A Project Report on

"A COMPARATIVE STUDY OF WORKING CAPITAL MANAGEMENT OF HCL & INFOSYSTEMS LIMITED"

Submitted to

Department of Management Sciences and Research (DMSR)
G. S. College of Commerce & Economics, Nagpur

(An Autonomous Institution)

Affiliated to

Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur

In partial fulfillment for the award of the degree of

Master of Business Administration

Submitted by

Adesh Sanjay Mowade

Under the Guidance of

Dr. Madhuri V. Purohit

Department of Management Sciences and Research

G.S. College of Commerce & Economics, Nagpur

NAAC Accredited "A" Grade Institution

Academic Year 2023 – 24

Department of Management Sciences and Research,
G.S. College of Commerce & Economics, Nagpur
NAAC Accredited “A” Grade Institution

Academic Year 2023-24

CERTIFICATE

This is to certify that **Mr. Adesh Mowade** has submitted the project report titled, **" A COMPARATIVE STUDY OF WORKING CAPITAL MANAGEMENT OF HCL & INFOSYSTEMS LIMITED "**, under the guidance of **Dr. Madhuri V. Purohit** towards the partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination.

It is certified that he/she has ingeniously completed his/her project as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Accredited "A" Grade Autonomous Institution)** affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Dr. Madhuri V. Purohit
(Project Guide)

Dr. Madhuri V. Purohit
(MBA Coordinator)

Place: Nagpur
Date:

CERTIFICATE

This is to certify that **Ms./Mr. Name of student** has submitted the project report titled, **"Title of project"**, under the guidance of **Guide name** towards the partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination.

It is certified that he/she has ingeniously completed his/her project as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Reaccredited "A" Grade Autonomous Institution)** affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Name of Guide **Dr. M. V. Purohit**
(Project Guide)
(MBA Coordinator)

Place: Nagpur

Department of Management Sciences and Research,
G.S. College of Commerce & Economics, Nagpur
NAAC Accredited "A" Grade Institution

Academic Year 2023-24

DECLARATION

I **Mr. Adesh Mowade** here-by declare that the project with title **" A COMPARATIVE STUDY OF WORKING CAPITAL MANAGEMENT OF HCL & INFOSYSTEMS LIMITED "** has been completed by me under the guidance of Name of guide in partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur (NAAC Accredited "A" Grade Autonomous Institution)** affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

This project was undertaken as a part of academic curriculum and has not been submitted for any other examination and does not form the part of any other course undertaken by me.

Adesh Mowade
Place: Nagpur
Date:

CERTIFICATE

This is to certify that **Ms./Mr. Name of student** has submitted the project report titled, **"Title of project"**, under the guidance of **Guide name** towards the partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination.

It is certified that he/she has ingeniously completed his/her project as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Reaccredited "A" Grade Autonomous Institution)** affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Name of Guide **Dr. M. V. Purohit**
(Project Guide)
(MBA Coordinator)
Place: Nagpur

Department of Management Sciences and Research,
G.S. College of Commerce & Economics, Nagpur
NAAC Accredited “A” Grade Institution

Academic Year 2023-24

ACKNOWLEDGEMENT

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

I tender my sincere regards to the Coordinator, **Dr. Madhuri V. Purohit** for giving me guidance, suggestions and invaluable encouragement which helped me in the completion of the project.

I am extremely thankful to my Project Guide, **Dr. Madhuri V. Purohit** for her guidance throughout the project.

I would like to thank faculty instructor name **Prof. Uday Dhomne** for his constant support & guidance throughout the project.

Last but not the least, I am very much thankful to all those who helped me directly and indirectly in successful completion of my project.

Adesh Mowade

Place: Nagpur

Date:

CERTIFICATE

This is to certify that **Ms./Mr. Name of student** has submitted the project report titled, **"Title of project"**, under the guidance of **Guide name** towards the partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination.

It is certified that he/she has ingeniously completed his/her project as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Reaccredited "A" Grade Autonomous Institution)** affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Name of Guide **Dr. M. V. Purohit**

(Project Guide)

(MBA Coordinator)

Place: Nagpur

Date:

INDEX

INTRODUCTION

Working capital is a financial metric that is the difference between a company's current assets and current liabilities. As a financial metric, working capital helps plan for future needs and ensure the company has enough cash and cash equivalents meet short-term obligations, such as unpaid taxes and short-term debt.

WORKING CAPITAL MANAGEMENT

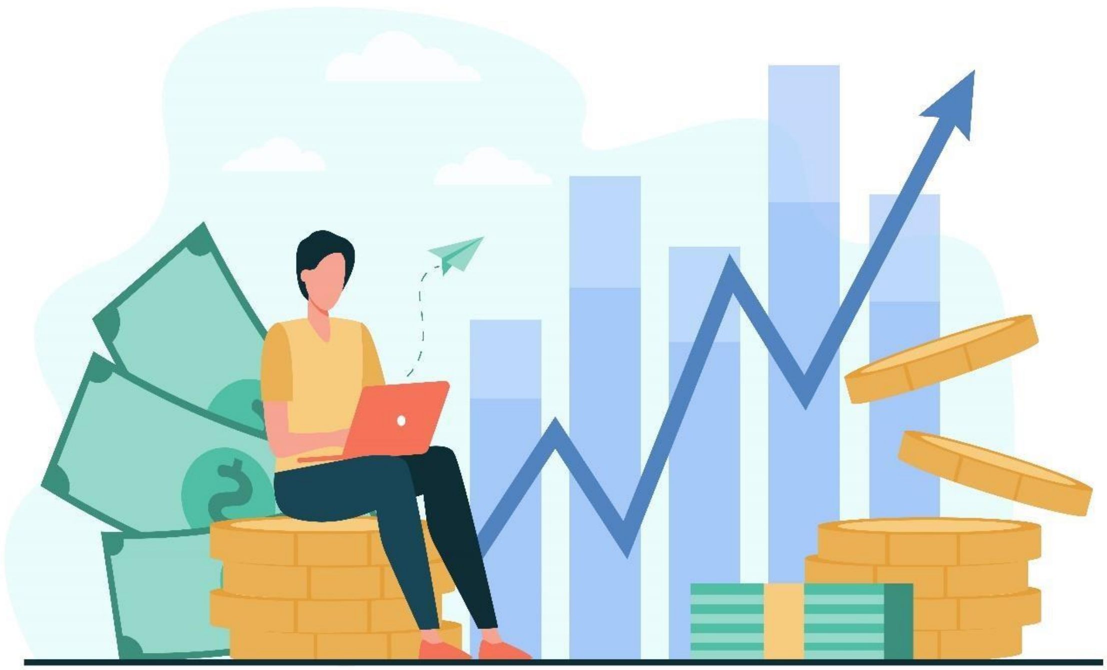
Working capital management is a business strategy designed to ensure that a company operates efficiently by monitoring and using its current assets and liabilities to their most effective use.

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:

Management of working capital

Guided by the above criteria, management will use a combination of policies and techniques for the management of working capital. The policies aim at managing the *current assets* (generally cash and cash equivalents, inventories and debtors) and the short-term financing, such that cash flows and returns are acceptable.

