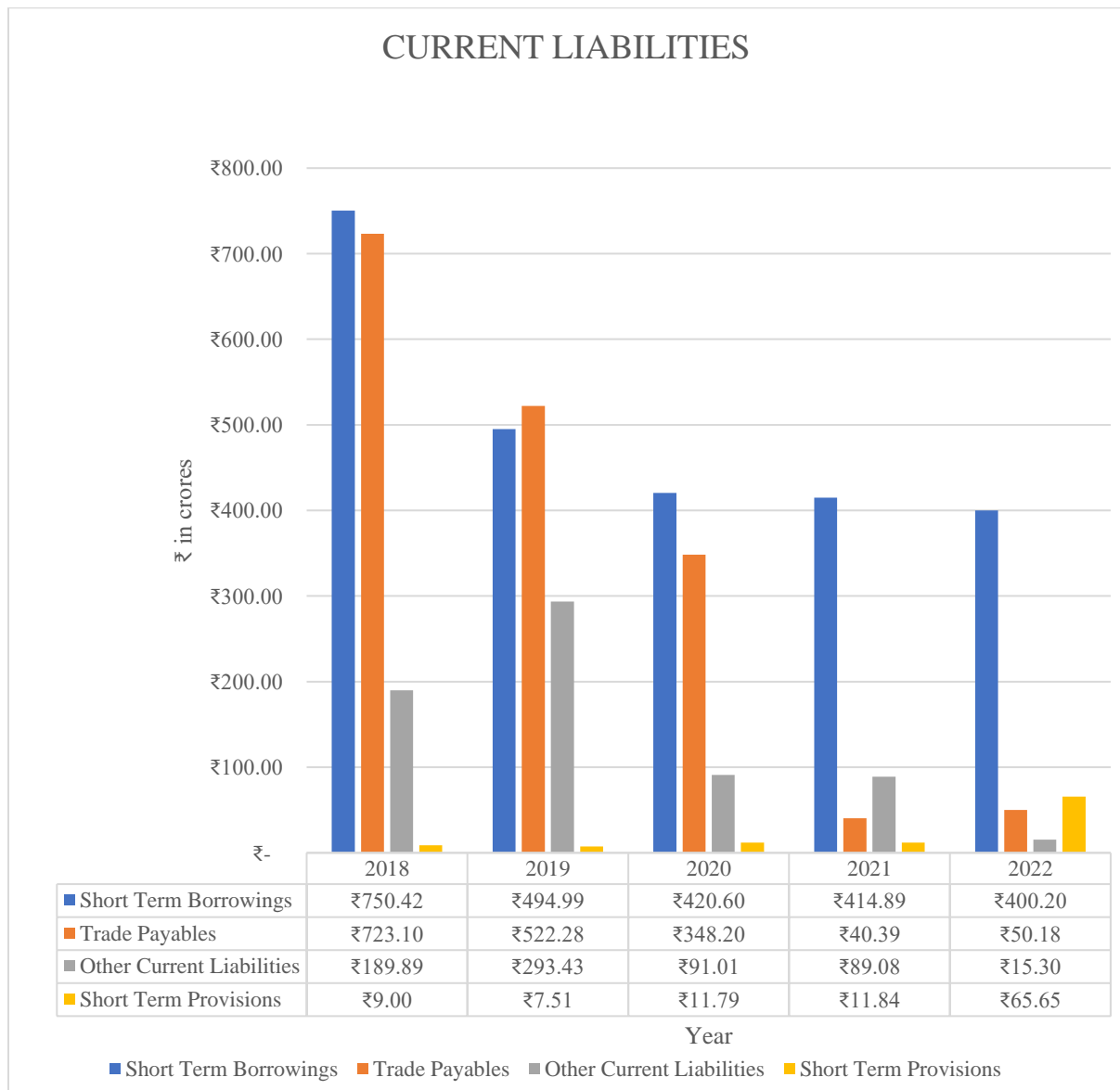


## INTERPRETATION FROM PAST 5 YEARS OTHER CURRENT ASSETS:

- In 2019, Other current assets are recorded highest i.e., ₹179.32 crores.
- In 2022, other current assets are recorded lowest i.e., ₹33.13 crores.
- In 2019, other current assets increased by ₹15.5 crores.
- By comparing year 2020 by 2019 we found that the other current assets are decreased by ₹98.56 crores, which is a huge drop.
- Same as year 2020 the other current assets also decreased in year 2021 by ₹28.07 crores.
- In year 2022, other current assets shown a drop of ₹33.13 crores.
- It is bad for a company that its other current assets are increasing.

