

A Study on Measurement of Financial Performance Happiest Mind Technologies Ltd.

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Abstract:

This paper is regarding analysis of financial performance of Happiest Mind Technologies Ltd. The ratios can measure the financial condition of a firm and can indicate whether the company is financially strong or poor. The ratios usage is not limited to financial managers but is also helpful to the suppliers, banks, financial institutions, shareholders. In this paper the researcher has tried to analyze the financial performance of Happiest Mind Technologies Ltd. The secondary data is used from the published annual reports of the company for the time period 2016-17 to 2020-21. The final result of the paper in accordance to the financial position of the company is that except for the year 2018, the company is performing well.

Keywords—Accounting Ratios, Annual Reports, Happiest Mind Technologies Ltd, Financial Performance.

Introduction:

The financial statements are prepared at the end of every financial year. They do not convey the real significance of operating results of business. Accounting ratios are the interpreter of the financial health of an enterprise. They can measure the financial condition of a firm and can indicate whether the company is financially strong or poor. The ratios usage is not limited to financial managers but is also helpful to the suppliers, banks, financial institutions, shareholders. It is useful for inter firm, intrafirm and industry wide comparison.

The growth in the global sourcing market in India is moving with a higher pace as compared to IT-BPM industry. The service sector is the biggest sector of India with the Gross Value Added at current prices as 96.54 lakh crore in 2020-21. Today the service sector accounts for almost 54% of Indian GVA of 179.15 lakh crores. The Industry sector lags behind it with 25.92% contribution and the Agriculture sector is at the third place with 20.19% contribution. The IT industry has a major claim in India's GDP@ 8% in 2020.

Market Size

An increase of 6.4% YoY is expected in the revenue of IT and its business services. In FY 21 the IT industry's export revenue had gone up to US\$ 150billion. The Indian software product industry is estimated to reach US \$ 100 billion till 2025. The Indian software companies are intending to expand global footprint and augment their world wide delivery centers.

Profile of Happiest Mind Technologies Limited:

Happiest Mind Technologies Ltd. was incorporated on 30 March 2011. It is categorized as Non-govt. company and is registered at Registrar of Companies. It's head quarter is in Bangalore providing operations in the U.S, UK, Canada, Australia and Middle East.

Its authorized share capital is Rs. 589,000,000 and its paid up capital is Rs. 293,727,104. It is involved in Other computer related activities [for example maintenance of websites of other firms/ creation of multimedia presentations for other firms etc.]. Happiest Mind's shares are traded on the Bombay Stock Exchange and National Stock Exchange.

Happiest Minds Technologies Limited (NSE: HAPPSTMNDS), a Mindful IT Company, supports digital transformation for enterprises and technology providers by providing seamless customer experiences, business efficiency and actionable insights.

The company does this by leveraging a gamut of disruptive technologies such as: artificial intelligence, blockchain, cloud, digital process automation, (IoT)internet of things, robotics/drones, security, virtual/augmented reality, etc. These software services are delivered to different industry sectors such as automotive, BFSI, consumer packaged goods, e-commerce, edutech, engineering R&D, hi-tech, manufacturing, retail and travel/transportation/hospitality.

Happiest Minds share price was Rs 1,336.95 as on 13 Jan, 2022. Looking at the high and low point the Happiest Minds share prices has gone up 5 times but from last two to three months the share prices of Happiest Minds are consolidating at the level of 1200-1300. Key Metrics for Happiest Minds for the quarter ending March21 are:

- PE Ratio of Happiest Minds is 115.76
- Earning per share of Happiest Minds is 3.12
- Price to Book ratio of Happiest Minds is 34.44
- 52 week low 785.6
- 52 week high 1224.45

Review of Literature:

Dr. M. Ravichandran (Dr. M. Ravichandran, 2016) opines that the financial performance of the company can be measured by using various financial tools such as profitability ratio, solvency ratio, comparative statement, etc. The findings show that the company have sufficient funds to meet its debts and obligations. Based on the analysis, findings have been arrived that the company has got enough funds to meet its debts & liabilities, the income statement of the company reveals that figures of sales of the company have been growing every year at good rate and profit have also increased ever since.

Ms. M. Ganga (Ms. M. Ganga, 2015) in the study undertaken by her, on the evaluation of financial performance of Equities Micro Finance Private Limited in Chennai, adopted various research techniques to find the evaluation of financial performance of the organization. According to them financial analysis is vital to plan and control the firm's financial resources. They found that the managers must focus on gray area which would be useful for future growth of the company.

