

Financial Analysis Report

2019-2021





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**RATIO ANALYSIS OF DELL**

**ABSTRACT**

The financial performance of Dell Technologies, an American technology business, was evaluated in this report using four different types of financial ratios. These ratios were calculated using data from Macrotrends and Yahoo Finance. Between 2019 and 2021, the evolution of each ratio was investigated. Liquidity ratios, Activity ratios, Debt Ratios, and Profitability Ratios were the four categories of ratios studied. This study, as well as secondary literature, reviewing publications from community journals allowed for the formulation of recommendations to improve the financial stability of the organization.

**INTRODUCTION:**

Dell Technologies is a multibillion-dollar technology business headquartered in Texas, United States. Michael Dell developed it in his dorm room during his first year at the University of Texas in 1984. PC's Limited was founded with a $1,000 investment and Michael Dell's iconic aim to transform the technology business by rewriting the design, manufacture, and selling of technology from the ground up. Within three years, the firm had developed and released its first computer system, as well as established its first subsidiary in the United Kingdom, before going public the following year and renaming itself Dell Computer Corporation.

Michael Dell and Silver Lake Partners, a private equity firm, acquired back shares in 2013 to strengthen the company's focus on innovations, long-term investments, and its solutions approach. Finally, in 2016, Dell merged with EMC Corporation to become Dell Technologies, which was followed by the EMC Corporation's renaming to Dell EMC.

This study will look at Dell Technologies' financial performance during the last four years, starting in 2016 and ending in 2019. Liquidity ratios, Activity ratios, Debt Ratios, and Profitability Ratios are the four types of ratios that will be examined throughout this article. Each of these ratios enables us to acquire a thorough insight into the company's success throughout time, with each ratio indicating a distinct dimension and facet of financial performance.

In comparison to other areas of business management, it is frequently noticed that the application of sustainability practices is often weak in the finance and accounting departments of a company. Furthermore, the discussion of unfavorable events was found to have a likely negative impact on investors with limited financial background and understanding of the field, resulting in insignificant occurrences (the negative side effects of which could have been easily contained), and, as a result, a deterioration of the company's investor reputation. One of the most reliable means of obtaining capital is to classify the company's shares as a 'green stock,' which is a hugely supported section of capital sources due to the ever-growing worldwide concerns about carbon emissions, natural resource depletion, and global warming, and so on. Dell Technologies may achieve this by developing computer systems that optimize sustainability and renewable-based sectors. The electric car business, for example, reduces world load and demand for natural resources, directly addressing the concerns of individuals who advocate for and support green stock.

**DATA AND METHODOLOGY**

The information for Dell Technologies' balance sheet and income statement for the years 2019 to 2021 was taken directly from Yahoo Finance & Macrotrends, which provides financial statistics and news as well as stock quotations, financial statements, and other financial information.

**Table 1: Financial Data for Dell Technologies. (**All numbers in USD, in thousand thousand)

|  |  |  |  |
| --- | --- | --- | --- |
| **Item/Year** | **2019** | **2020** | **2021** |
| **Current Assets** | 36,138,000 | 36,868,000 | 43,567,000 |
| **Current Liabilities** | 44,972,000 | 52,456,000 | 54,132,000 |
| **Inventories** | 3,649,000 | 3,281,000 | 3,402,000 |
| **Cash** | 9,676,000 | 9,302,000 | 14,201,000 |
| **Receivables** | 16,769,000 | 17,379,000 | 17,943,00 |
| **Total Assets** | 111,820,000 | 118,861,000 | 123,415,000 |
| **Total Liabilities** | 112,762,000 | 115,706,000 | 115,862,000 |
| **Total Equity** | (942,000) | 3,155,000 | 7,553,000 |
| **Sales** | 90,621,000 | 92,154,000 | 94,224,00 |
| **Cost of Goods Sold** | 90,621,000 | 92,154,000 | 94,224,000 |
| **EBIT** | (191,000) | 2,622,000 | 5,144,000 |
| **Interest** | 2,488,000 | 2,671,000 | 2,389,000 |
| **Net Income** | (2,310,000) | 4,616,000 | 3,250,000 |

**Liquidity Ratios:**

Working capital ratio/

The current ratio, quick ratio, and cash ratio are all liquidity ratios. These ratios demonstrate the company's ability to meet short-term obligations using cash or currently available resources that can be converted to cash, allowing the company to keep track of available resources and determine whether the available amount is sufficient to meet their needs and maintain financial stability. The current ratio measures a company's capacity to meet obligations that are due within a year or one operating cycle. The Quick ratio measures a company's ability to meet short-term obligations by utilizing assets that can be converted to cash within a year. The Cash ratio, which specifies what proportion of current commitments can be met by currently existing cash and cash equivalents, is the final liquidity ratio.

