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A Comparative Analysis of Financial Performance of HCL and MINDTREE

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Abstract
This research article presents statistical analysis of the financial performance of two IT firms, HCL & MINDTREE based on its yearly financial reporting for the specified time frame of 2017-2018 to 2021-22. The study aims to assess the liquidity, profitability, capital structure, and working capital situation of both IT companies. The T-test is employed in this study to conduct a comparative examination of both companies. The analysis demonstrates that (1) Due to higher use of outside debt it has raised the interest load on MINDTREE and thus leads to unsatisfactory scenario. (2) It has also been determined that the liquidity situation is below the allowed level due to an increase in current obligations. (3) The capital structure of MINDTREE indicates a greater reliance on external financing as opposed to issuing stocks. Wipro is advised to grow internal debt, increase production levels, control operating costs, and implement a forward integration plan in order to expand the market.
Key Words: *Financial performance, IT companies, Ratio analysis, T test.*

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1. INTRODUCTION

The IT business has a lot of technical and non-technical job opportunities for people. It can hire recent college graduates and bring in a lot of foreign currency for India. India sends goods and services to about 95 countries around the world. A lot of countries save money on labor costs and business processes when they send work to India. Further, Indian businesses are offering a wider range of services to their clients, which lead to more off shoring. Companies' efforts to find, train, and keep good employees have reduced the number of people leaving their jobs, giving workers more stability and making them more committed to their jobs.

Many banks and other financial companies are giving money to help IT and ITeS businesses grow. Many things are being done by the Indian government to help IT and ITES. As an example: The government has offered benefits, such as a tax holiday until 2010 and competitive structures of responsibility. The government is attempting to reduce the expense of communicating with individuals in other nations.

1.1 IT Sector

Bangkok is known as the IT Capital of India and the Silicon Valley of India. People around the world see it as an important center for IT, and India sends out the most IT and software of any country. Bangalore is home to some of India's biggest IT service companies, such as Infosys, Wipro, Mindtree, and Mphasis. It is also where the national headquarters of many big foreign companies are located, like Texas Instruments, Bosch, Yahoo, SAP Labs, Continental, and many more. It is home to more than 35% of India's IT companies. It has more than 5,000 businesses, which makes it India's largest IT service. Other than that, India has 62 other companies that are public and running. Ten of them are big and important.

2. REVIEW OF LITERATURE

In March 2012, Priyaaks wrote a research paper about financial performance in which he talked about financial statement analysis. This is the process of looking at how the different parts of a financial statement relate to each other and how they compare to other important information. It's something that helps people make choices about stocks, bonds, and other financial assets. Based on the above literature review, it is clear that an organization's financial success shows how well it works. Also, financial statements help the Board of Directors and managers make decisions about the business. It's also helpful to know how well the business is doing by looking at its earnings.

Kaur Harsh V. and Singh Sukhdev (2013) look at data from BSE 200 manufacturing companies in 19 sectors from 2000 to 2010. The study looks at how the factors of analysis could be improved to help 145 companies be more efficient and make more money. The study checks if there is a link between the working capital score and profitability, which is found by comparing the income to the average total assets and the income to the current assets. This article is mostly about how to plan the working cycle days and how to convert cash efficiently. At the end, the study stresses how important it is to handle working capital well because it has a big effect on profits.

3. RESEARCH METHODOLOGY

Research technique is a methodical & ongoing approach of identifying a problem, gathering information, and studying it, drawing conclusions, and developing generalizations.

3.1 Statement of Research

A comparative analysis was conducted to assess the financial performance of HCL and Mindtree using a T-test from the fiscal years 2017-18 to 2021-22.

3.2 The Research's Goal

The study's main goal is to look at and contrast the financial performance of two information technology companies. However, they do provide crucial information. Financial statements offer a concise overview of a company's financial condition and activities. Conducting a thorough examination of a company's financial performance reports might yield significant insights about the company. Financial performance analysis is an essential tool for conducting financial analysis. Financial analysis centers around key metrics and the interconnections among them. Financial performance analysis involves the systematic examination of the interconnections between the various elements. Information technology corporations play a substantial role in bolstering our nation's economy. Planning, analyzing, and making decisions about money are all based on financial facts. Financial data is necessary for predicting, comparing, and evaluating the company's potential for earnings, long-term financial stability, short-term financial stability, and operational capacity. As the globe becomes more liberalized and globalized, financial statements are being analyzed and utilized by many groups of individuals who have direct or indirect connections in the business.

3.3 Research Methodology

A research design is a blueprint for how a study will be carried out, out in detail, with an eye toward efficiency and effectiveness. The conceptual framework is the underlying structure that guides research, providing a plan for gathering, measuring, and analyzing data. This is a description of the methodologies and procedures used to collect the necessary information to address the study issue. Research designs are defined by Jahoda and Selltiz as plans for collecting and interpreting data that strike a balance between the study's aims and the feasibility of the procedure. Research design, as defined by Prof. Miller, refers to the systematic arrangement of all the steps needed in carrying out a research investigation.

3.3.1 *Source of Information*

Secondary data is the foundation of the investigation. Journals, periodicals, newspapers, annual reports, literature, websites, and search engines are the primary sources of secondary data.

3.3.2 *Selection of Sample*

For the purpose of this research, HCL and MINDTREE, two information technology companies, were chosen using the convenient sample method.