Petrit Hansraj & Beke Kuqi (June 2019) in their research paper titled 'Analysis of Financial Statement' states that financial statement applies tools, analytical techniques and required methods for business analysis. It is a analytic tool for evaluating financing activities, investment activities and operational activities as well as an assessment tool for management decisions and other business decisions. To potential investors, shareholders, managers the analysis of the financial statements of the company is very important, because, first they wish to know the actual state of the company and then decide whether to invest or not.

In her work titled, Introduction to Management Accounting, Rachchh Minaxi, (Minaxi, 2011) mentioned that the financial statement analysis involves analyses of financial statements to dig out information which

is useful to take decisions. It is the process of appraise the relationship between different variables of the financial statements to get healthier understanding of firm’s performance.

According to Martin S.Fridson, and Fernando Alvarez written in their book ‘Financial Statement Analysis: A Practitioner’s Guide’ understanding financial statements is an essential skill for business professionals and investors as its objective is to present a true picture of their financial condition.

Financial Statement Analysis teaches investors and shareholders the tricks that companies use to mislead, so they can more clearly interpret statements.

Research Methodology:

This paper attempts to evaluate the financial performance of Happiest Mind Technologies Limited. Secondary data available from websites, magazines and journals is used for the study. The time period for the study under consideration is six years from 2016-17 to 2021-22. Accounting tool of Ratio analysis is used to analyze the financial status of the company.

Following Ratios are used for this Study.

1. Current Ratio
2. Quick Ratio
3. Proprietary Ratio
4. Debtors’ Turnover Ratio
5. Current Liabilities to Net worth Ratio
6. Net Profit Ratio

Objectives of the Study:

- To identify the variability in profitability, liquidity, Solvency position in the Happiest Mind Technologies Limited.
- To examine the operational competence of Happiest Mind Technologies Limited.
- To offer suggestions based on findings of the study.

Limitations of the Study:

- Due to the difference in accounting period, evaluation of the company may not give accurate image.
- The approach may differ on calculation of certain items and analysis and interpretation of the ratios.
- Time period of study is 6 years only.
- The ratio analysis deals with quantitative aspect. It totally overlooks the qualitative aspect.

Data Analysis

1.Current Ratio

Current Assets (including Loans and Advances)

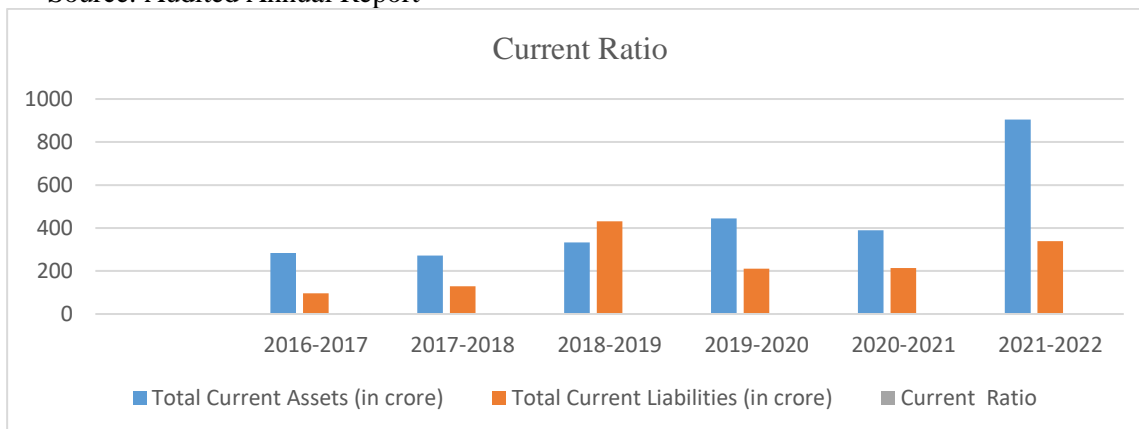
Current Ratio = -----

Current Liabilities (including Provisions)

Financial year	Total Current Assets (in crore)	Total Current Liabilities(in crore)	Current Ratio
2016-2017	283.90	96.12	2.95
2017-2018	272.33	128.82	2.11
2018-2019	332.33	431.89	0.77
2019-2020	445.11	211.32	2.11

