A STUDY ON FINANCIAL ANALYSIS OF WIPRO LIMITED

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ABSTRACT

Financial analysis refers to the process of determining the financial strengths, weakness and financial characteristics of a firm. The analysis of the company is done for the period of five years, ranging from financial year 2017-2018 to 2021-2022. The main objective of this study is to determine the financial performance of Wipro Limited. Various tools like ratio analysis such as current ratio, liquid ratio, net profit ratio, return on assets, expense ratio and other performance ratios were used for the study, that can be helpful in finding the growth aspects of the firm. The suggestions reveal that the company should take necessary steps to increase the profit to improve their profitability performance. Finally, the study reveals that the liquidity position of the company was excellent although there was gradual rise and fall in the growth of the company during the study period.

Keywords: Financial Performance, Ratio Analysis, Growth Aspects.

I. INTRODUCTION

Financial statement analysis is the process of analyzing a company's financial statements for decision-making purposes. External stakeholders use it to understand the overall health of an organization as well as to evaluate financial performance and business value. Internal constituents use it as a monitoring tool for managing finances. The monetary statements of a corporation record important financial data on every aspect of a business’s activities. As such, they can be evaluated on the basis of beyond, current, and projected performance.

II. REVIEW OF LITERATURE

❖ Mr S. Ajith Adithyaa and Ms D. Caroline Rebecca (2022), this paper concentrated on the financial performance of Mahindra finance. The objectives of the paper were to check the financial flow of the firm. They conclude that the company's net profit and sales are not in a good position and if the company concentrates on these things then it led to the growth of a healthy organisation in future.

❖ Dr Mrs Vijayalakshmi, J. Nandhini, P. V. Nivashini and G. Pavithra (2021), this study is done to analyze the financial performance of Ashok Leyland Limited. This study is made to analyze the solvency and liquidity position of the firm through ratio analysis. It is based on secondary data. The researchers conclude that the performance of Ashok Leyland in the study period has been excellent.

❖ Amanj Mohamed Ahmed (2015), in his study on the impact of Financial Statement Analysis on The Profitability Assessment (Applied Study of Kirkuk Company for Producing Instructional Materials) revealed that there is an insignificant relationship between the profitability and the asset regulated and assets utilization while there seems a relationship between profitability and liquidity.

III. STATEMENT OF THE PROBLEM

In order to gain competitive advantage in Indian market and to develop the ability of maintaining sound financial conditions, careful analysis of financial condition is required. To Better understanding on profitability, liquidity and solvency ratio and to understand effective financial management influence Growth and Performance.

IV. OBJECTIVES OF THE STUDY

- To analyze the factors determining Profitability, solvency and liquidity of Wipro Ltd.
- The study aims to give suggestions for improving the overall financial position of Wipro company.
- To envision the liquidity and profitability role of Wipro from 2017-2018 to 2021-2022.
V. RESEARCH METHODOLOGY

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VI. LIMITATIONS

- The study is limited to only 5 years of financial data.
- The ratios are calculated from past financial statements and these are not indicators of the future performance of the company.

VII. FINDINGS

- The firm has a current ratio above 2 during the period of 5 years, and is in a position to pay off its current obligations in all the years.
- The firm has a quick ratio above 2 during the period of 5 years, and is in a position to pay off its quick obligations in all the years.
- The firm has an absolute quick ratio above 1 in all the 5 years during the period and shows that the firm is in a position to pay off its current liabilities by just using its absolute liquid assets.
- The firm have always maintained gross profit ratio more than 20% in all years. The ratio has been decreasing due to increase in expenses.
- The firm always managed a net profit ratio above 20% in all years, it shows the good management of operations. The ratio was declining so management should take some steps to reduce costs.
- The firm managed a ROI above 19% in all years except on 2020-21. The firm needs to utilize its investments properly to achieve a more steady and growing ratio.
- The firm managed to provide a return on equity over 18% in all years except 2018-20. The firm needs to utilize the investment of the shareholder more efficiently to achieve more steady ratios.
- During the year 2019-202 to 2020-21 total equity has increased by 14.6%, noncurrent liabilities have increased by 9.5% and current liabilities increased by 7.3%. it is also observed that the non-current assets have risen by 22.3% and current assets have increased by 11.2%.
- During the year 2021-21 to 2021-22 total equity has decreased by 7.36%, noncurrent liabilities have increased by 80.9% and current liabilities increased by 1.7%. it is also observed that the non-current assets have risen by 1.68% and current assets have decreased by 4.2%.
- Comparing to previous year (2018-19), Non current asset have been increased in the current year to 26.8%. And the current assets have been decreased to 73.2%. Then, In liabilities, shareholders fund for the current year have been increased to 72.6%. Non current liability have been decreased by 1.8% and current liability have been increased 25.6% in current year. So, the company wants to decrease its debt to attain more profitability.
- Comparing to previous year (2020-21), Non current asset have been increased in the current year to 30%. And the current assets have been decreased to 70%. Then, In liabilities, shareholders fund for the current year have been decreased to 69.4%. Non current liability have been increased by 5.5% and current liability have been increased 25.1% in current year. So, the company wants to decrease its debt to attain more profitability.

VIII. SUGGESTIONS

- The company’s future plans for expansion are clear due to increased investment in fixed assets. The company must make efficient use of these assets to enable increased profits.
- Though the company’s sale is continuously rising the net profit has not increased much, so the management should take some steps to reduce its expenses.
The current ratio is high (2.8:1), so company has not fully utilized cash liquidity for business development.
The firms capacity to payback debt is declining. This is something that the management needs to work on.

IX. CONCLUSION

According to this research we find that the company's overall position is good. The company achieves sufficient profit in the last 4 years. Fixed assets are efficiently utilised due to which the profits of the company are increasing every year. In this study, the analysis of the company was taken with the help of ratios such as Liquidity, Profitability, Solvency and Activity ratios, which are important tools of financial analysis.

X. REFERENCES