

A Comparative Study on Working Capital of Top Three IT Companies (Infosys, TCS and Wipro)

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I.INTRODUCTION

The term Working Capital also called gross working capital refers to the firm's aggregate of Current Assets and current assets are these assets which can be convertible into cash within an accounting period, generally a year. Working capital management is important because of its significant effect on profits of the company and thus the existence of the company in the market. s. In simple words, we can say that working capital is the investment needed for carrying out day-to day operations of the business efficiently as that of long-term financial investment. Working capital is a financial metric which represents operating liquidity available to a business, organization, or other entity, including governmental entities.

1. OBJECTIVES OF STUDY

- 1 To study the trend of current assets of the selected companies in the Information Technology sector.
- 2 To study the trend of current liabilities of the selected companies in the Information Technology sector.
- 3 3.To study about how to Maintain proper working capital management in the selected companies in the information technology sector.
- 4 4.To Study the among Two Activities i.e Current assets and Current Liabilities of the Selected Companies in the Information Technology Sec
- 5 5. To Find out Findings, Suggestions and conclusions.

2. STATEMENT OF PROBLEM

Level of current assets will change quickly with the variation in sales and

- Delay in amount receivables

- The working capital management of a firm will have a greater impact on the company's profitability.
- Improper Inventory Management

4 RESEARCH METHODOLOGY

Research methodology is the specific procedures or techniques used to select, process, and Analyse information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

4.1 DATA COLLECTION

Data collection is the process of gathering and measuring information on targeted variables in an established systematic fashion, which enable one to answer relevant questions and evaluate outcomes.

Data collection is of two types

- Primary data.
- Secondary data

SECONDARY DATA

In this study, mainly secondary data is collected. The data has been obtained from the following sources

- Published annual reports of the companies for the financial year 2014-2015 to 2018- 2019 on the respective company's website.
- Directory of Bombay Stock Exchange.
- Websites of selected companies.
- Other related financial websites.

SI.NO	COMPANY NAME	YEAR OF INCEPTION
1	Infosys	1981
2	Wipro	1945
3	Tata Consultancy Service	1968

4.2 AREA OF STUDY

For the purpose of Study, 3 Companies from the Information Technology Sector Listed In Bombay stock Exchange have been selected.

4.3 PERIOD OF STUDY

The study is conducted for a period of (5) financial years i.e from 2015-16 to 2019 to 2020.

4.4 STATISTICAL TOOLS AND TECHNIQUES

- Ratio Analysis
- Statement changes in working capital
- Changes in working capital

5 SIGNIFICANCE OF THE STUDY

- There is no running business firm, which does not require some amount of working capital.
- Working capital management is essential for the long success of a business
- A business must therefore have clear policies for the management of each component of working capital.
- No Business can't survive and does not fulfil the day-to-day operations.

6 SCOPE OF STUDY

The scope of the study is identified after and during the study is conducted. The main scope of the study is to check the management of working capital (current assets and current liabilities) of only Information Technology sector. The study analysed the liquidity position and working capital management of a limited sample consisting of only Three companies i.e. INFOSYS, WIPRO, TCS. The study of working capital is based on only one tool i.e. Ratio Analysis. Further the study is based on last 5 years Annual Reports of the five companies taken into consideration. As only Information Technology sector was studied so the findings could only be generalized to this Sector Companies.

7 LIMITATION OF THE STUDY

- 1 The study duration is limited to 5 years.
- 2 The study is Focused on the analysis of the IT sector only.
- 3 The study has Picked up only the top 3 Companies in the IT sector.
- 4 The Findings of the study are based on the information Retrieved by the Annual Reports of the Companies.

- 5 Some External Factors Could Directly or indirectly affect the company's performance.

II.REVIEW OF LITERATURE

- According to the Jason Fernando Reviewed by Julius Mansa (2017) Working capital is measure of a company's liquidity, operational, efficiency and its short-term financial health. if a company has substantial positive working capital, then it should have the potential to invest and grow.
- Sathyamoorthi and Wally-Dima (2016) analyzed retail domestic companies listed in Botswana Stock Exchange, from 2004 to 2006, and found evidences that companies adopted a conservative approach in working capital management.

III. LIQUID RATIO

Liquidity ratios are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital. Liquidity ratios measure a company's ability to pay debt obligations and its margin of safety through the calculation of metrics including the current ratio, quick ratio, and operating cash flow ratio. The idle current ratio is 1:1.