## CURRENT LIABILITIES:

Current liabilities are a company's short-term financial obligations that are due within one year or within a normal operating cycle. An operating cycle, also referred to as the cash conversion cycle, is the time it takes a company to purchase inventory and convert it to cash from sales. An example of a current liability is money owed to suppliers in the form of accounts payable.



We can see that the current liabilities are decreasing yearly, but slightly improving. To understand it better, we must examine each current liability in isolation.

## SHORT TERM BORROWINGS:

Short-term debt, also called current liabilities, is a firm's financial obligations that are expected to be paid off within a year. Common types of short-term debt include short-term bank loans, accounts payable, wages, lease payments, and income taxes payable.



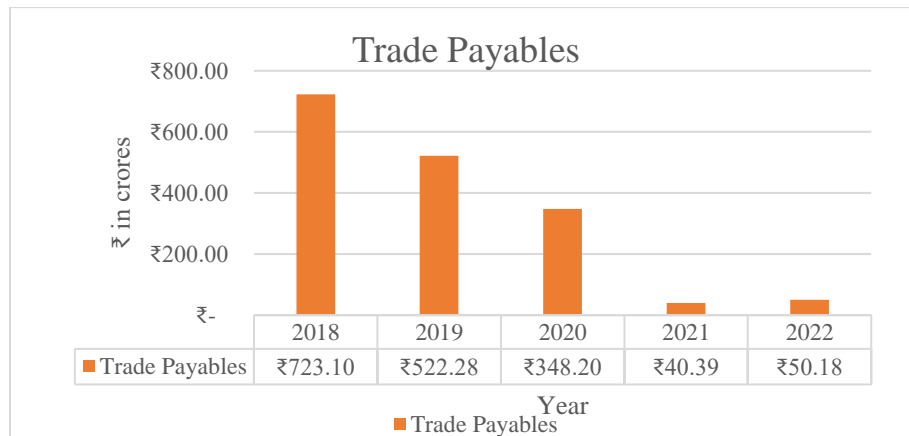
## INTERPRETATION FROM PAST 5 YEARS SHORT TERM

### BORROWINGS:

- Short term borrowings are declining from past 5 years and it is good for the company.
- Short term borrowings are highest in the year 2018 i.e., ₹750.42 crores.
- Short term borrowings are lowest in the year 2022 i.e., ₹400.2 crores.
- Short term borrowings shown a huge drop of ₹255.43 crores in year 2019.
- In year 2020, the short term borrowings shows a drop of ₹74.39 crores.
- In year 2021, the short term borrowings shows a drop of ₹5.71 crores.
- In year 2022, the short term borrowings shows a drop of ₹14.69 crores.

## TRADE PAYABLES:

Trade payables are any expenses incurred from vendors, suppliers or other third parties for goods or services provided in bringing their products to the customer. Trade payables are a combination of the creditor/s and the bills payable for goods purchased or services rendered.



## INTERPRETATION FROM PAST 5 YEARS SHORT TERM

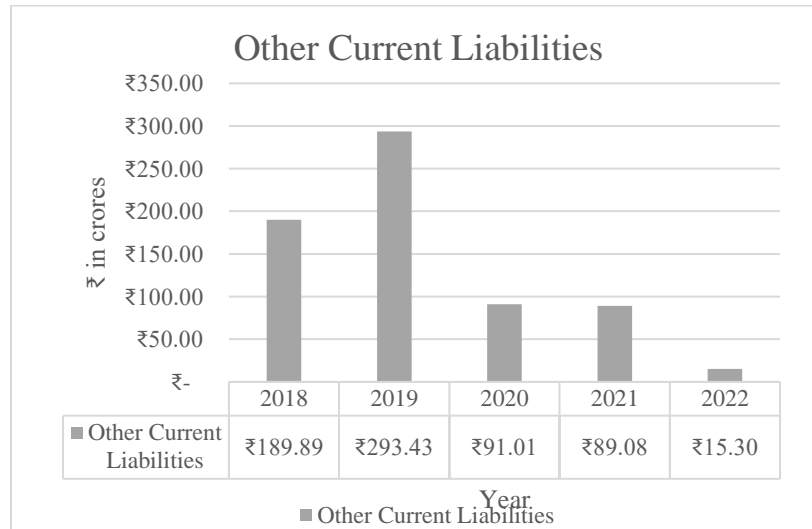
### BORROWINGS:

- Trade payables have decreased over the last five years.
- 2018 is the period where the company has the maximum trade payables in the past 5 years i.e., ₹723.1 crores.
- 2021 is the period where the company has the minimum trade payables in the past 5 years i.e., ₹40.39 crores.
- The difference between the trade payables of year 2019 and 2018 is -₹200.82 crores.
- The difference between the trade payables of year 2020 and 2019 is -₹174.08 crores.
- The difference between the trade payables of year 2021 and 2020 is -₹307.81 crores.
- The difference between the trade payables of year 2022 and 2021 is ₹9.79 crores.