2020-2021	389.21	213.95	2.71
2021-2022	903.93	338.44	1.31

Source: Audited Annual Report

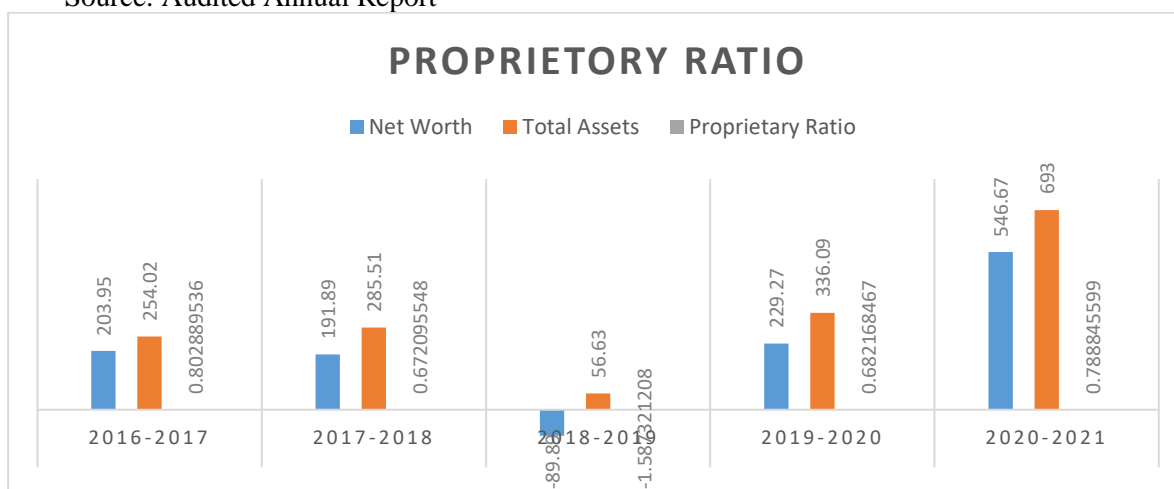


2. Proprietary Ratio

$$\text{Proprietary Ratio} = \frac{\text{Net Worth}}{\text{Total Assets}} \times 100$$

Financial year	Net Worth	Total Assets	Proprietary Ratio
2016-2017	203.95	254.02	0.802889536
2017-2018	191.89	285.51	0.672095548
2018-2019	-89.89	56.63	-1.587321208
2019-2020	229.27	336.09	0.682168467
2020-2021	546.67	693.00	0.788845599

Source: Audited Annual Report



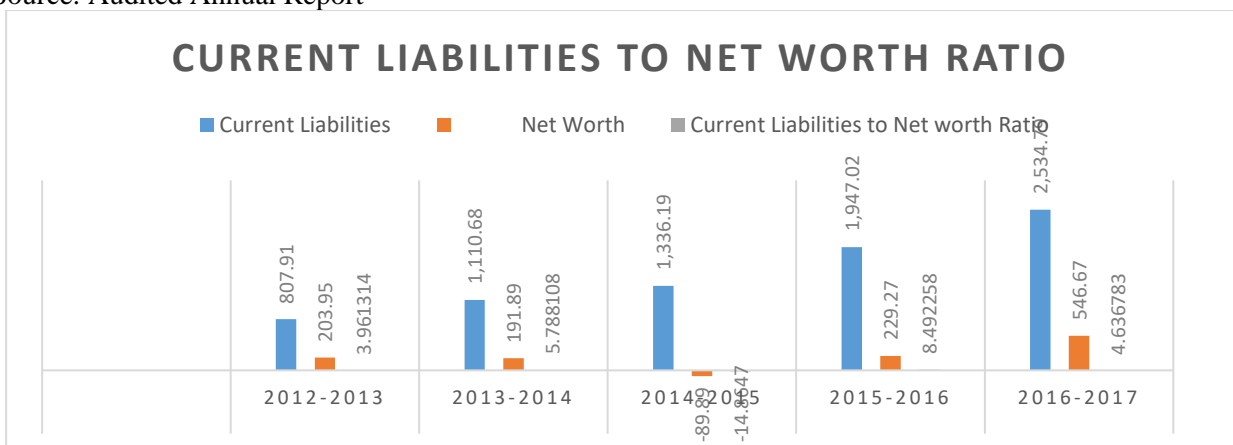
4. Current Liabilities to Net worth Ratio

Current Liabilities

Current Liabilities to Net worth Ratio = -----
 Net worth

Financial year	Current Liabilities	Net Worth	Current Liabilities to Net worth Ratio
2016-2017	807.91	203.95	3.961314
2017-2018	1,110.68	191.89	5.788108
2018-2019	1,336.19	-89.89	-14.8647
2019-2020	1,947.02	229.27	8.492258
2020-2021	2,534.79	546.67	4.636783

