A COMPARITIVE STUDY ON LIQUIDITY POSITION OF HCLTECHNOLOGIES LIMITIEDAND WIPRO LIMITIED.

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ABSTRACT: A ratio analysis is a quantitative analysis of information contained in a company's financial statements. Ratioanalysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency. Ratio Analysis as a tool possesses several important features. The data, which are provided by financial statements, are readily available and facilitates the comparison of firms which differ in size. Ratios can be used to compare a firm's financial performance with industry averages. Ratios helps to determine the area where it has improved its financial performances and it also helps to make additional improvements at a required places.

Index Term - Liquidity ratios.

1. INTRODUCTION

LIQUIDITY

Liquidity ratio analysis refers to the use of several ratios to determine the ability of an organization to pay its bills in a timely manner. This analysis is especially important for lenders and creditors, who want to gain some idea of the financial situation of a borrower or customer before granting them credit. There are several ratios available for this analysis, all of which use the same concept of to short-term liability.

2. OBJECTIVE

Liquidity tells about the business capacity to meet short term needs of funds by the business.

- To analyse and compare the liquidity position of HCL Technologies Limited and WIPRO Limited.

3. OVERVIEW OF HCL TECHNOLOGIES LIMITED AND WIPRO LIMITED

3.1.HCL Technologies Limited

HCL (Hindustan Computers Limited) is a leading global Technology and IT enterprise whose range of services spans Product Engineering and Technology Development, Application Services, BPO Services, Distribution of Technology, Telecom products, Infrastructure Services, IT Hardware, Systems Integration in India. Hindustan Computers Limited, the other name for HCL Technologies Limited which offers services like ; engineering; research and development, remote infrastructure management, IT consulting, enterprise transformation; and business process outsourcing. The company has offices in 32 countries world over. Today, HCL has 45,000 employees of diverse nationalities, operating across 17countries including 360 service centers in India. HCL has global partnerships with many leading 1000 firms, including many IT and Technologies.The company is working on Project Samudhay; through which it has adopted a 100 villages and is driving transformation in them in the areas of water; women's welfare; education; health and malnutrition; sanitation. It is also associated with an NGO called UdayanGhar through which it promotes all-round community development. HCL Technologies is also working on a program "Go Green", through which it works towards design

3.2.Wipro Limited

Wipro Limited (Wipro), incorporated on December 29, 1945, is a global information technology,consulting and BPS provider. It operates through two segments: IT Services and IT Products. The Company's IT Services business provides a range of IT and IT-enabled services. IT Products segment provides a range of third-party IT products. It was incorporated in Amalner, Maharashtra by Mohamed Premji as "Western India Vegetable Products Limited", later abbreviated to "Wipro". It was initially started as a manufacturer of vegetable and refined oils in Amalner, Maharashtra, India under the trade names of Camel, kisan and sunflower. The IT Services segment primarily consists of IT Service offerings to its customers organized by industry verticals, which include Banking, Financial Services and Insurance (BFSI), Healthcare and Life Sciences (HLS), Retail, Consumer Goods, Transport and Government (RCTG), Energy, Natural Resources and Utilities (ENU), Manufacturing and High-Tech (MFG), and Global Media and Telecom (GMT).

4. REVIEW OF LITERATURE

B.S.R. Murthy, V. Ramakrishna, M. Madhavi, M. Muniraja, M. Prasad Naik (April 2018)[1] examined the measures of liquidity management has no significant impact on profitability. This result prove that every profitability ratio is influenced by different liquidity and risk factors throughout the world all financial managers makes financing decisions by considering an object of wealth maximization, a whole range of techniques may be used to maximize revenue and minimize costs.

Mr. R. Narayanan and Dr. R. Hamsalakshmi (July 2014)[2]analysed that performance of selected variables are in increasing trend during the study period. There is a relationship exists between liquidity and operating profitability hence it is recommended that to improve working capital position and operating profit margin the companies has to concentrate on utilization short term loans and advances, cost of raw materials, cost of fuel and manufacturing expenses so that performances of net worth also improves.

Sebastian OfumbiaUremadu, Ben - Caleb Egbide, Patrick E.Enyi (2012)[3]analysed the present empirical evidence of the effect of working capital management and liquidity on corporate profits using a cross sectional time data for the year 2005-2006. This micro – data were analysed using descriptive statistics and an OLS methodology. The authors find a positive effect of inventory conversion period.