FORMULA

LIQUID RATIO = LIQUID ASSETS / CURRENT LIABILITIES

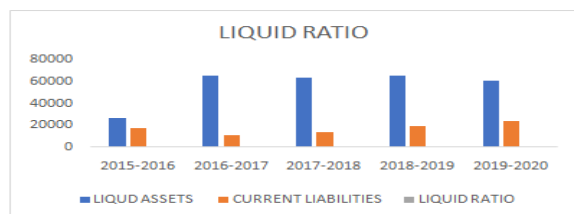
YEAR	LIQUID ASSETS	CURRENT LIABILITIES	LIQUID RATIO
2015-2016	26772.7	17706.29	1.51
2016-2017	65633	10701	6.13
2017-2018	63205	14058	4.50
2018-2019	65034	18896	3.44
2019-2020	61050	24026	2.54

TABLE 3.1 SHOWING THE RESULTS FROM LIQUID RATIO OF TCS BETWEEN 2015-16 TO 2019-20.

INTERPRETATION:

The Liquid ratio of TCS was 1.51 in the year 2016.it increased to 6.13 in 2017 then it declined to 4.50 and 3.44 respectively in 2018 and 2019 Again it declines 2.54 in 2020.The highest liquid ratio is 6.13(2017).

3.1. SHOWING THE RESULTS FROM LIQUID RATIO OF TCS BETWEEN 2015-16 TO 2019-20



3.2 COMPARATIVE BALANCE SHEET

The Comparative balance sheet is balance sheet which provides financial figures of assets, liabilities and equity for two or more period of the company or two or more than two company of same industry.

3.2.1 COMPARATIVE BALANCE SHEET OF TCS BETWEEN 2015-16 IN MILLIONS

LIABILITY	2016	2015	(+) /(-)	%
Share capital	197	195.87	1.13	0.57
Reserves and surplus	64816	45220.57	19595.43	30.23
Long term borrowings	50	64.71	-14.71	-29.42
Deferred tax liabilities	366	271.46	94.54	25.83
Other long term liabilities	639	722.15	-83.15	-13.01
Long term provisions	40	126.91	-86.91	-217.28
short term borrowings	113	185.56	-72.56	-64.21
Trade payables	5370	6767.25	-1397.25	-26.02
Other current liabilities	5711	2491.47	3219.53	56.37
Short term provisions	115	7019.35	-6904.35	-6003.78
TOTAL LIABILITIES	77417	63065.3	14351.7	18.54
ASSETS				
Tangible assets	9056	7964.88	1091.12	12.05
In tangible assets	24	31.41	-7.41	-30.88
Capital work in progress	1640	2706.94	-1066.94	-65.06
OTHER ASSETS	0	0	0	#DIV/0!
Non-Current Investments	2229	2651.23	-422.23	-18.94
Deferred tax assets	2530	303.47	2226.53	88.01
Long term loans and advances	2432	8452.55	-6020.55	-247.56
Other non-current assets	6129	524.68	5604.32	91.44
CURRENT ASSETS				
Current investments	21930	747.47	21182.53	96.59
Inventories	9	12.34	-3.34	-37.11
trade receivables	19058	17036.76	2021.24	10.61
Cash and bank balances	4806	16502.5	-11696.5	-243.37
short term loans	2523	3352.18	-829.18	-32.86
other current assets	5051	2778.89	2272.11	44.98
TOTAL	77417	63065.3	14351.7	18.54

INTERPRETATION

The Comparative balance sheet of Tata Consultancy Services for the year 2015-2016 shows that assets and liabilities have increased compared to previous year. The company reduced their short-term provisions but increased Current liabilities.

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IV. FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS:

- The Liquid ratio of TCS was 1.51 in the year 2016.it increased to 6.13 in 2017 than it declines 4.50 and 3.44 respectively in 2018 and 2019 Again it declines 2.54 in 2020.The highest liquid ratio is 6.13(2017).

SUGGESTION:

- The Infosys and Wipro companies can increase the Product quality.
- They can also concentrate on the marketing strategy.
- The target must be achieved more than the TCS.

CONCLUSION:

This study helps to know about the financial position of the TCS, Infosys and Wipro company. It also provides information about comparative balance sheets of the above companies. Thus, conclude that TCS company is performing well in all the sequences.