Source: Audited Annual Report

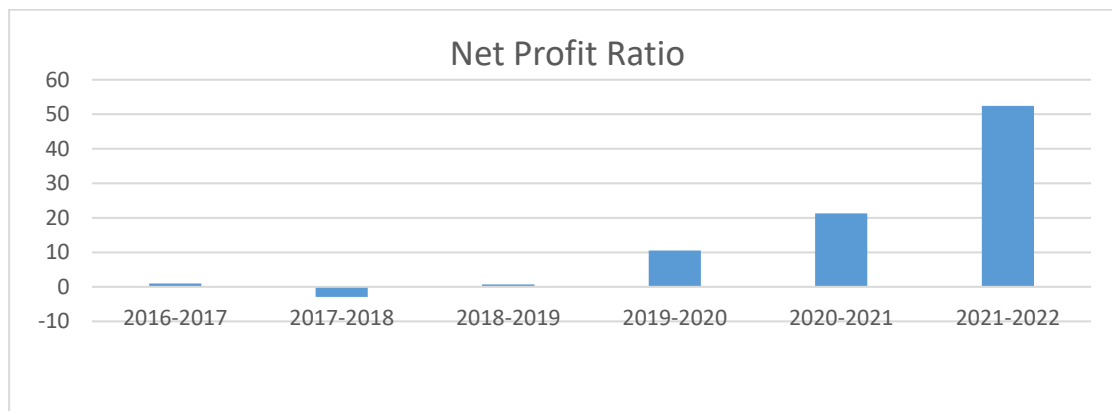


5. Net Profit Ratio

Net Profit Ratio = $\frac{\text{Net Profit After Tax}}{\text{Net Sales}} \times 100$

Financial year	Net Profit After Tax	Net Sales	Net Profit Ratio
2016-2017	4.24	430.77	0.984284
2017-2018	-13.08	443.65	-2.94827
2018-2019	4.11	590.36	0.696185
2019-2020	73.43	698.21	10.51689
2020-2021	161.93	760.96	21.2797
2021-2022	186.48	355.51	52.454

Source: Audited Annual Report



Interpretation:

1. The current ratio for five years of Happiest Mind Technologies Ltd. is almost consistent except in 2018-19. This indicates the short-term liquidity of the company was poor in 2018-19.
2. The Quick Ratio for five years of Happiest Mind Technologies Ltd. is decreasing from 0.27 to 0.12. This indicates the short-term liquidity of the company is poor because the Quick ratio is in decreasing trend.
3. The proprietary ratio in 2018-2019 was negative showing the company heavily depended upon debts for its operational cost, but from 2019-20 the company is again back to its normal proprietary ratio means strong financial position of the company and better security for creditors.
4. The Ideal Current liabilities to net worth ratio is considered as 1/3 i.e. 0.33 times. Higher the ratio, difficult for the firm to collect borrowed funds. Current Liabilities to Net worth Ratio shows comparative fund invested by short term creditors and owners of the firm. The negative net worth shows that you owe more than you own.
5. Net Profit Ratio of Happiest Mind Technologies Ltd. for the past five years shows that from 0.98% to 21% from 2016-17 to 2020-21. It shows the increasing sales and increasing Net Profit over the period of 5 years, thus indicating sound financial position of the company.

Conclusion:

After Analysis and interpretation of Financial Performance of Happiest Mind Technologies Ltd. for the previous 5 years study, we can conclude that the company is performing consistently quite well only with the slump in 2018-19. The overall financial performance of the company is regaining its boot from 2018-19. Hence the Directors of the company should pay more attention to recover the financial position of the company. The company heavily invested in its subsidiary PGS Inc. due to which its books of accounts are showing losses during the accounting period. From 2019 onwards the company is recouping its pave in the form of growth. Various payment towards acquisition of Cupola Technology Private Limited on slump sale or payment towards acquisition of OSS Cube Solutions Limited on slump sale or payment towards acquisition of Happiest Minds Technologies LLC has been instrumental in incurring heavy losses. Happiest Minds Technologies has posted a significant rally after the company announced that it is among India's top 25 best companies to work for in 2021 in June. The stock has been on buyers' radar since listing and has been hitting fresh highs on a consistent basis. In fact, the stock recently claimed its all-time high of Rs 1580 on 16 July, 2021.

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