## OTHER CURRENT LIABILITIES:

Other current liabilities, in financial accounting, are categories of short-term debt that are lumped together on the liabilities side of the balance sheet. The term "current liabilities" refers to items of short-term debt that a firm must pay within 12 months.



## INTERPRETATION FROM PAST 5 YEARS OTHER CURRENT LIABILITIES:

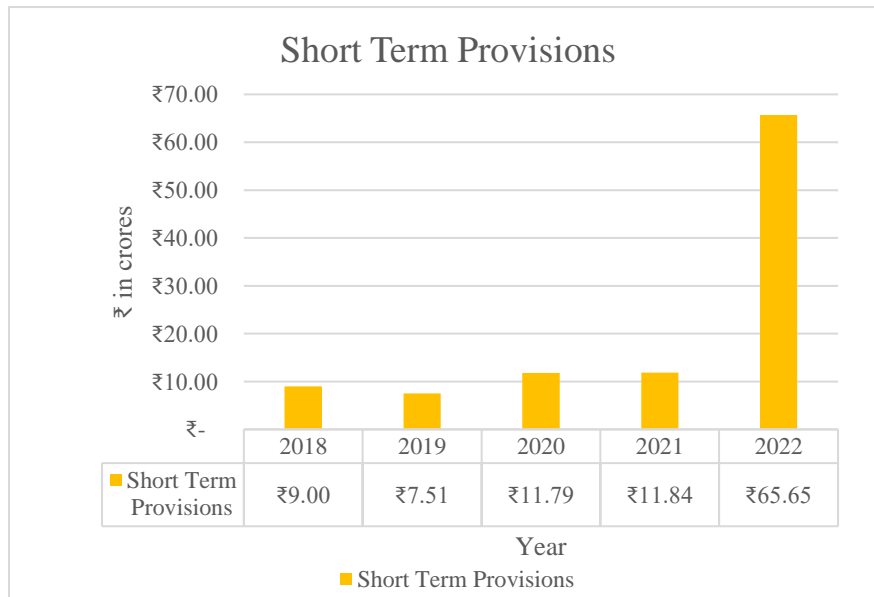
- Other current liabilities have unstable during the last five years.
- The company's other current liabilities reached their highest level in the last five years in 2019, totalling ₹293.43 crores.
- The company's other current liabilities reached their lowest level in the last five years in 2022, totalling ₹15.3 crores.
- The trade payables of the years 2019 and 2018 differ by ₹103.54 crores.
- The trade payables of the years 2020 and 2019 differ by -₹202.42 crores.
- The trade payables of the years 2021 and 2020 differ by -₹1.93 crores.
- The trade payables of the years 2022 and 2021 differ by -₹73.78 crores.

## SHORT TERM PROVISIONS:

A provision is a liability of uncertain amount and timing.... Short-term Provisions:

Provision for doubtful debts, Provision for tax, Provision for discount on debtors, etc.

Long-term Provisions: Provision for depreciation, Provision for repairs and renewals, etc.



## INTERPRETATION FROM PAST 5 YEARS LONG TERM

### PROVISIONS:

- Short term provisions are increasing in past 5 years, which is not good for the company's working capital.
- In 2022, the company's short-term provisions, which totalled ₹65.65 crores, hit their highest level in the previous five years.
- In 2019, the company's short-term provisions, which totalled ₹7.51 crores, hit their lowest level in the previous five years.
- The short term provisions drawn by ₹1.49 crores in 2019.
- The short term provisions rose by ₹4.28 crores in 2020.
- The short term provisions rose by ₹0.05 crores in 2021.
- The short term provisions rose by ₹53.81 crores in 2022.

# HYPOSTHESIS TESTING

## HYPOTHESIS TESTING

Hypothesis is usually considered as the principal instrument in research. Its main function is to suggest new experiments and observations. In fact, many experiments are carried out with the deliberate objects of testing hypothesis

**H<sub>0</sub>:** Working Capital Management is not beneficial for the HCL Infosystems Ltd.

**H<sub>1</sub>:** Working Capital Management is beneficial for the HCL Infosystems Ltd.

According to the study the working capital management is beneficial for the HCL Infosystems Ltd., but the company's working capital management is too bad and doesn't help the company in its growth.