**Activity Ratios:**

Inventory turnover, receivables turnover, and total asset turnover are all activity ratios. These ratios determine how effectively and efficiently the company's resources are used over a year, as well as whether the amount of effectively squandered resources has increased or decreased year over year. The inventory turnover ratio indicates how frequently the firm's inventory is sold and replaced each year. The Receivables Turnover Ratio measures how well a company collects past-due credit. Finally, the Total Assets Turnover Ratio demonstrates how effectively assets are used to create revenue.

**Debt Ratios:**

The debt ratio is linked to a company's capital structure. Long-term debts, short-term debts, preferred stocks, and common stocks make up the capital structure. A strong and efficient financial structure will enable the company to improve its performance and achieve a competitive advantage in its industry. The idea behind this is that before obtaining sufficient finance, the company would be able to launch campaigns or investigate future project choices that may not have been within their budget, giving them access to chances that may still be out of reach for their competitors.

**Profitability Ratios:**

Profitability ratios examine a company's potential to create profits based on its total accessible assets as well as its equity capital. Return on Assets (ROA), Return on Equity (ROE), and Profit Margin are three profitability ratios. The profitability of assets is represented by ROA, whereas the profitability of equity is represented by ROE. The profit margin reveals how much of the company's revenue was made up of profits.

One of the keys focuses for achieving financial success should be adopting and growing upon the sustainability factor inside the company's operations. The fundamental reason for this is that when the sustainability factor rises, financial growth in terms of cost of capital, working capital management, returns on investment, and capital budgeting rises in tandem. These techniques enable the organization to achieve tremendous growth while simultaneously providing a significant competitive advantage in terms of financial stability.

**RESULTS AND DISCUSSION**

1. Liquidity Ratios:

**Table 2: Liquidity Ratios of Dell Technologies (2019-2021)**

|  |  |  |  |
| --- | --- | --- | --- |
| Liquidity Ratios | **2019** | **2020** | **2021** |
| Current Ratio | 80.36% | 70.28% | 80.48% |
| Quick Ratio | 72.24% | 64.02% | 74.19% |
| Cash Ratio | 21.51% | 17.73% | 26.23% |

* 1. Working capital ratio/Current Ratio:

The Current Ratio can be seen decreasing between the 2019– 2020 period decreasingly by 10.08%, followed by a gradual increase of a total of 10.2% during the 2020-2021 period. Throughout the observation period, the overall increase in the ratio was about 0.06%. This signifies an increase in the ability of the company to meet its short-term obligations and; an increase in overall liquidity as well.

* 1. Quick Ratio:

Between 2019 and 2020, the Quick Ratio grew by more than 8.22 percent. The overall drop in the ratio was roughly 8.22% over the observation period. This indicates that the company's ability to satisfy short-term obligations through the use of current assets has deteriorated, adding to a decline in overall liquidity.

* 1. Cash Ratio:

Between 2019 and 2020, the Cash Ratio dropped by over 3.78 percent, followed by a significant increase of over 8.52 percent between 2020 and 2021. This reflects an increase in the percentage of current commitments that can be met with cash and cash equivalents on hand, adding to the total gain in liquidity.

1. Turnover Ratios:

**Table 3: Turnover Ratios of Dell Technologies (2019 – 2021)**

|  |  |  |  |
| --- | --- | --- | --- |
| Turnover Ratios | **2019** | **2020** | **2021** |
| Inventory Turnover | 17.96 | 19.26 | 19.04 |
| Receivables Turnover | 5.40 | 5.30 | 5.25 |
| Total Assets Turnover | 0.81 | 0.77 | 0.76 |

* 1. Inventory Turnover:

During the 2019–2020 era, the Inventory Turnover Ratio grew by nearly 2.7 times, indicating that inventory was replaced and sold more frequently. During the 2020-2021 era, it was followed by a dramatic decline of over 0.22 turns, culminating in a final, the overall rise in the ratio over the three years that this ratio was recorded was roughly 1.5 percent; small and inconsequential. This indicates a rise in the number of times inventory was sold and replaced in a single year, indicating a sense of consistency in inventory utilization efficiency, as well as excellent stock management and order forecasting. Overall, the company's inventory turnover is good.

* 1. Recevables Turnover:

This ratio has been steadily increasing over the last three years, increasing by a total of between 2019 and 2021, albeit cautiously. However, this is incredibly positive because it portrays the corporation as becoming more efficient in collecting debts.

* 1. Total Assets Turnover:

Over the first three years, this ratio decreased by 0.29 turns, followed by a relatively slight decline of 0.03 turns in the final year of the observation period. The ratio, on the other hand, demonstrates that Dell earns less than one dollar for every dollar of assets. Nonetheless, Dell Technologies' asset turnover has increased by 0.26 turns over the last three years, indicating that they are continually improving their asset turnover. As a result, the efficiency of generating sales using these assets has improved.

1. Debt Ratios:

**Table 4: Debt Ratios of Dell Technologies (2019 – 2021)**

|  |  |  |  |
| --- | --- | --- | --- |
| Debt Ratios | **2019** | **2020** | **2021** |
| Debt Ratio | (56.81) | 16.4995 | 6.353 |
| Times Interest Earned Ratio | (0.076) | 0.98 | 2.1 |

* 1. Debt Ratio:

This ratio experienced a significant increase of 16.9% over the 2016 – 2018 period, reaching a point where over 100% of assets were financed, by creditors. However, the ratio decreased by nearly 3.5% in the final year. This ratio increased by a total of over 13.4% during the observation period. This indicates increasing dependence upon creditors to finance the company’s assets.