- **Cash management**. Identify the cash balance which allows for the business to meet day to day expenses, but reduces cash holding costs.
- **Inventory management**. Identify the level of inventory which allows for uninterrupted production but reduces the investment in raw materials—and minimizes reordering costs—and hence increases cash flow. Besides this, the lead times in production should be lowered to reduce Work in Process (WIP) and similarly, the Finished Goods should be kept on as low level as possible to avoid overproduction—see Supply chain management; Just In Time (JIT); Economic order quantity (EOQ); Economic quantity
- **Debtors' management**. Identify the appropriate credit policy, i.e. credit terms which will attract customers, such that any impact on cash flows and the cash conversion cycle will be offset by increased revenue and hence Return on Capital (or *vice versa*); see Discounts and allowances
- **Short-term financing**. Identify the appropriate source of financing, given the cash conversion cycle: the inventory is ideally financed by credit granted by the supplier; however, it may be necessary to utilize a bank loan (or overdraft), or to "convert debtors to cash" through "factoring".

COMPANY PROFILE

HCL INFOSYSTEMS LTD COMPANY PROFILE

Industry	Sector	Employees	Equity Type
Communications & Networking	Technology	179	ORD

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

ADDRESS Noida,201301 India

PHONE +91 12 0252 0977

+91 12 0252 0977

WEBSITE 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

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.

Kaur Harsh V. and Singh Sukhdev (2013)

This article focuses on cash conversion efficiency and setting up the operating cycle days. The study tests the relationship between the working capital attain and profitability calculated by income to current assets and income to average total assets. Authors did study with companies listed in BSE 200 that is spread over 19 industries for the period 2000 to 2010.At the end, the study lay emphasis on that proficient management of working capital notably affects profitability.

Mr.V.Venkatachalam (2016), the researcher conducted a study on "Working Capital Management on Mahindra and Mahindra Private Limited". The main objective of the study is to analyze whether the companies are viable in the long run through ratio analysis and statement of changes in working capital. He concluded that the overall working stability-soundness of the company has improved over the years very well.

Akash B. Selkari and Omdeo Ghyar (2016) conducted a "Study on Working capital of Mahindra and Mahindra Ltd" for a period of 3 years from 2015-18. To study the working capital of the company ratio analysis technique was used. They came to an end that the working capital of the company was satisfactory because of maintaining proper inventory levels, cash, and other current assets and a decrease in the current liabilities and provisions .

Singh et al. (2017) indicated that WCM is negatively connected with corporate profitability, which means an aggressive WCM policy leads to higher profitability.

Dr.V. Bhuvaneswari (2020)highlighted the working capital which will determine whether the position of the company from the working capital point of view is sound and satisfactory. She concluded that the overall working stability, soundness and overall financial performance have improved over the years.

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

- This project will be a learning device for the finance student.
- 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

  -

OBJECTIVES OF HCL INFOSYSTEMS LTD.

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 –

- To understand 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 analyzing various ratios.
- To suggest ways for better management and control of working capital at the concern.

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

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 adhoc 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, broachers, internet and other secondary sources.

- Official Publications,
- Publications Relating to Trade
- Journal/ Newspapers etc
- Industry Associations
- The Hindu Business
- The Economic Times
- Business India

HYPOTHESIS [;

Financial management refers to Firm's financial resources, it deals with finding out various sources for raising funds for firms.

Working capital management is concerned with the management of assets, it is an integral part of financial management as short term survival is a perquisite for long-term success. One aspects of working capital management are the tread off between profitability and risk.

Hypothesis 1

HO: There is no significant difference in the performance of HCL and Infosys based on the Working Capital.

H1: HCL performs better than Infosys based on the Working Capital.

DATA ANALYSIS AND INTERPRETATION

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.

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	
Total Liabilities	491	649	1,046	1,997	2,877	
Assets						
Fixed Assets	4	35	55	87	112	
Current Assets	279	311	630	1,447	2,346	
Other Assets	207	301	361	463	418	
Total Assets	491	649	1,046	1,997	2,877	
Other Info						
Contingent Liabilities	650	643	507	779	672	

CURRENT RATIO:

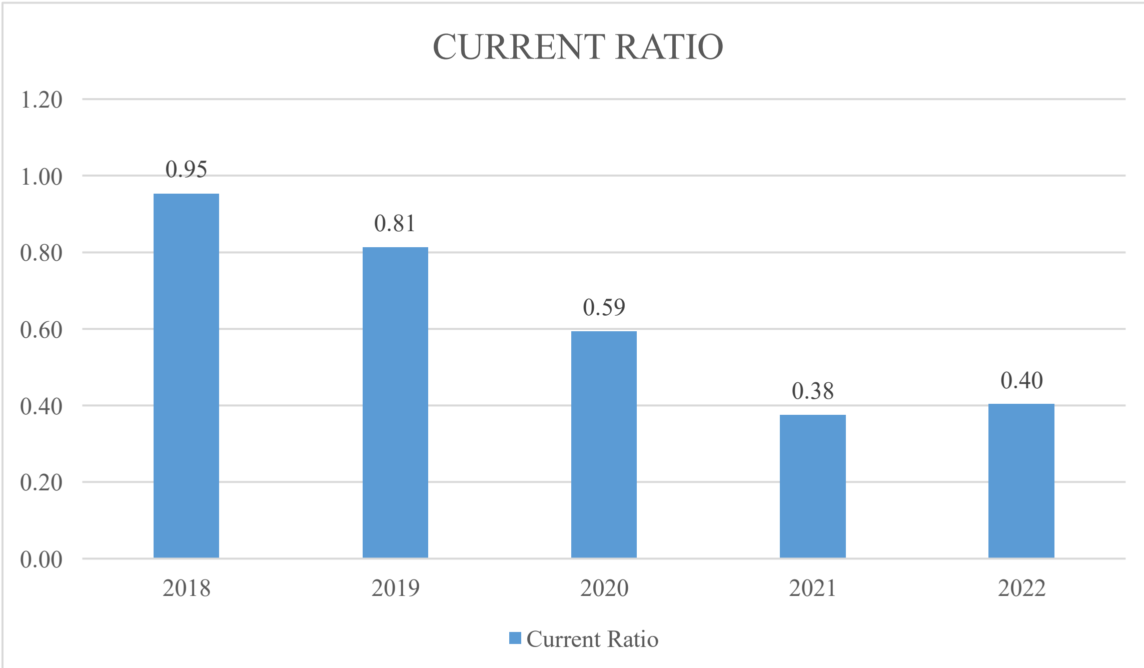
The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

FORMULA OF CURRENT RATIO:

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

Current ratios of past 5 years:

Year (Ended on 31st March)	Current Asset (₹ in crores)	Current Liability (₹ in crores)	Current Ratio (times)
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

