



A Study On Liquidity Analysis Of Selected Information Technology Companies In India

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ABSTRACT

Abstract: The importance of liquidity in the successful operation of a business firm cannot be overstated. Maintaining adequate liquidity in the business to ensure smooth business operation and meeting short-term obligations as they become due is a critical part of managing working capital. The purpose of this paper is to investigate the liquidity position of selected Information Technology Companies in India. The data was gathered from the company's annual reports, and the study period ranges from 2014-15 to 2023-24. To determine the company's liquidity strength, Motaal's comprehensive test has been used.

Key Words: Liquidity position, IT companies, Motaal's comprehensive test.

INTRODUCTION:

Every business organization's lifeblood is finance. It is extremely difficult for any business organization to compete in the competitive world created by liberalization, privatization, and globalization without proper financial resource management. Furthermore, every business enterprise must have sufficient liquid resources. As a result, liquidity is vital for businesses to maintain efficient operation. The term 'liquidity' refers to a company's ability to pay its debts. It refers to the company's ability to pay short-term creditors who have provided raw materials, working capital, and other services on time. As a result, the management of liquidity is the primary focus of the business organization because it is directly related to the said organization's short-term solvency. The ratio analysis is one of the powerful techniques available in the hands of financial analysts for analyzing the liquidity position of a business organization. Liquidity ratios are used to assess the

organization's short-term solvency. The company's short-term borrowers and financial institutions are primarily concerned with whether the company will be able to meet its short-term obligations when they fall due.

REVIEW OF PREVIOUS STUDIES

Rashid, C. A. (2018) in his research efficiency of financial ratios analysis for evaluating companies' liquidity. The main focus was on evaluating a company's liquidity using financial ratios analysis. One of the UK's retail companies has chosen to be evaluated by examining the data contained in their financial statements. This company's cash flow statement has been considered for use in evaluating liquidity because it contains the majority of the necessary information for this purpose. A hypothesis has been developed in which financial ratios analysis can assist investors in deciding which company to buy their shares from, and it has been approved because the numbers show that liquidity is just as important as profit in attracting investors to buy the company's stock because it ensures the company's confidentiality.

Madushanka, K. H. I., &Jathurika, M. (2018) in their study the impact of liquidity ratios on profitability goal of their research is to look into the relationship between liquidity and profitability. The research is based on 15 manufacturing companies that were listed on the Colombo Stock Exchange between 2012 and 2016. The study used correlation and regression analysis as well as descriptive statistics, and the results show that liquidity ratios (Quick ratio) are positively and significantly related to firm profitability among Sri Lankan listed manufacturing companies. Overall, the findings of this study suggest that manufacturing companies

Dipak R. Tank &Dr. Girishchandra M. Purani (2020) in their research paper "A Study on Liquidity analysis of Uttar Gujarat Vij Company Limited (UGVCL)" goal of their study is to determine the liquidity position of UGVCL companies. They spanned a five-year period, from 2014-15 to 2018-19. They used a variety of accounting and statistical tools. Liquidity ratio, current ratio, and so on. They came to the conclusion that the company's current ratio is not performing well, whereas the liquidity ratio is performing well. The absolute liquidity ratio indicates that the company is performing well. The company has a strong liquidity position.

STATEMENT OF THE PROBLEM

Every business strives to maintain both short-term stability and long-term survival for growth. Liquidity is a powerful tool for assessing the financial health of potential assets, as well as ensuring that an individual or company still has a stable supply of cash close at hand. Since liquid assets can be turned into cash quickly in a crisis or emergency, they are essential to have. The organization maintains its wellness, flexibility, and financial stability. In this manner. The ability to provide funds to a company when and when it is needed is critical to its success. In comparison, if sufficient funds are not available. This situation could result in bankruptcy. Hence proper liquidity management is important for IT Industry also.

OBJECTIVES OF THE STUDY

- 1 To analyze the liquidity position of Selected IT companies in India.
2. To offer suitable suggestions for future growth of IT companies in India.

RESEARCH METHODOLOGY:

Sources of data:

The study is mainly based on secondary data which is collected from the published financial statements viz., Trading and profit and loss account and balance sheet of the selected companies.

Sampling technique:

The researcher has used purposive sampling technique for selecting companies. In this research 7 companies were selected for analyzing the liquidity position.

Period of the study:

The study period covers 6 years for 2018-2019 to 2023-2024

LIMITATION OF THE STUDY:

1. This study is mainly depending on secondary data collected from the financial statements of the selected IT companies. Hence this study is not applicable to other companies.
2. The study is based on monetary information only, non-monetary factors fully ignored.
3. The study has been done for a period of 10 years only.