Ajanthan. A (2013)[4]examined the nature and extent of the nexus between liquidity and possibility in profit oriented quoted trading companies and also to determine whether any relationships exist between the two performance measures. Results of this study found that correlation and regression results are significantly positive associated to the firm profitability.

5. ANALYSIS

The statistical tools used are given below:

1) Current Ratio
2) Liquid Ratio
3) Absolute Liquid Ratio
4) Inventory Turnover Ratio
5) Working Capital Turnover Ratio
6) Inventory Conversion Period

5.1 CURRENT RATIO:

This ratio shows the relationship between current assets and current liabilities of a company. It is an important measure of analysing the firm's ability to pay off its current obligations out of its short term resources. The rule of thumb about the CR is 2:1. This rule is based on the logic that in the worse situation even if the possibility of 50% shrinkage in the value of current assets.

CURRENT ASSETS

CURRENT RATIO = ----------------------------------

CURRENT LIABILITIES

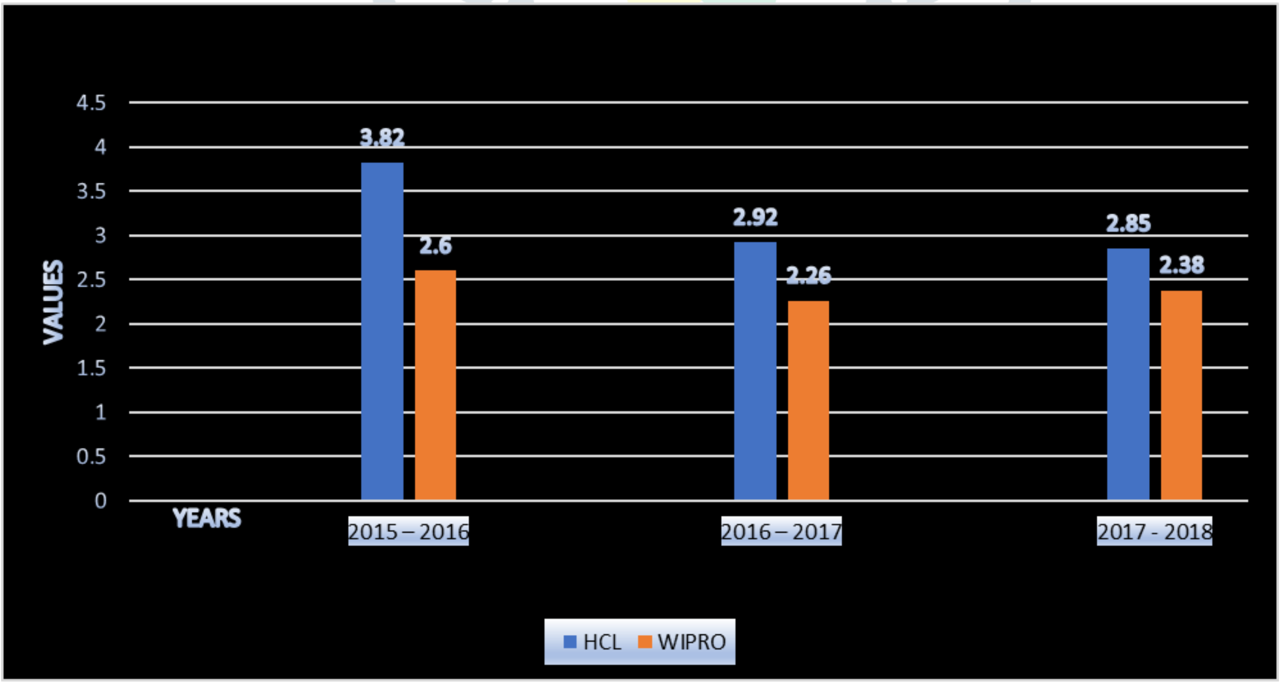
TABLE 5.1

YEARS	HCL			WIPRO		
	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
MARCH 2016	17168.46	4499.49	**3.82**	24840.80	9545.50	**2.60**
MARCH 2017	17202.00	5901.00	**2.92**	19580.40	8676.30	**2.26**
MARCH 2018	13318.00	4678.00	**2.85**	18126.10	9305.50	**2.38**

INTERPRETATION:

The standard value of CURRENT RATIO is 2 : 1 . During the year 2016 – 2017 the CR of both the companies has been decreased and hence it is not favourable sign for the companies. But during the year 2017 – 2018 the CR of HCL has decreased and WIPRO has increased and it shows that the HCL is less efficient than WIPRO. (This changes occurs due to current liabilities).