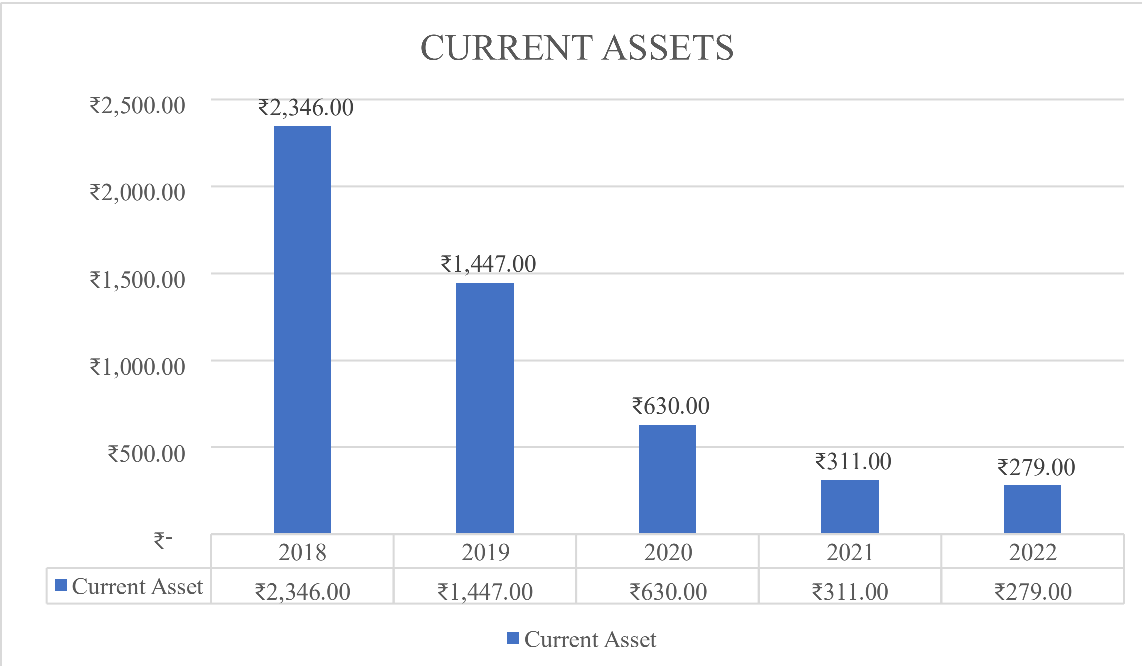


INTERPRETATION FROM PAST 5 YEARS CURRENT RATIO:

- 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.



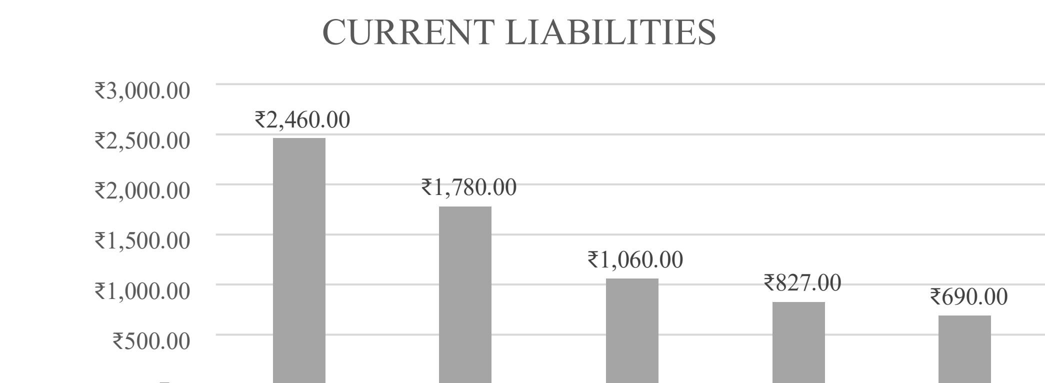
INTERPRETATION FROM PAST 5 YEARS CURRENT ASSETS:

- 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.



	2018	2019	2020	2021	2022
Current Liabilities	₹2,460.00	₹1,780.00	₹1,060.00	₹827.00	₹690.00

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:

$$\textbf{Quick Ratio} = \frac{\textbf{“Quick Assets”}}{\textbf{Current Liabilities}}$$

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:

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

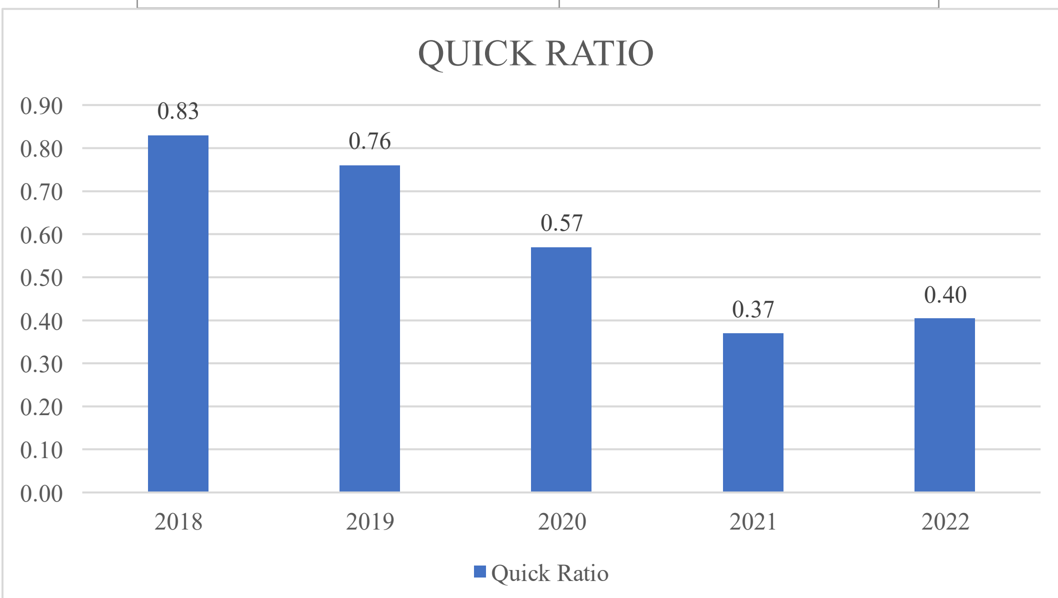
where:

$\text{CE} = \text{Cash equivalents}$

$\text{MS} = \text{Marketable securities}$

$\text{NAR} = \text{Net accounts receivable}$

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



INTERPRETATION FROM PAST 5 YEARS QUICK RATIO:

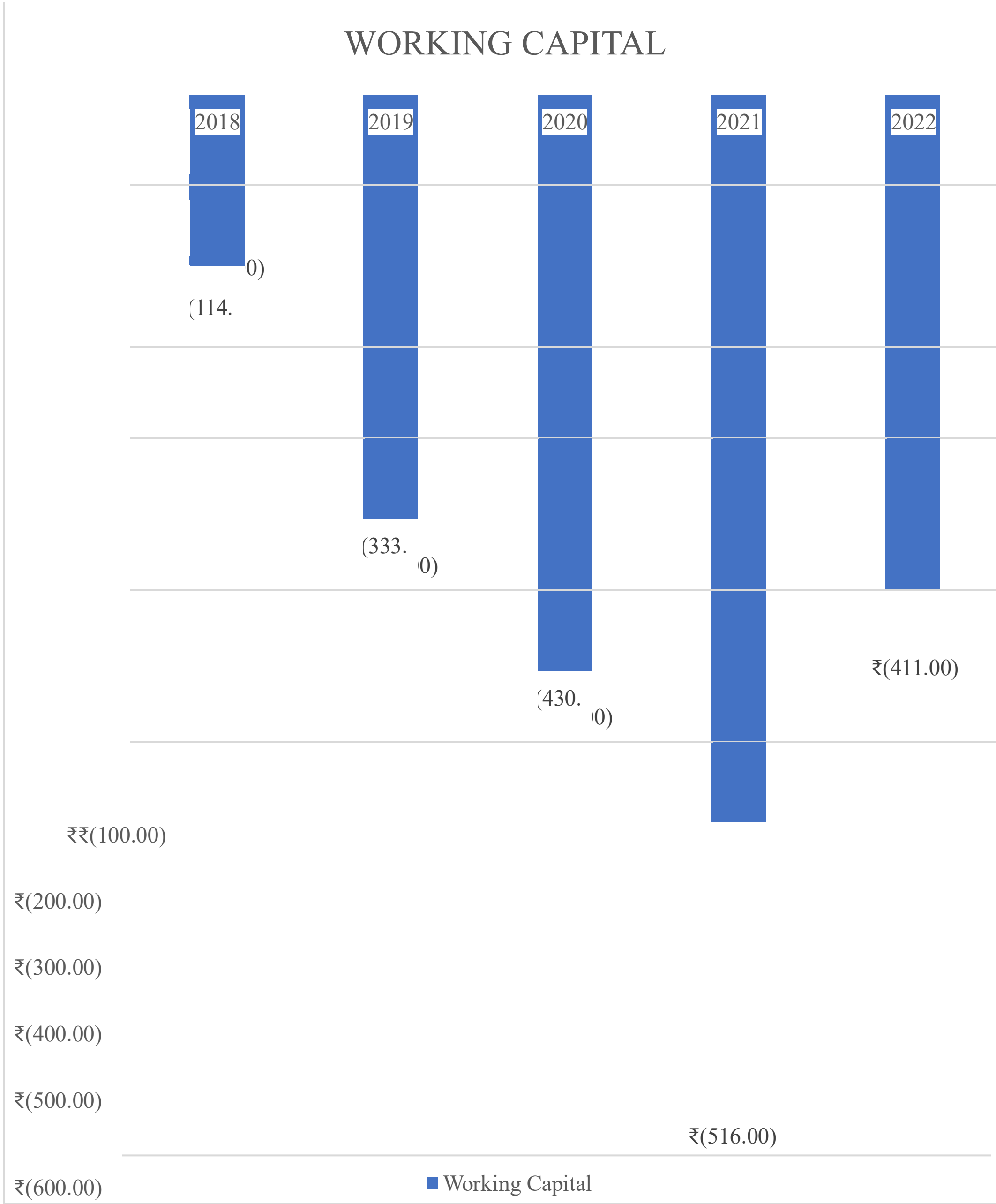
- Quick ratio is also decreased in the past 5 years except 2022.
- In comparison to 2018, the quick ratio dropped by 8% in 2019.
- In comparison to 2019, the quick ratio dropped by 25% in 2020.
- In comparison to 2020, the quick ratio dropped by 35% in 2021. • In comparison to 2021, the quick ratio increased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

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:

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



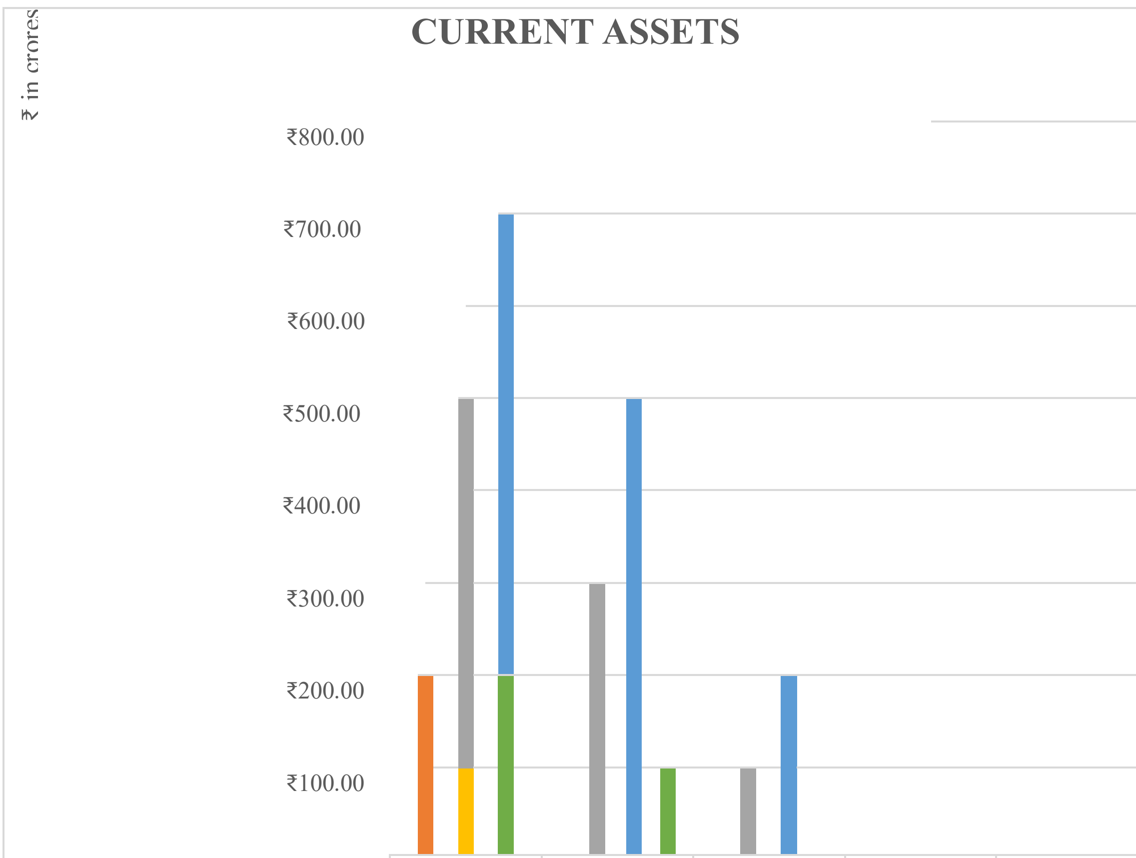
INTERPRETATION FROM PAST 5 YEARS WORKING CAPITAL:

- 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.

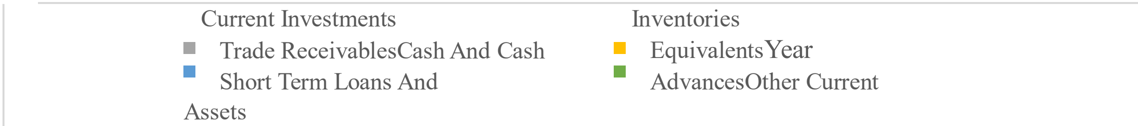
- Working capital of year 2021 is 20% less than the working capital of 2020.
- Working capital of year 2022 is 20% more than the working capital of 2021.
- The difference in working capital in past 5 years is ₹297 crores.
- The working capital has only increased in the year 2022 yet it is not positive.