ANALYSIS AND INTERPRETATION OF THE DATA

MOTAAL'S COMPREHENSIVE TEST

TABLE 1

MOTAAL'S COMPREHENSIVE TEST FOR TATA CONSULTANCY SERVICES LIMITED (TCSL)

YEAR	DTR	WCTR	FTR	TTR	TOTAL RANK	ULTIMATE RANK
2014-15	1	10	6	4	21	5
2015-16	3	8	9	4	24	7
2016-17	4	9	4	6	23	6
2017-18	5	3	5	3	16	1
2018-19	10	1	7	1	19	4
2019-20	7	2	8	2	19	4
2020-21	6	4	10	7	27	10
2021-22	2	5	1	9	17	2
2022-23	8	6	2	9	25	8
2023-24	8	6	2	9	25	8

Source: computed from annual reports of the company

(DTR- Debtors Turnover Ratio, WCRT-Working Capital Turnover Ratio, FTR-Fixed Assets

Turnover Ratio, TTR-Total Assets Turnover Ratio)

In order to analyze the liquidity position of the TCSL., the Motaal's test has been applied. On the basis of the Motaal's test ultimate ranking, it is clear that the liquidity position was best in the year 2017-18. In the year 2020-21, there is a reason for anxiety regarding the liquidity position of the company. Overall, the test reveals that the company should improve its liquidity position.

TABLE 2
MOTAAL'S COMPREHENSIVE TEST FOR
INFOSYS LIMITED (IL)

YEAR	DTR	WCTR	FTR	TTR	TOTAL RANK	ULTIMATE RANK
2014-15	7	1	10	6	24	8
2015-16	9	2	9	5	25	9
2016-17	4	4	4	3	15	1
2017-18	9	3	5	1	18	2
2018-19	8	5	7	1	21	6
2019-20	5	6	6	4	21	6
2020-21	6	7	8	9	30	10
2021-22	1	8	1	10	20	3
2022-23	2	9	2	7	20	3
2023-24	2	9	2	7	20	3

Source: computed from annual reports of the company

In order to analyze the liquidity position of the IL., the Motaal's test has been applied. On the basis of the Motaal's test ultimate ranking, it is clear that the liquidity position was best in the year 2016-17. In the year 2020-21, there is a reason for anxiety regarding the liquidity position of the company. Overall, the test reveals that the liquidity position of the company was somewhat satisfactory.

TABLE 3
MOTAAL'S COMPREHENSIVE TEST FOR
WIPRO LIMITED (WL)

YEAR	DTR	WCTR	FTR	TTR	TOTAL RANK	ULTIMATE RANK
2014-15	1	10	4	9	24	9
2015-16	2	9	5	10	26	10
2016-17	3	6	6	6	21	4
2017-18	4	2	10	3	19	2
2018-19	6	1	8	2	17	1
2019-20	4	4	7	6	21	4
2020-21	7	3	9	1	20	3
2021-22	8	5	3	6	22	6
2022-23	9	7	1	6	23	7
2023-24	9	7	1	6	23	7

Source: computed from annual reports of the company

In order to analyze the liquidity position of the WL., the Motaal's test has been applied. On the basis of the Motaal's test ultimate ranking, it is clear that the liquidity position was best in the year 2015-16 followed by 2014-15. In the year 2012-13. there is a reason for anxiety regarding the liquidity position of the company. Overall, the test reveals that the company should improve its liquidity position.

TABLE 4

**MOTAAL'S COMPREHENSIVE TEST FOR
HCL TECHNOLOGIES LIMITED (HCL)**

YEAR	DTR	WCTR	FTR	TTR	TOTAL RANK	ULTIMATE RANK
2014-15	5	10	7	10	32	10
2015-16	5	7	9	8	29	8
2016-17	10	4	10	6	30	9
2017-18	9	2	8	2	21	5
2018-19	1	1	6	1	9	1
2019-20	8	3	5	3	19	4
2020-21	7	5	3	7	22	6
2021-22	4	6	4	9	23	7
2022-23	2	8	1	4	15	2
2023-24	2	8	1	4	15	2

Source: computed from annual reports of the company

In order to analyze the liquidity position of the HCL., the Motaal's test has been applied. On the basis of the Motaal's test ultimate ranking, it is clear that the liquidity position was best in the year 2018-19. In the year 2012-13. there is a reason for anxiety regarding the liquidity position of the company. Overall, the test reveals that the liquidity position of the company was satisfactory.

