A STUDY ON FINANCIAL ANALYSIS OF WIPRO LIMITED

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Abstract: Finding a company’s financial strengths, weaknesses, and features is referred to as financial analysis. The study is examined over past ten years from 2013-2014 to 2022-2023. This study’s primary goal is to evaluate WIPRO limited financial performance. The study used ratio analysis, which may be helpful in determining the firm’s potential for growth, to determine the current ratio, liquid ratio, net working capital ratio, capital gearing ratio, debt to capital ratio, inventory to sales and inventory to current asset ratios. According to the analysis, the business should make better use of its resources in order to enhance income and the firm is in the safest position possible, and its liquidity situation is quite satisfactory. The overall analysis reveals that the company's financial situation is sound and favourable.

Index Terms - Financial analysis, profitability ratios, liquid ratios, solvency ratios, WIPRO limited.

I. INTRODUCTION

Financial statement analysis is the process of looking at a company's financial records. In addition to evaluating an organization's financial performance and market value, external stakeholders often use it to gauge its general health. The internal stakeholders might use it as a monitoring tool for the management of the money. Financial data that is essential to understanding every aspect of a company's operations may be found in its financial statements. So, their performance in the past, present, and future may all be taken into account while evaluating them.

II. STATEMENT OF THE PROBLEM

The study is conducted to evaluate the financial performance of WIPRO limited to obtain a better understanding of the company’s position and performance. The efficient performance of the firm depends on well planning of the investment and distribution. A financial analysis reveals strength and weakness of the company by properly establishing the relationship between the items of balance sheet and profit and loss account.

III. OBJECTIVES OF THE STUDY

- To analyse the profitability position of the company.
- To measure the liquidity position of the company.
- To analyse the solvency position of the company.
- To suggest measures to improve the performance of the company on the basis of finding of the study.

IV. RESEARCH METHODOLOGY

RESEARCH DESIGN

The information is already available and analysis these facts to make a critical evaluation of the material. The researchers in this study have applied an analytical research design since the data and information’s collected are already available. The main source is the company’s audited annual reports.
METHODS OF DATA COLLECTION

The study is entirely based on secondary data. Secondary data is actually the available data which is in the form of reports that would serve as source of data for the study. In this study data is available in the form of the company’s profit and loss account, balance sheet and moreover the company’s sales, production reports also serve as a source of data.

PERIOD OF THE STUDY

Financial statement of ten years starting from 2013-2014 to 2022-2023 were taken for the study of present financial performance of the company.

LIMITATIONS

- Analysis and interpretation are purely based on the figure represented on the annual reports.
- This study only covers the period of ten years from 2013-2014 to 2022-2023.
- The study is based on secondary data. The information and data, which is made available by the personnel working in the organization used for this study.

RATIO ANALYSIS

PROFITABILITY RATIO

- Gross profit ratio
- Net profit ratio
- Operating profit ratio
- Return on asset
- Return on equity
- Return on capital employed

LIQUIDITY RATIO

- Current ratio
- Liquid ratio
- Cash ratio
- Net working capital

SOLVENCY RATIO

- Proprietary ratio
- Debt to equity ratio
- Debt to asset ratio
- Debt to capital ratio
- Financial leverage
- Capital gearing ratio

ACTIVITY RATIO OR TURNOVER RATIO

- Asset turnover ratio
- Working capital turnover ratio
V. DATA ANALYSIS

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VI. FINDINGS

· The gross profit ratio of the WIPRO Ltd in the year 2013-2014 to 2022-2023 is in satisfactory position. This ratio shows that the company is not spending too much of its revenues on production expenses.

· The net profit ratio shows the company is in a healthy position. This ratio shows that the company is more efficient at converting sales into actual profit.

· The operating profit ratio is now in a healthy position because the company maintains the operating profit equally in past ten years. This shows that the company is being well managed and is potentially less of a risk.

· Return on asset of the company is in satisfactory position. The company maintain averagely 0.12 in past ten years.

· Return on equity is highly satisfied in past ten years. The high ROE is a good thing if the net income is extremely large compared to equity because a company’s performance is so strong.

· Return on capital employed is good in past ten years from 2013-2014 to 2022-2023. It indicates a more efficient use of capital employed. So it is in the healthy position.

· The current ratio during the year 2013-14 to 2022-2023 is satisfactory and during the period the ratio is higher than normal ratio (2:1). This ratio shows that the business has two times more current asset than the liabilities.

· The liquid ratio is highly satisfied during the study period of past ten years and it is higher than the normal ratio 1:1. This ratio indicates that the company can meet its immediate liability obligation through liquid assets.

· The cash ratio above 1 is generally favoured, while a ratio under 0.5 is considered risky as entity has twice as much short term debt compared to cash. The company maintain the cash ratio in the average of 0.5, so the cash ratio is in good position.

· Net working capital ratio is satisfactory in the year 2013-2014 to 2022-2023. It shows the increase of capital in past years. This means the company can use the current assets and able to meet the short term obligations.

· The company’s proprietary ratio is more than the ideal ratio. That indicates that this ratio is useful for investors, creditors, and financiers to assess a company’s long term credibility and risk profile.

· Debt to asset ratio is below 1.0 would be seen as relatively safe. This company is in a safest position.

· Debt to equity ratio of around 2 or 2.5 is generally good position. The company maintain 0.18 as average ratio in past ten years.

· Debt to capital ratio in normal position for the past ten years. So the company is not in the riskier position

· The financial leverage ratio of less than 1 is usually considered good by industry standards. A leverage ratio of the company is maintaining 1 as average in past ten years.
Capital gearing ratio is in a good position because a company maintain 0.03 as average debt level for past ten years. So the company is in low risk by both investors and lenders.

The asset turnover ratio of 2.5 or more could be considered good. The company is not in a good position. Because it maintain 0.7 as average ratio in past ten years. It indicates that the company not generates more revenue from its assets.

Working capital turnover ratio and capital turnover ratio has between the ratios of 1.5 to 2.0 is past ten years. This indicates that the company is on the solid financial ground in terms of liquidity.

The fixed to proprietary ratio is typically 0.5 or higher is good. The company maintain 0.2 as average in past ten years. So this indicates that the company is not able to pay off their all long term credibility.

Inventory to sales ratio of the company is not in a healthy position. Because the company has maintain low ratio in past ten years. This indicates that not have a strong sales.

Inventory to current asset ratio is below the normal ratio 1:1. This indicates that the company lacks sufficient liquid assets to satisfy its short term liabilities.

VII. SUGGESTION

The liquidity position is healthy and highly satisfied in past ten years from 2013-2014 to 2022-2023. It is in standard level so they can able to pay their short term debt. The solvency ratio is good but they want to increase the utilization of assets to generate its revenues, then only the company can able to meet all the liabilities. The working capital turnover ratio is highly in satisfactory position. This indicates that the company is improving their short term financial position. The company is in safest position, because the debt to asset, equity and capital is generally seen good and safe. This indicates that the debt level is relatively low and the company is in out of risk. The company is not having strong sales so it is very important to increase the sales revenue and asset usage percentage to run a business good and healthy in future. Over all the study of the company performing is good and satisfactory in past ten years.

VIII. CONCLUSION

The study is aimed to analyse the overall financial performance of the WIPRO LTD for the period of 2013-2014 to 2022-2023. The analysis of the company was undertaken with the help of ratios for which important financial tools are analysed. The performance of the company is satisfactory and the study gives clear idea of financial position of the company over last ten years. The result revealed that the company has performed well and good. Hence, if a given suggestions are implemented, the company can increase its profitability with the help of increase of sales and utilization of assets.

REFERENCE