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:



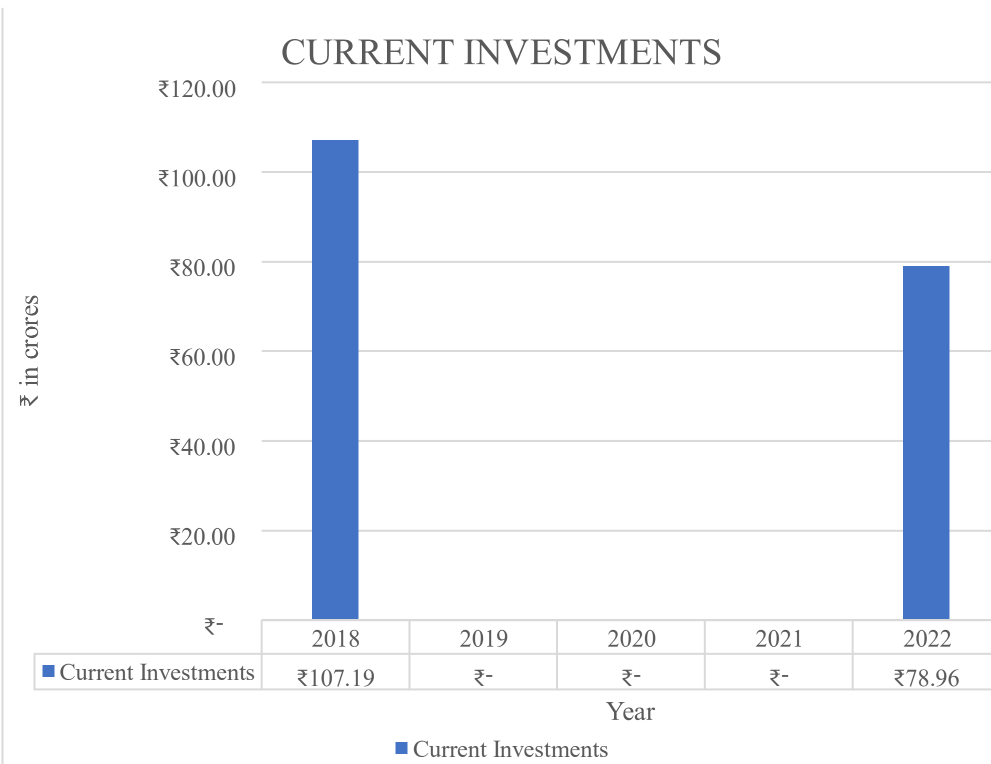
	2018	2019	2020	2021	2022
Current Investments	₹107.19	₹-	₹-	₹-	₹78.96
Inventories	₹278.57	₹85.30	₹24.24	₹0.53	₹-
Trade Receivables	₹560.88	₹379.55	₹158.38	₹14.64	₹1.12
Cash And Cash Equivalents	₹57.47	₹155.38	₹59.78	₹24.19	₹28.56
Short Term Loans And Advances	₹716.57	₹515.59	₹203.56	₹2.31	₹1.55
Other Current Assets	₹163.82	₹179.32	₹80.76	₹52.69	₹33.13



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

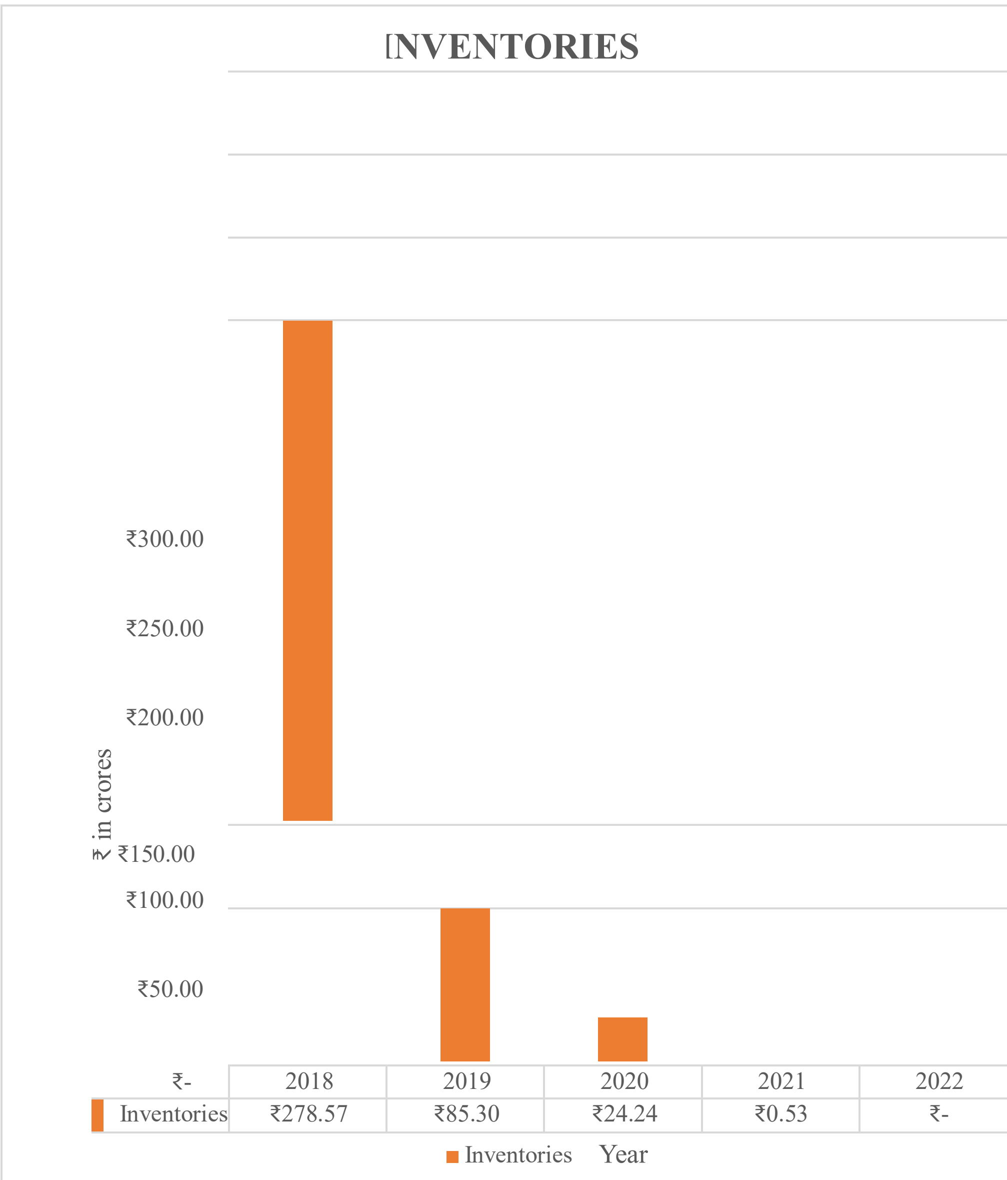
₹78.96.

- 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.