CHART 5.1CURRENT RATIO



5.2 LIQUID RATIO:

This ratio is yet another widely used parameter of judging the short-term repaying ability of a firm in the near future. This ratio is a refinement over CR as it considers the quality of current assets. This ratio excludes inventories, which is considered slow moving assets in relation to other current assets, thus it can access the liquidity position of a company more effectively.

$$\text{LIQUID RATIO} = \frac{\text{LIQUID ASSETS}}{\text{CURRENT LIABILITIES}}$$

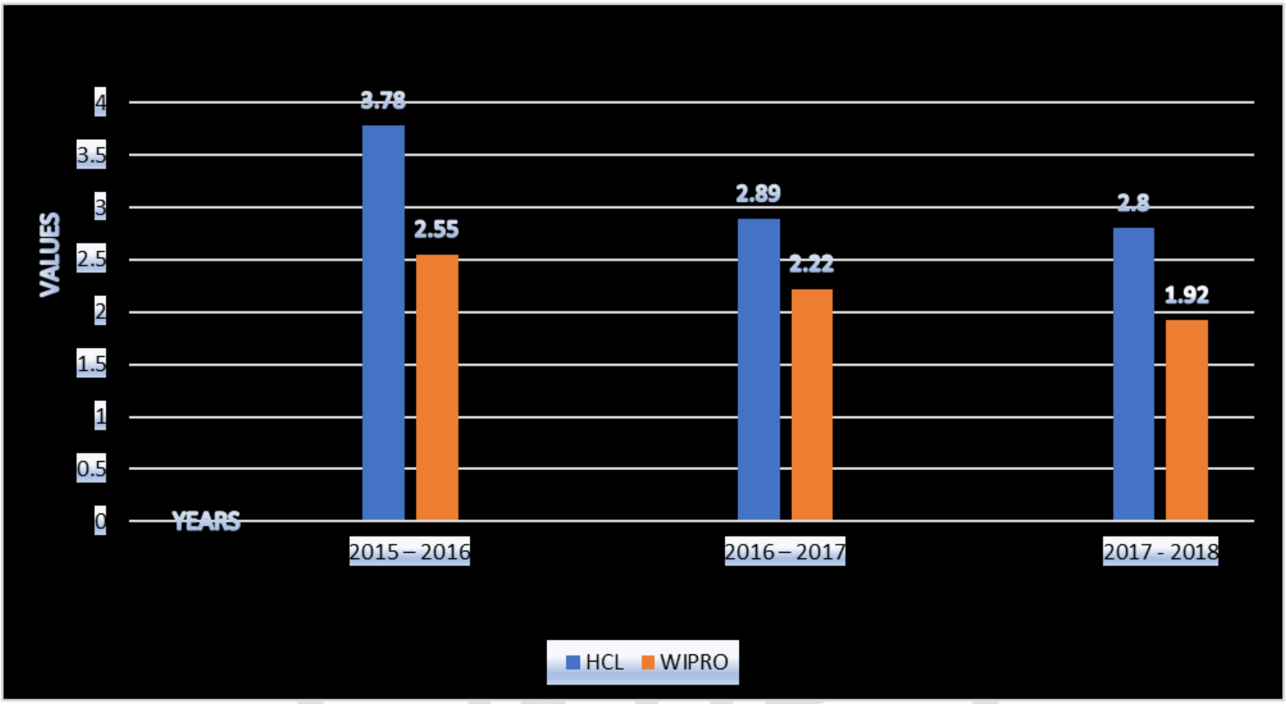
TABLE 5.2

YEARS	HCL			WIPRO		
	LIQUID ASSETS	CURRENT LIABILITIES	LIQUID RATIO	LIQUID ASSETS	CURRENT LIABILITIES	LIQUID RATIO
MARCH 2016	17039.9	4499.49	**3.78**	24314.60	9545.50	**2.55**
MARCH 2017	17112.00	5901.00	**2.89**	19224.50	8676.30	**2.22**
MARCH 2018	13278.00	4678.00	**2.80**	17831.80	9305.50	**1.92**

INTERPRETATION:

The standard value of Liquid ratio is 1 : 1. During the year 2016 – 2017 the Liquid ratio of both the HCL and WIPRO has been decreased which indicates fast moving inventories. And during the year 2017 - 2018 both the companies maintaining their efficiency in fast moving inventory process. And hence it is favourable to receive the debts faster. (this changes occurs due to liquid assets).