By this we can say that H<sub>1</sub> is proved to be true i.e., Working Capital Management is beneficial for the HCL Infosystems Ltd., but the company is not managing the working capital in a right way

And the hypothesis H<sub>0</sub> is proved to be false, as we can see the see the current state of company, which is not following working capital management at all.

# FINDINGS

## FINDINGS

- HCL Infosystems's net working capital last quarter was -₹411 crores.
- HCL Infosystems's net working capital for fiscal years ending March 2018 to 2022 averaged -₹360.8 crores
- HCL Infosystems's operated at median net working capital of -₹411 crores from fiscal years ending March 2018 to 2022.
- Looking back at the last 5 years, HCL Infosystems's net working capital peaked in March 2018 at -₹114 crores.
- HCL Infosystems's net working capital hit its 5-year low in March 2021 of -₹516.00 crores.
- HCL Infosystems's net working capital decreased in 2019 (-₹219 crores, -192%), 2020 (-₹97 crores, -29%), 2021 (-₹86 crores, -20%), and 2022 (+₹105 crores, +20%).
- Company's working capital of past 5 years is in negative numbers.
- The difference in working capital in past 5 years is ₹297 crores.
- The working capital has only increased in the year 2022 yet it is not positive.
- Company's current assets are declining in past 5 years.
- Company's current liabilities are also declining in past 5 years.
- The rate at which current liabilities are declining is too much lesser than the current assets, which results in the lesser working capita even negative working capital.
- HCL Infosystems's current assets of last year was ₹279 crores, which is the lowest in past 5 years.
- Decrease in current asset of HCL Infosystems in past 5 years is 88%.
- Current liabilities show its highest point in past 5 years in 2018, with the amount of ₹2460 crores.

- Current liabilities show its highest point in past 5 years in 2022, with the amount of ₹690 crores.
- Decrease in current liabilities of HCL Infosystems in past 5 years is 72%.
- Current ratio decreased by 58% in past 5 years.
- Current ratio of previous year is 0.40 times.
- By analysing more, we can see the reason of falling current assets i.e.,

<b>CURRENT ASSETS</b>	<b>PERCENTAGE CHANGE IN PAST 5 YEARS</b>
<b>Current Investments</b>	-26%
<b>Inventories</b>	-100%
<b>Trade Receivables</b>	-100%
<b>Cash And Cash Equivalents</b>	-50%
<b>Short Term Loans and Advances</b>	-100%
<b>Other Current Assets</b>	-80%

- And the reason of falling current liabilities are as follows:

<b>CURRENT LIABILITIES</b>	<b>PERCENTAGE CHANGE IN PAST 5 YEARS</b>
<b>Short Term Borrowings</b>	-47%
<b>Trade Payables</b>	-93%
<b>Other Current Liabilities</b>	-92%
<b>Short Term Provisions</b>	629%