* 1. Times Interest Earned:

This ratio consistently increased throughout the observation period, increasing 2.84 times over the four years it was observed. This indicates an increase in the ability of the company to cover its interest payments with its earnings.

1. Profitability Ratios:

**Table 5: Profitability Ratios of Dell Technologies (2019 – 2021)**

|  |  |  |  |
| --- | --- | --- | --- |
| Profitability Ratios | **2019** | **2020** | **2021** |
| ROE | 245.2% | 146.3% | 43.02% |
| ROA | 2.06% | 38.83% | 2.63% |
| Profit Margin | 2.54% | 5.009% | 3.44% |

* 1. ROE:

Between 2019 and 2020, this ratio dropped by 98.9%, followed by a drop of over 103.28 percent. This does not, however, imply that the business is not lucrative. The ratio is negative in 2020 and 2021, according to a detailed analysis, due to the negative loss suffered in those years. However, the fact that the ratio appears to be improving in 2019 is because both equity and net income are negative statistics. In reality, this combination has negative repercussions on the company's profitability. Nonetheless, the negative value of the ratio in the last year might be attributable to negative equity, despite the company earning its sole positive Net Income across the three years.

It may be stated that the company's profitability has greatly improved during the last three years.

* 1. ROA:

Over the remaining observation period, the ratio appears to be steadily increasing. Between 2019 and 2021, the overall rise was roughly 5.3 percent. This indicates that the company's management has improved its ability to generate money from accessible assets, which has a significant and beneficial impact on the company's total profitability.

* 1. Profit Margin:

The ratio is observed to decrease by 1.64 over 2% during the period between 2019 – 2020 but is observed to consistently rise over the remaining observation period (mirroring the ROA ratio), increasing by 9.75% between 2019 and– 2021. This signifies the increase in the proportion of revenue that constitutes the net income of the company, further adding to the overall profitability of the company.

**CONCLUSION:**

Dell Technologies is a multibillion-dollar corporation headquartered in Texas, USA. Personal computers, private computing data storage, and other operations were part of the operations. It is one of the most successful companies in the world, with a strong concentration on technology. Michael Dell, the company's founder, has spent the last 36 years bringing his ambition of changing the technology sector to life.

The financial performance of Dell Technologies was meticulously evaluated and studied throughout this report. The financial information needed for the analysis was taken directly from the company's yahoo finance page. Liquidity ratios, Activity ratios, Debt ratios, and Profitability ratios were among the sorts of ratios used to assess the company's financial performance.

Liquidity ratios illustrate how well a corporation can meet and satisfy short-term obligations with a maturity of one year or less, as well as how well cash or cash equivalents can directly cover these obligations. The Current Ratio, Quick Ratio, and Cash Ratio are the three liquidity ratios. Over the last three years, each of these ratios has fallen, showing a decrease in liquidity due to a decrease in the ability to cover liabilities with short maturities.

Activity Ratios reveal how well a company maintains its inventory, how effectively and efficiently existing assets are used, and how successfully it collects its debts. Inventory Turnover and Total Assets Turnover cover these aspects.

Debt ratios demonstrate how much of a company's assets are financed by its creditors, as well as how well the cost of borrowing (interest) is covered by the company's earnings through operations. Debt Ratio and Times Interest Earned Ratio are two of the ratios included. Over the last four years, the debt ratio has risen unfavorably, revealing the company's increased reliance on creditors to buy assets. The Times Interest Earned ratio, on the other hand, increased significantly over the observation period, indicating that the company's capacity to cover interest payments from earnings from operations has improved.

Finally, the profitability ratios indicate how total equity, total assets, and the profit margin ratio work together to generate income. These ratios look at how profitable the company's equity and total assets are, as well as what proportion of revenues can be turned into net income. Return On Equity, Return on Assets, and Profit Margin are among the ratios considered. Even though the ROE appears to have dropped in the final year, it still shows a positive income and was negative due to negative equity. Furthermore, the ROA and Profitability Margin ratios were shown to have increased significantly between 2016 and 2019. During the period under consideration, the company's overall profitability increased.

# Based on data gathered from Yahoo Finance and previously stated conclusions, the company's overall financial health is sound, and it is likely to achieve significant financial growth in the coming years. Incorporate the element of sustainability into the organizational culture to reduce costs and increase the profit margin (and, by proxy, overall profitability), direct future endeavors towards sustainability projects related to the company's operations to qualify as green stock, and increase the attractiveness of the company as an investment for potential investors are all suggestions for increasing the financial stability of the company. Finally, it is proposed that the impact of disclosing the occurrence of unfavorable events is reduced to diminish the negative influence on investors' perceptions of the company.