TABLE 5

**MOTAAL'S COMPREHENSIVE TEST FOR
LARSEN AND TOUBRO INFOTECH LIMITED (L&TIL)**

YEAR	DTR	WCTR	FTR	TTR	TOTAL RANK	ULTIMATE RANK
2014-15	9	10	5	8	32	8
2015-16	10	8	6	10	34	10
2016-17	5	7	4	7	23	5
2017-18	8	9	7	9	33	9
2018-19	4	6	8	6	24	7
2019-20	1	3	9	4	17	4
2020-21	3	5	10	5	23	5
2021-22	2	4	1	3	10	1
2022-23	6	1	2	1	10	1
2023-24	6	1	2	1	10	1

Source: computed from annual reports of the company

In order to analyze the liquidity position of the L&TIL., the Motaal's test has been applied. On the basis of the Motaal's test ultimate ranking, it is clear that the liquidity position was best in the year 2018-19. In the year 2015-16, there is a reason for anxiety regarding the liquidity position of the company. Overall, the test reveals that the liquidity position of the company was satisfactory.

TABLE 6

**MOTAAL'S COMPREHENSIVE TEST FOR
MINDTREE LIMITED (MTL)**

YEAR	DTR	WCTR	FTR	TTR	TOTAL RANK	ULTIMATE RANK
2014-15	4	5	9	5	23	5
2015-16	1	3	8	6	18	3
2016-17	9	4	7	4	24	6
2017-18	2	10	10	3	25	7
2018-19	10	8	5	8	31	10
2019-20	3	6	2	7	18	3
2020-21	5	7	6	10	28	9
2021-22	6	9	1	9	25	7
2022-23	7	1	3	1	12	1
2023-24	7	1	3	1	12	1

Source: computed from annual reports of the company

In order to analyze the liquidity position of the MTL., the Motaal's test has been applied. On the basis of the Motaal's test ultimate ranking, it is clear that the liquidity position was best in the year 2022-23 and 2023-24. In the year 2018-19, there is a reason for anxiety regarding the liquidity position of the company. Overall, the test reveals that the liquidity position of the company was satisfactory.

TABLE 7

**MOTAAL'S COMPREHENSIVE TEST FOR
ORACLE FINANCIAL SERVICES SOFTWARE LIMITED (OFSSL)**

YEAR	DTR	WCTR	FTR	TTR	TOTAL RANK	ULTIMATE RANK
2014-15	2	2	1	2	7	2
2015-16	1	1	2	1	5	1
2016-17	4	9	3	3	19	4
2017-18	3	6	5	7	21	3
2018-19	6	10	7	8	31	6
2019-20	5	8	10	10	33	5
2020-21	7	7	6	9	29	7
2021-22	10	5	4	4	23	10
2022-23	8	3	8	5	24	8
2023-24	8	3	8	5	24	8

Source: computed from annual reports of the company

In order to analyze the liquidity position of the OFSSL, the Motaal's test has been applied. On the basis of the Motaal's test ultimate ranking, it is clear that the liquidity position was best in the year 2015-16. In the year 2021-22, there is a reason for anxiety regarding the liquidity position of the company. Overall, the test reveals that the company should improve its liquidity position.

TABLE 8

**MOTAAL'S COMPREHENSIVE TEST FOR
OVERALL IT INDUSTRY**

YEAR	TOTAL RANK	ULTIMATE RANK
2014-15	47	8
2015-16	48	9
2016-17	34	5
2017-18	30	3
2018-19	38	7
2019-20	35	6
2020-21	51	10
2021-22	31	4
2022-23	28	1
2023-24	28	1

Source: computed from annual reports of the company

In order to analyze the liquidity position of the IT industry., the Motaal's test has been applied. On the basis of the Motaal's test ultimate ranking, it is clear that the liquidity position was best in the year 2022-23 and 2023-24. In the year 2020-21, there is a reason for anxiety regarding the liquidity position of the industry. Overall, the test reveals that the IT industry attained the good liquidity position at the end of the study period.

SUGGESTIONS

The IT Companies should increase cash sales and decrease credit sales to ensure proper cash management and in order to strengthen its solvency status, the companies must focus on can liquidity resources and reducing debts.

CONCLUSION

According to research reports, the IT industry's overall performance has been satisfactory. The business raises long-term funds either by raising share capital or by taking long-term loans from a financial institution or bank, as seen in the cash flow statements. The researcher concluded that the liquidity ratios affected the efficiency of force motors more positively, and that other companies should increase their liquidity and turnover to improve their performance. To increase profitability, cautious attention must be paid to liquidity. The net cash flows from operating activities are very strong, indicating that the firm's revenues are rising year after year, indicating that the business is growing. As a result, even after the second wave of the pandemic, the overall financial condition of the IT industry is adequate and can be strengthened further in the future.

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