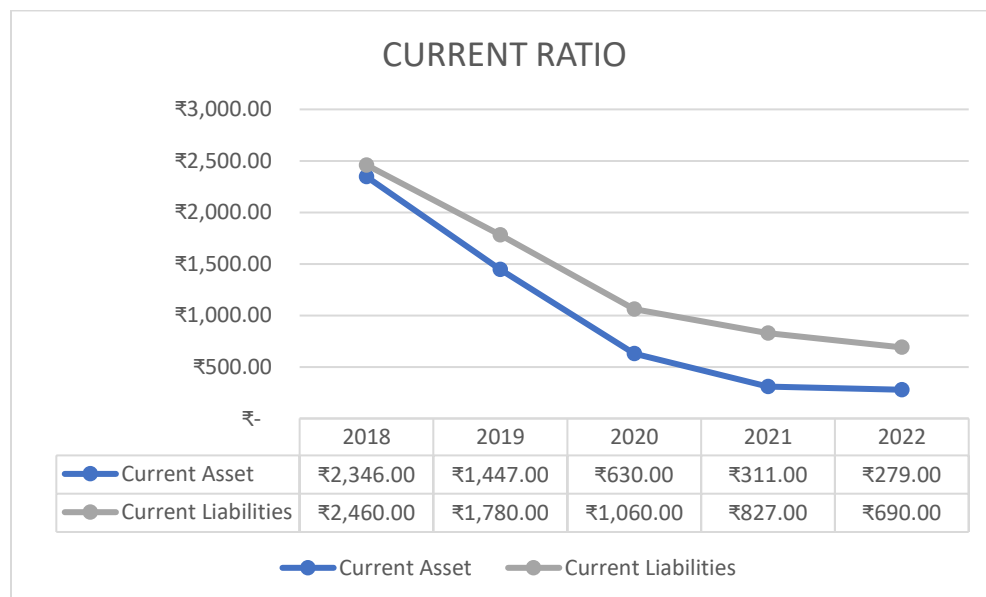
# CONCLUSION



## CONCLUSION

- Current assets are decreasing and Current liabilities are also decreasing but at a slower rate than current asset and that will lead to lower current ratio.
- Current ratio is decreasing continuously from past 5 years except 2022.
- Current Ratio is Increased in 2022 because of end of covid-19 recession.
- A good current ratio is typically considered to be anywhere between 1.5 and 3. And HCL Infosystems highest current ratio is 0.95 times in the year 2018. And after that is continuously decreasing till 2022.
- Current ratio less than 1 means that it has insufficient capital to pay off its short-term debt because it has a larger proportion of liabilities relative to the value of its current assets.
- Quick ratio is also decreased in the past 5 years except 2022.
- Quick ratio is also increased in 2022 because of end of covid-19 recession.
- A good quick ratio is anything above 1 or 1:1. A ratio of 1:1 would mean the company has the same amount of liquid assets as current liabilities. A higher ratio indicates the company could pay off current liabilities several times over. But the quick ratio of HCL Infosystems Ltd. never touched 1, highest quick ratio of HCL Infosystems Ltd. is 0.83 in year 2018.
- If a business's quick ratio is less than 1, it means it doesn't have enough quick assets to meet all its short-term obligations. If it suffers an interruption, it may find it difficult to raise the cash to pay its creditors.  
  
In addition, the business could have to pay high interest rates if it needs to borrow money.
- If we stare at working capital of the company, we can see some hilarious numbers as working capital has always been in negative numbers.
- The difference in working capital in past 5 years is ₹297 crores.

- There are number of disadvantages if the company has a negative working capital:
  - Businesses that have Negative Working Capital have little headroom to take up the many opportunities that come their way to innovate, expand or take over rivals.
  - It can also impact plans to fund expansion, as investors who see Negative Working Capital on the balance sheet may take it as a sign that sales are poor, or that customer invoices are not being paid.
  - Managing your business' cash flow can be a tough balancing act - especially when the end of the month draws near, and bills are due.
- If a company's working capital is seen to be negative, any investor attempting to value the business "will want to see rising revenues". That's because falling revenues often signal poor liquidity – an inability to readily convert any assets the company owns into cash. A company that consistently has more current liabilities than current assets will not look like an attractive prospect to investors.
- And the reason for less working capital is the growth rate of current asset is less than that of current liabilities. And this is creating a big gap between them and causing the working capital of company to be very less. Let us see this with a chart:



# SUGGESTIONS

## SUGGESTIONS

- As we can see the company's working capital is not sound at all, so company should work on its working capital management.
- Working capital is going down because of poor state of current asset and current liabilities.
- Growth rate of current assets are lower than that of current liabilities. So, the company should look after its current assets and current liabilities.
- HCL Infosystems Ltd., should increase its current assets.
- HCL Infosystems Ltd., should reduce its current liabilities.
- Company should follow strict working capital management policies.
- Company should use accounting tools to measure its Liquidity using:
  - Current Ratio
  - Quick Ratio
  - Working Capital Ratio.
- Collect payments from customers faster is an obvious route to keeping more working capital in your company.
- Company should Shorten its Operating Cycles because Longer operating cycles, due to delayed invoicing, could very well translate into lost income and poor liquidity.
- A customer's bad credit score could have a direct impact on your accounts receivable. So, HCL Infosystems Ltd. should make sure your customers can afford to pay their bills.
- Collect Outstanding Invoices on Time because Late-paying customers can cause a cash flow crunch, but a small payment discount can go a long way in getting the payments to come in ahead of net terms.

- HCL Infosystem Ltd., should focus on expanding its sales force and exploring new marketing channels.
- HCL Infosystem Ltd., should focus on quickly converting inventory into cash, then it will have less capital tied up. Another benefit is that the company will need less storage space, which will also cut some additional costs.
- HCL Infosystem Ltd., should Maintain a good relationship with its creditors and it is a good way to improve company's working capital.
- HCL Infosystem Ltd., should make its invoices and reporting process more transparent. By this company can also identify bottlenecks that can be easily tended to and resolved, further increasing company's access to working capital and strengthening company's cash position, resulting in a more favourable balance sheet.
- Another way to increase your working capital is to take advantage of any tax incentives available for HCL Infosystem Ltd.
- HCL Infosystem Ltd., should Manage its Debts smartly. Company can do this by ensuring that it can meet its debt obligations on time, in order to avoid any penalties or additional costs.

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