CHART 5.2LIQUID RATIO



5.3 ABSOLUTE LIQUID RATIO:

This ratio is also known as quick ratio. This is still more rigorous test of liquidity position of a concerns. Absolute liquid assets (cash in hand, cash at bank and marketable securities) are divided by current liabilities for computation of this ratio. ALR is interpreted in respect of current obligations. A high ALR is good from the creditors point of view whereas from the management point of view it indicates poor investment policy.

$$\text{ABSOLUTE LIQUID RATIO} = \frac{\text{ABSOLUTELIQUID ASSETS}}{\text{CURRENT LIABILITIES}}$$

TABLE 5.3

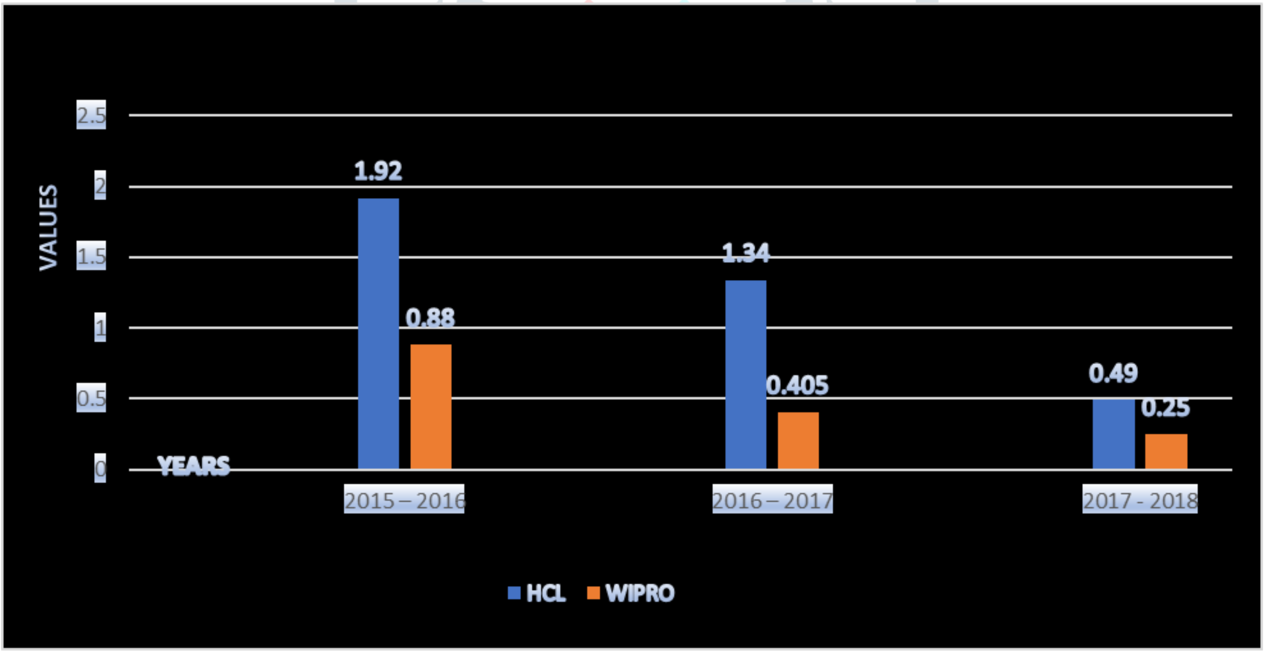
YEARS	HCL			WIPRO		
	ABSOLUTE LIQUID ASSETS	CURRENT LIABILITIES	ABSOLUTE LIQUID RATIO	ABSOLUTE LIQUID ASSETS	CURRENT LIABILITIES	ABSOLUTE LIQUID RATIO
MARCH 2016	8662.96	4499.49	**1.92**	8408.80	9545.50	**0.88**

MARCH 2017	7962.00	5901.00	**1.34**	3516.60	8676.30	**0.405**
MARCH 2018	2325.00	4678.00	**0.49**	2322.00	9305.50	**0.25**

INTERPRETATION:

The standard value of Absolute liquid ratio is 0.5 : 1. During the year 2016 – 2017 the ALR has been decreased in both the companies which shows high investment policy in management point of view and it is poor for creditors. And it is same during the year 2017 -2018 in both the companies.