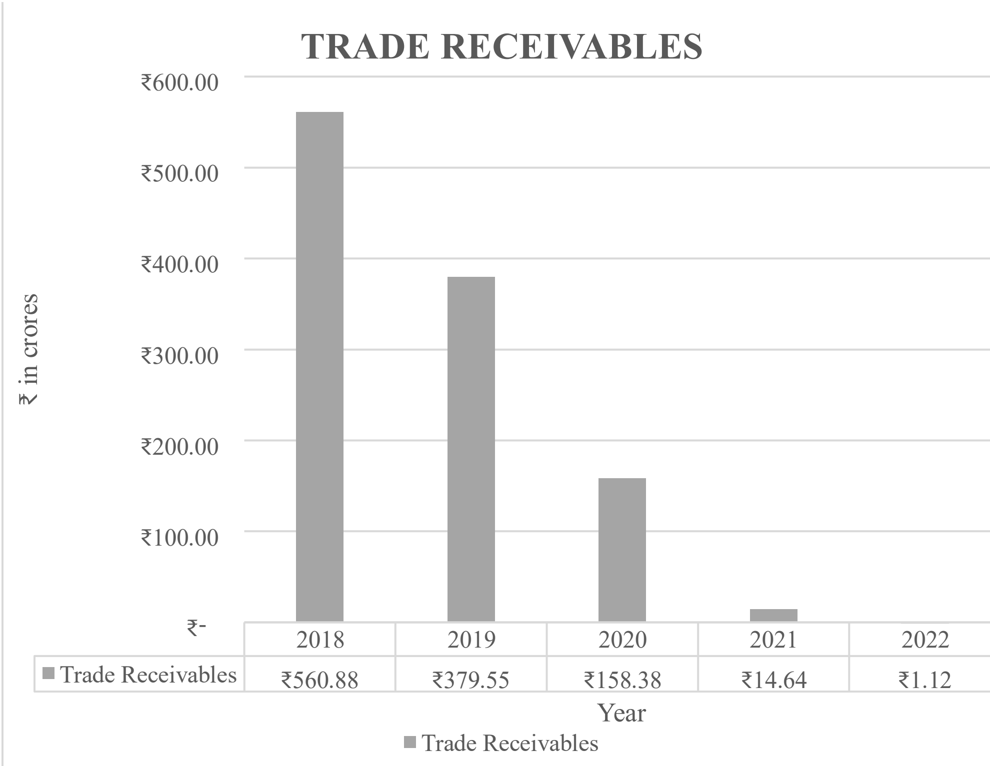


INTERPRETATION FROM PAST 5 YEARS INVENTORIES:

- 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.

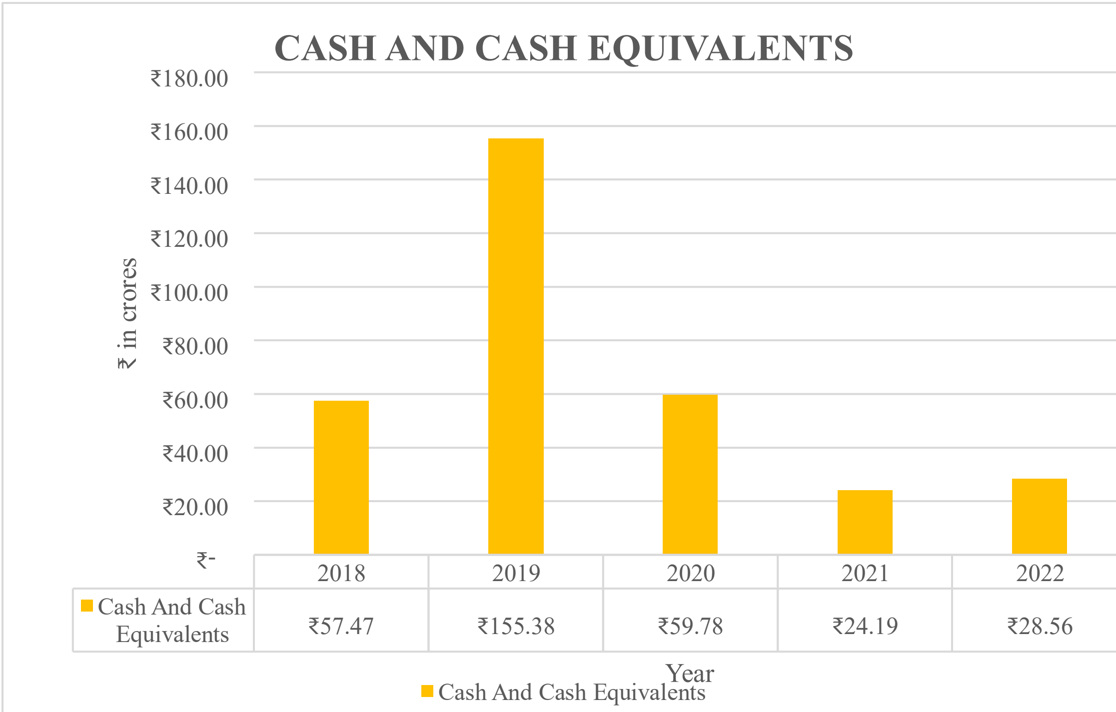


INTERPRETATION FROM PAST 5 YEARS TRADE RECEIVABLES:

- 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.