3.3.3 *Study Duration*

The study looks at the years 2017–18 through 2021–22.

3.4 The Study's Goals

In order to ascertain the debt-to-equity ratio, profitability, liquidity, and activity ratios of both IT firms.

3.5 Hypothesis

Null hypothesis: **Ho:** Profitability, liquidity, activity ratio, & debt-equity are not significantly different between HCL and MINDTREE.

Alternative hypothesis: **H1:** Profitability, liquidity, activity ratio, & debt-equity are significantly different between HCL and MINDTREE.

3.6 Research Area

The only thing that the study does is look at the financial success of IT companies that were chosen based on that performance. The study only looks at the companies' websites and annual reports to find out about them.

3.7 Analysis Tools

For this study, the following methods and tools are used.

- Ratio Analysis
- T - test

4. T-test

Sr. No.	*Ratio*	T Cal	Degree of Freedom	P value	Table Value
A	*ROCE=Return on capital employed*	6.71	8	0.000	2.31
B	*FAT=Fixed assets turn over ratio*	4.36	8	0.003	2.31
C	*GPR=Gross profit ratio*	6.01	8	0.000	2.31
D	*NPR=Net profit ratio*	7.14	8	0.000	2.31
E	*EPS=Earning per share*	3.83	8	0.024	2.31
F	*OPM=Operating profit margin*	6.32	8	0.000	2.31
G	*DER=Debt equity ratio*	8.58	8	0.000	2.31
H	*ICR=Interest coverage ratio*	5.02	8	0.018	2.31
I	*CR=Current ratio*	6.17	8	0.0016	2.31
J	*STR=Stock turnover ratio*	8.04	8	0.0012	2.31

(A) ROCE: Statistically, t cal = 6.71 is higher than t 0.05, 8= 2.31, the value in the table. A 5% level of significance is used to reject Ho. As a result, we can conclude that the two IT firms' ROCE differs.

(B) FAT: The table value of t 0.05, 8=2.31, is less than the computed value of t cal = 4.36 in statistics. A 5% level of significance is used to reject Ho. So, it's safe to argue that the two IT firms have different FAT rates.

(C) GP Ratio: In comparison to the table value of t 0.05, 8=2.31, the computed value of statistics t cal=6.01 is larger. A 5% level of significance is used to reject Ho. So, it's safe to say that the two IT firms' gross profits are different.

(D) NP Ratio: The table value of t 0.05, 8=2.31, is less than the computed value of t cal=7.14, which is higher. A 5% level of significance is used to reject Ho. There is a clear difference in the net profitability of the two IT firms.

(E) EPS: The table value of t 0.05, 8=2.31, is less than the computed value of t cal=3.83. A 5% level of significance is used to reject Ho. It follows that the two IT firms do not have the same EPS.

(F) OPM: Statistically, t cal=6.32 is higher than t 0.05, 8= 2.31, from the table. A 5% level of significance is used to reject Ho. So, it's safe to say that the two IT firms' operating profit margins are different.

(G) DE Ratio: In comparison to the table value of t 0.05, 8=2.31, the computed value of statistics t cal = 8.58 is larger. A 5% level of significance is used to reject Ho. So, it's safe to say that the two IT firms' debt-to-equity ratios are different.

(H) IC Ratio: In comparison to the table value of t 0.05, 8=2.31, the computed value of statistics t cal=5.02 is larger. A 5% level of significance is used to reject Ho. It follows that the interest coverage at the two IT firms is different.

(I) CR: Statistically, t cal= 6.17 is higher than t 0.05, 8= 2.31, the value in the table. A 5% level of significance is used to reject Ho. There is a clear difference in the current ratio between the two IT firms.

(J) Stock Turnover: The table value of t 0.05, 8=2.31, is less than the computed value of t cal=8.04, which is larger. A 5% level of significance is used to reject Ho. So, it's safe to say that the two IT firms' stock turnover ratios are different.

5. Conclusion

This study used statistical methods, yearly reports, and a variety of financial instruments to analyze the financial performance of the two IT companies.

(1) During the study time, HCL's profitability was fine, but in Mindtree, where both the gross profit ratio and the net profit ratio were very low, it was very bad. Because of the high cost of production and operating fees, the business may not be profitable enough. (2) The return on capital employed ratio shows that it wasn't used well because it was significantly poor during the whole research time at Mindtree. (3) The fixed asset turnover ratio shows that Mindtree has made good use of its fixed assets. The fact that there is a gain shows that investing more in fixed assets has paid off. (4) Compared to Mindtree, HCL had a lot less cash on hand. The present ratio wasn't very good, but it has gotten a lot better over the last three years of research. (5) The debt-to-equity ratio shows that Mindtree had a lot of borrowed money, which hurt its ability to make money. Also, HCL's debt-to-equity ratio was not good enough. The five years of study can be seen to have been hard on both IT companies because they had to handle borrowed money. (6) Mindtree's inventory management was bad, which shows that inventory management and control were not working well. Infosys is a little worse at managing their supplies than HCL is. (7) Both Mindtree and HCL had a satisfactory interest coverage ratio, which means that they have enough money to pay their lenders' regular interest charges, which shows that the investments are safe. However, both companies' ratios were too high, which means they are not making good use of their external

debts. (8) HCL had very high costs of goods sold and running its business. It could be found that HCL's management did not keep an eye on their spending well enough. But in the last year of the research time, Mindtree cut its costs by a large amount.

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