CHART 5.3ABSOLUTE LIQUID RATIO



5.4 INVENTORY TURNOVER RATIO:

This ratio focuses light on the inventory control policy adopted by a concern. This ratio shows the relationship between the cost of goods sold during a particular year and inventories kept by a concern during that year.

$$\text{INVENTORY TURNOVER RATIO} = \frac{\text{SALES}}{\text{AVERAGE INVENTORY}}$$

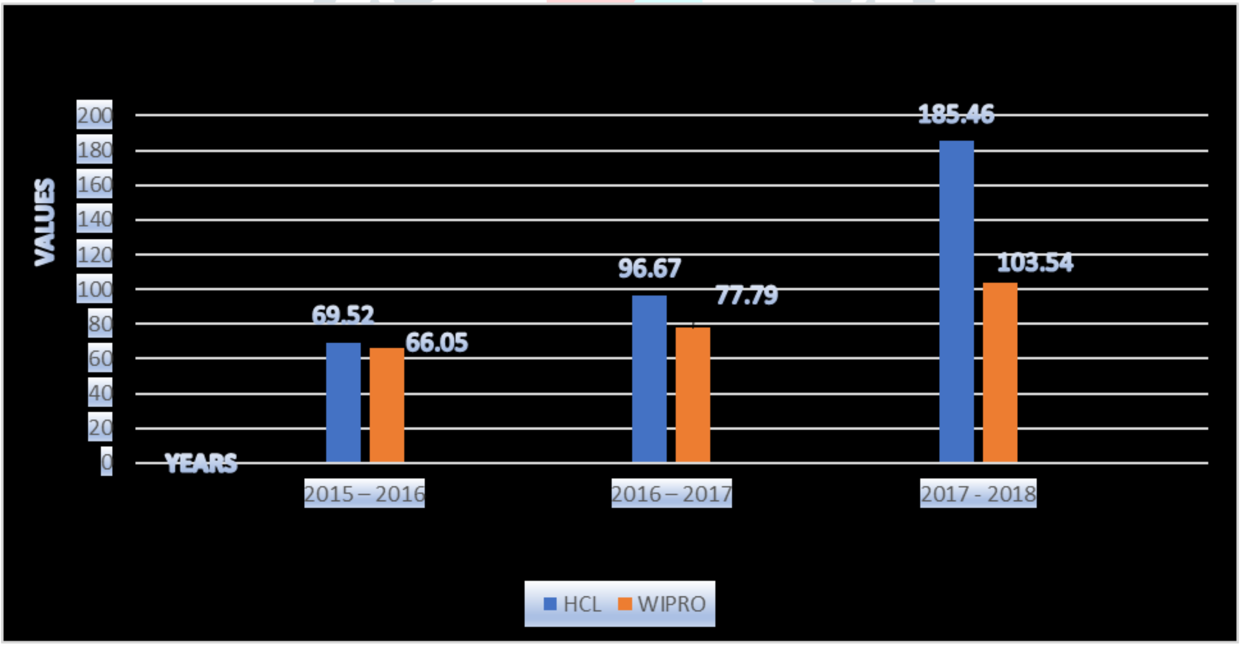
TABLE 5.4

YEARS	HCL			WIPRO		
	SALES	AVERAGE INVENTORY	INVENTORY TURNOVER RATIO	SALES	AVERAGE INVENTORY	INVENTORY TURNOVER RATIO
MARCH 2016	7376.20	106.105	**69.52**	33211.20	502.80	**66.05**
MARCH 2017	10564.00	109.28	**96.67**	34313.00	441.05	**77.79**
MARCH 2018	12055	65.00	**185.46**	33660.90	325.10	**103.54**

INTERPRETATION:

During the year 2016 –2017 the inventory turnover ratio of both HCL and WIPRO has been increased which indicates fast moving inventories and it is good inventory management. And both the companies maintained their the efficiency by improving their ITR during the year 2017 – 2018.