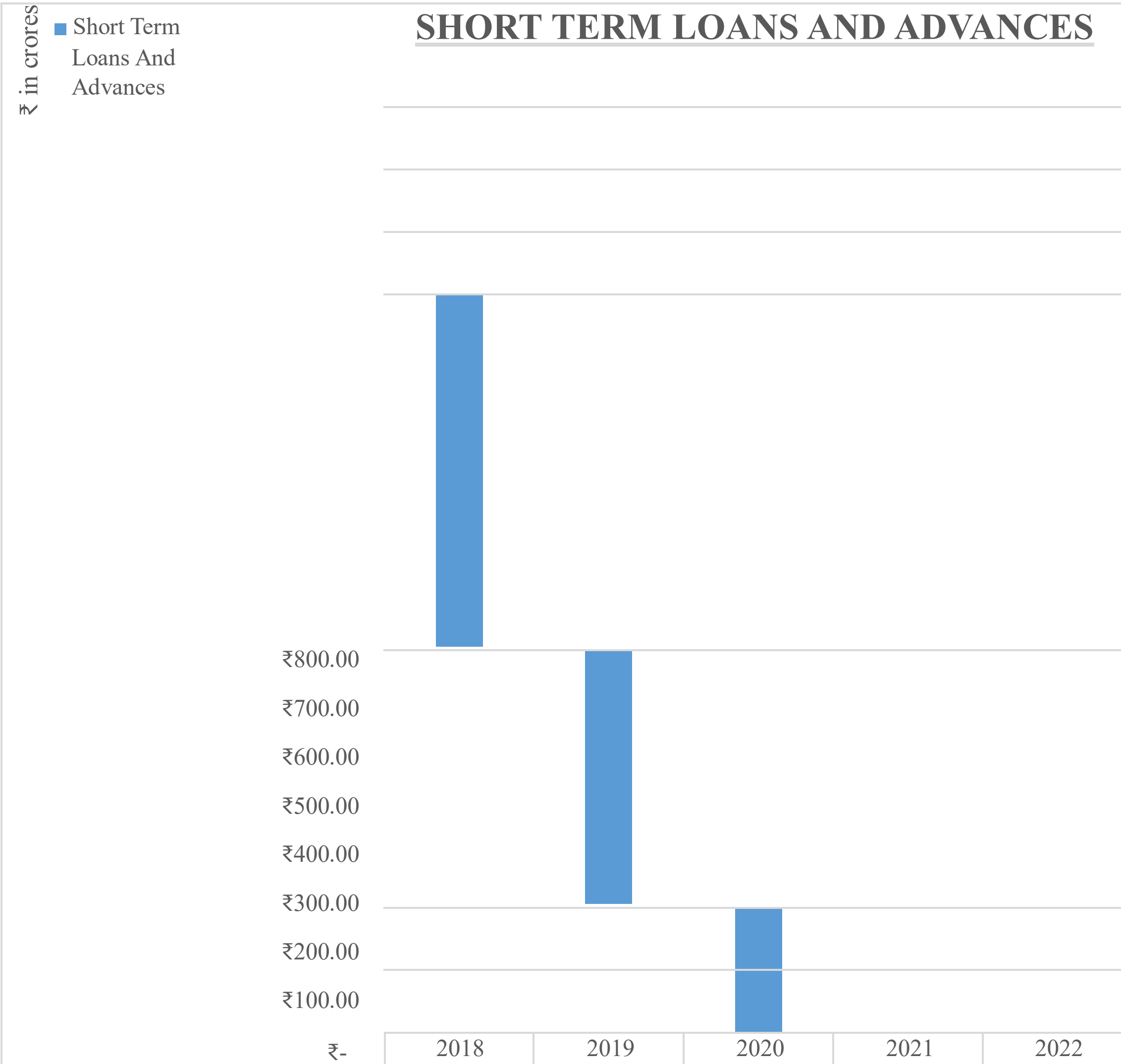


INTERPRETATION FROM PAST 5 YEARS CASH AND CASH EQUIVALENTS:

- 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.



	2018	2019	2020	2021	2022
Short Term Loans And Advances	₹716.57	₹515.59	₹203.56	₹2.81	₹1.55

INTERPRETATION FROM PAST 5 YEARS SHORT TERM LOANS AND ADVANCES:

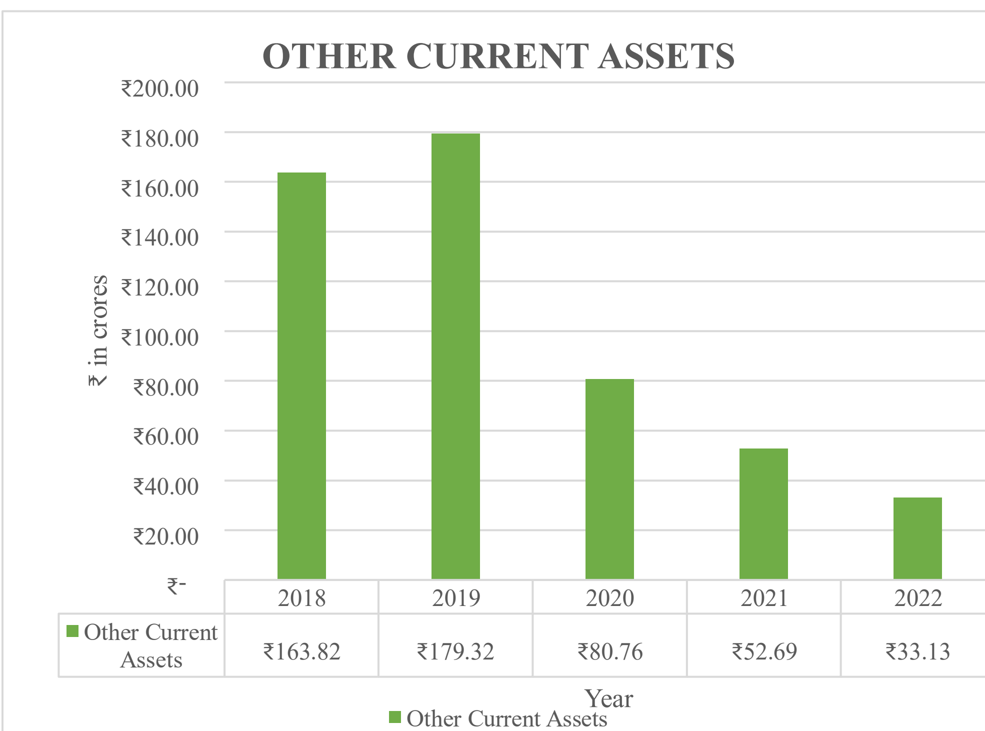
- Short term loans and advances are decreasing year by year continuously.
- It is good for the company, it should always be minimal.
- The most short-term loans and advances were made in 2018, totalling ₹716.57 crores.
- In the year 2022, 1.55 crores in short-term loans and advances, were the lowest.

- 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.