CHART 5.4INVENTORY TURNOVER RATIO



5.5 WORKING CAPITAL TURNOVER RATIO:

The working capital turnover is also referred as net sales to working capital. It indicates a company's effectiveness in using its working capital. Working capital is defined as the total amount of current assets minus current liabilities.

$$\text{WORKING CAPITAL TURNOVER RATIO} = \frac{\text{COST OF GOODS SOLD}}{\text{WORKING CAPITAL}}$$

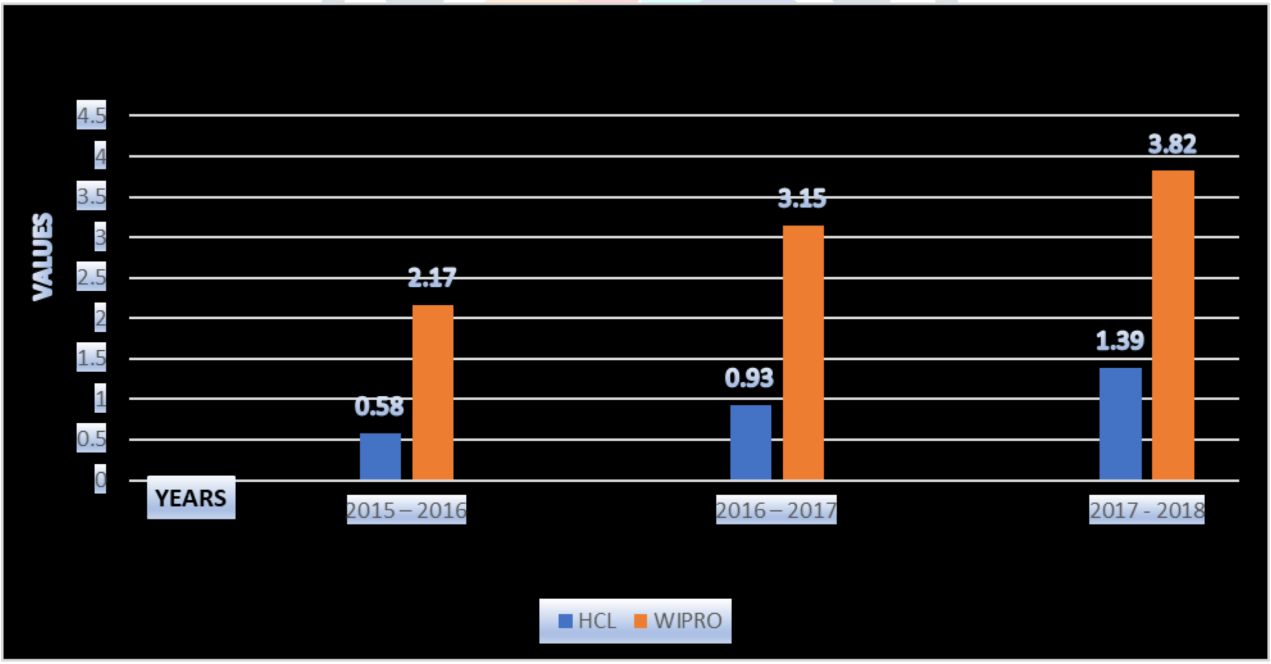
TABLE 5.5

YEARS	HCL			WIPRO		
	COST OF GOODS SOLD	WORKING CAPITAL	WORKING CAPITAL TURNOVER RATIO	COST OF GOODS SOLD	WORKING CAPITAL	WORKING CAPITAL TURNOVER RATIO
MARCH 2016	7376.20	12668.97	**0.58**	33211.20	15295.30	**2.17**
MARCH 2017	10564	11301	**0.93**	34313.00	10904.10	**3.15**
MARCH 2018	12055	8640	**1.39**	33660.90	8820.60	**3.82**

INTERPRETATION:

During the year 2016 – 2017 the working capital turnover ratio has been increased in both HCL and WIPRO companies which indicates that the both companies is more efficient in utilizing its capital during the period. And it is improved its efficiency by increasing its WCTR during the year 2017 – 2018 in both the companies.