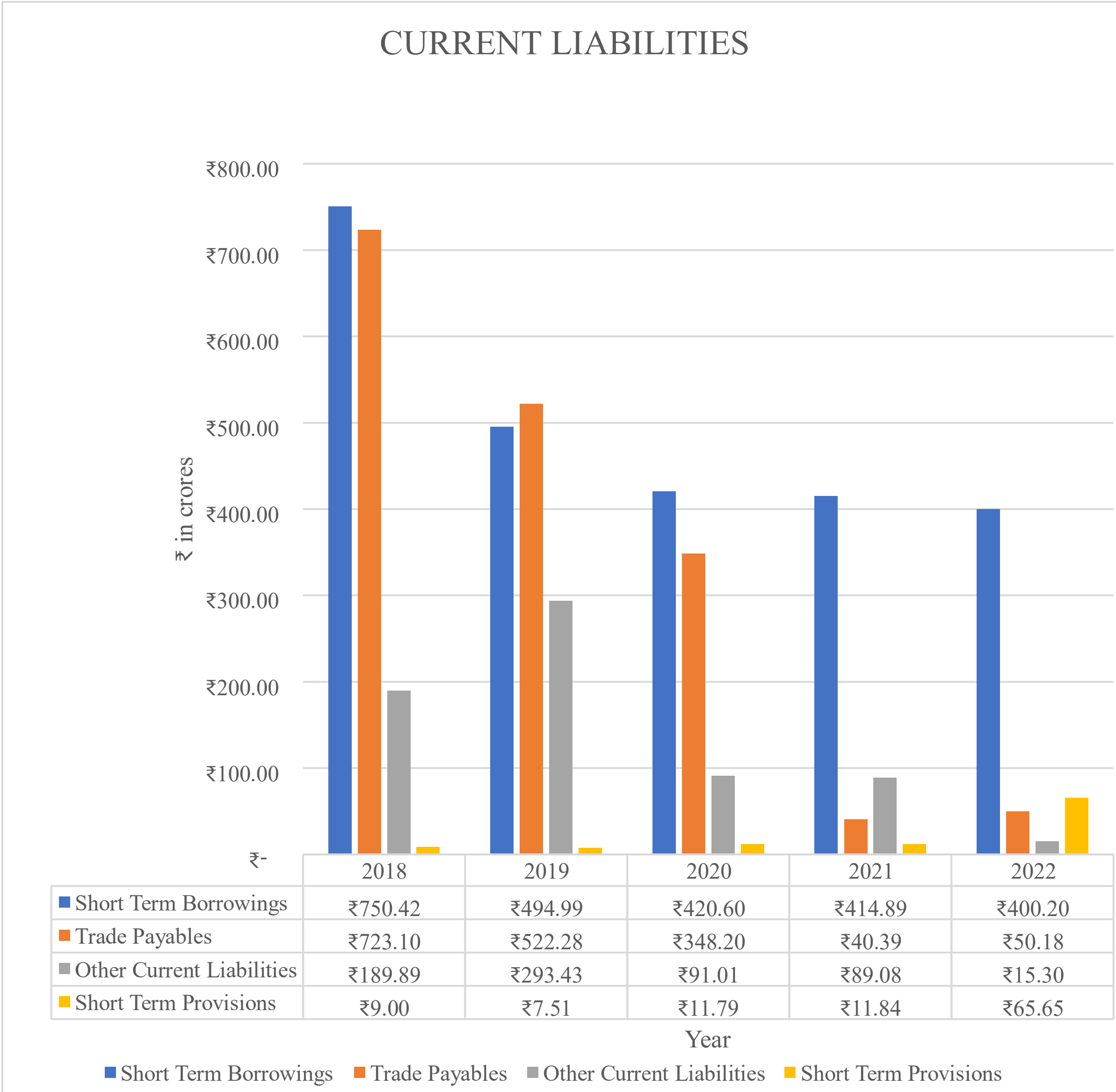


INTERPRETATION FROM PAST 5 YEARS OTHER CURRENT ASSETS:

- 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:

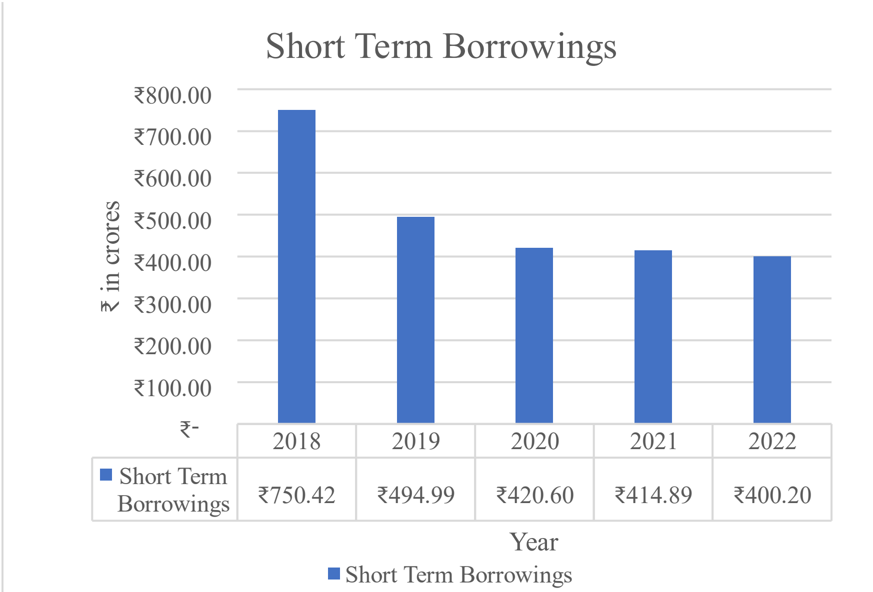
Current liabilities are a company's short-term financial obligations that are due within one year or within a normal operating cycle. An operating cycle, also referred to as the cash conversion cycle, is the time it takes a company to purchase inventory and convert it to cash from sales. An example of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

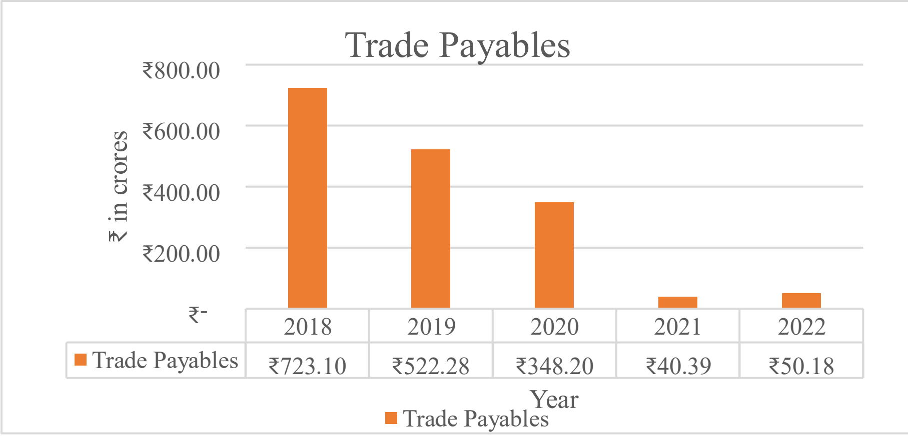


INTERPRETATION FROM PAST 5 YEARS SHORT TERM BORROWINGS:

- 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.

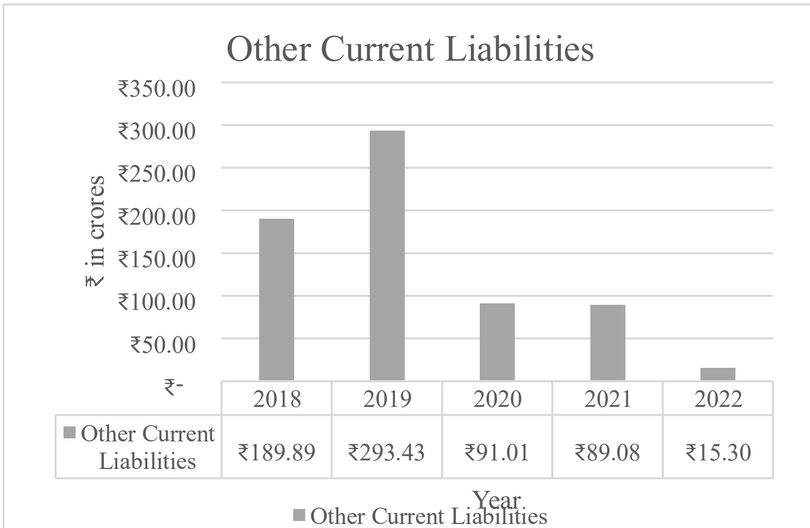


INTERPRETATION FROM PAST 5 YEARS SHORT TERM BORROWINGS:

- 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.

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.

FINDINGS

- 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 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.g
- 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 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.
- 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.,

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

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

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

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.

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 shortterm 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 decreased in the past 5 years except 2022.
- 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.

After the analysis of the following data it can be concluded that Null Hypothesis (Ho) i.e. There is no significant difference in the performance of HCL and Infosys based on the Working Capital is rejected. Hence, Alternative Hypothesis (H1) i.e. performs better than Infosys based on the Working Capital is accepted.

BIBLIOGRAPHY

LINKS:

www.investope
dia.com
www.hclinfosys
tems.in
in.investing.co
m ignited.in
www.moneycontrol
.com finbox.com
www.netsuite.com
www.irvinebookkee
ping.com
www.americanexpr
ess.com
www.fundthrough.c
om

PREVIOS RESEARCHS AND JOURNALS:

- A Study on Working Capital Management in HCL Infosystems by Apoorv Pandey.
- A Study on Working Capital Management in HCL Infosystems by Dipankar Hans.
- A Study on Working Capital Management in HCL Infosystems by Sanjay Gupta.
- Effect Of Working Capital Management on Profitability of HCL Infosystems Ltd. by Nirmala Devi.