CHART 5.5 WORKING CAPITAL TURNOVER RATIO



5.6 INVENTORY CONVERSION PERIOD:

This is helpful to find out the number of days or weeks or months taken or consumed by the companies to convert the stock into sales volume.

$$\text{INVENTORY CONVERSION PERIOD} = \frac{\text{365 DAYS}}{\text{INVENTORY TURNOVER RATIO}}$$

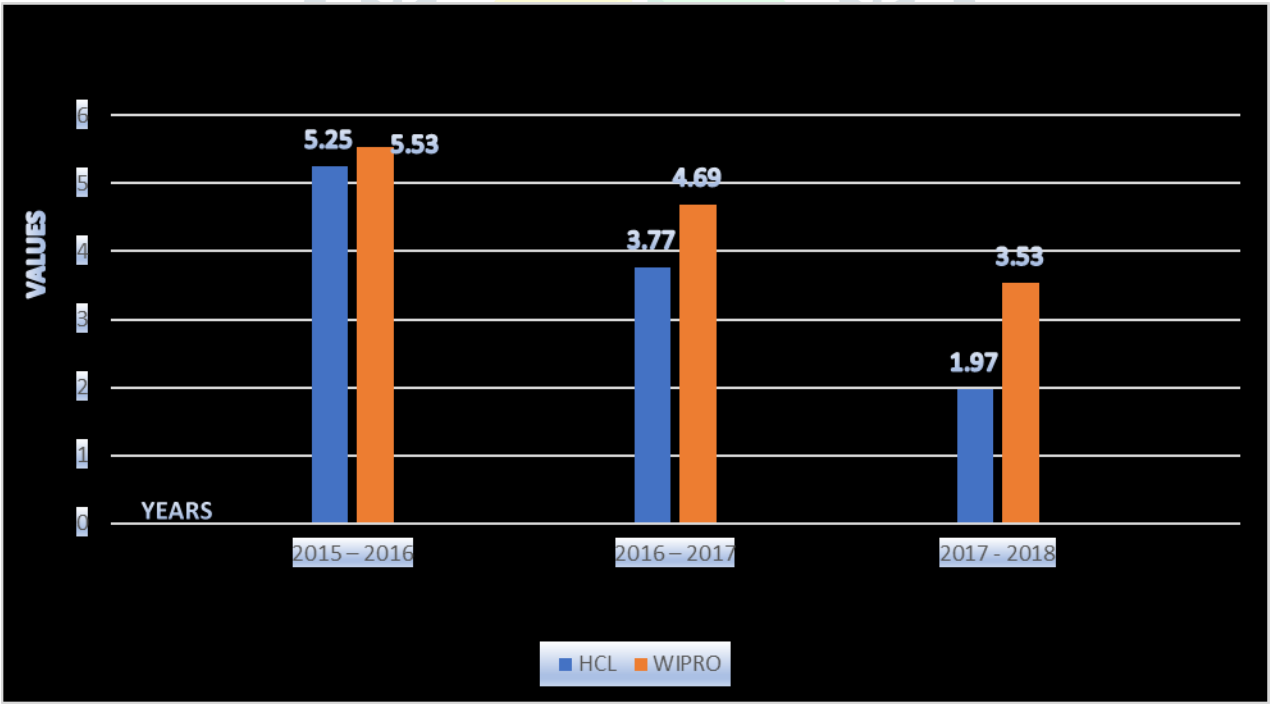
TABLE 5.6

YEARS	HCL			WIPRO		
	NO OF DAYS	INVENTORY TURNOVER RATIOS	INVENTORY CONVERSION PERIOD	NO OF DAYS	INVENTORY TURNOVER RATIO	INVENTORY CONVERSION PERIOD
MARCH 2016	365	69.52	**5.25**	365	66.05	**5.53**
MARCH 2017	365	96.67	**3.77**	365	77.79	**4.69**
MARCH 2018	365	185.46	**1.97**	365	103.54	**3.53**

INTERPRETATION:

Inventory conversion period refers that the average time taken for calculating the clearing of stocks. From 2016 – 2017 the Inventory conversion period has decreased in both the companies and also decreased during 2017 – 2018. Hence the companies cost of goods sold per day has been decreased from year to year. So there will be a less clearing of stocks in average time taken

CHART 5.6INVENTORY CONVERSION PERIOD



6. CONCLUSION

As per the study, we conclude that in findings of liquidity position the HCL TECHNOLOGIES LIMITED is more efficient than WIPRO LIMITED. Liquidity is a technique which is used by a company to convert its assets(current) into cash within the short time and without the loss of value. But the companies liquidity position was unfavourable because the companies has liquidity problems by working capital and inventories in which the average time taken is more in clearing of stocks. In liquidity position, companies Net profit after tax must be increase year to year. Companies must reduce its sales value so it will lead to increase in profit earning. But overall the liquidity ratios tells that HCL TECHNOLOGIES LIMITED is more efficient in financial performances and its improving its position for the better growth.

7. REFERENCE

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