International Journal for Multidisciplinary Research (IJFMR)

E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

A Study on Profitability Analysis of Wipro Limited

Prof. Pavan Mishra[1], Dr. P. K. Pathak[2]

[1]Professor (Commerce), Barkatullah University, Bhopal
[2]Director (MBA), Neotech Institute Of Management, Bhopal

ABSTRACT

Business managers can measure the profitability, operational efficiency, financial position and liquidity of the business through financial analysis. by finding out the weaknesses of the business, necessary policies can be formulated for its smooth operation. Managers obtain such information from analysis by which the efficiency and earning power of the business can be measured and prudent decisions can be taken for the smooth operation of the business. To analyze the profitability statement were Simple Percentage Analysis and Ratios are used in the present study. The main objective of this study is to determine the financial performance of Wipro Limited. Various tools like ratio analysis 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.

Keyword: Profitability, Industry, Analysis, Financial, Ratios, Business

INTRODUCTION

The consumer industry in India is a significant contributor to the country's economy and encompasses a wide range of sectors including FMCG (Fast Moving Consumer Goods), retail, e-commerce, durables, and more. electronic industry in India is poised for continued growth, driven by factors like increasing consumer demand, government initiatives, and the rise of new technologies. However, it also faces challenges related to competition, quality standards, and technological advancements. It's important for companies in this sector to adapt and innovate to stay competitive in this dynamic market. For the most current and specific financial analysis,

Profitability ratios evaluate a firm's ability to generate profits relative to its operating costs. An increase in these types of ratios over time often indicates improvement in financial performance. Comparison of these ratios between similar organizations in the same sector can be used to view relative performance against the prevailing economic climate. Profit margin, return on assets, return on equity, return on capital employed, and gross margin ratio are examples of this type of ratio analysis.Profitability ratios are measured to determine growth and Profit-making potential. It is an estimate of the company's earnings on its expenses. Furthermore, it is used to compare growth from year to year to measure progress.Management also uses profitability ratio analysis to compare profitability to other competitors.

SWOT Analysis of Wipro Limited:

Strengths:

1. Diversified Portfolio: Wipro Limited has a diversified portfolio of services including IT services, consulting, and business process outsourcing (BPO), which helps in reducing risks associated with market fluctuations.
2. Global Presence: Wipro has a strong global presence with operations in over 60 countries, allowing it to tap into various markets and customer segments.
3. Strong Brand Image: Wipro has built a strong brand image over the years as a reliable and trusted IT services provider, which helps in attracting and retaining clients.
4. Technological Expertise: Wipro possesses strong technological expertise in areas such as cloud computing, artificial intelligence, and digital transformation, enabling it to deliver innovative solutions to clients.

Weaknesses:

1. Dependence on Outsourcing: Wipro heavily relies on outsourcing for its workforce, which may lead to challenges in quality control, communication, and cultural differences.
2. Revenue Concentration: The company's revenue is heavily reliant on a few key clients, leading to vulnerability if these clients reduce their spending or switch to competitors.
3. Margin Pressure: Intense competition in the IT services industry puts pressure on margins, leading to challenges in maintaining profitability.
4. Employee Retention: Wipro faces challenges in retaining top talent due to competition from other IT firms and increasing employee expectations.

Opportunities:

1. Emerging Technologies: Wipro can capitalize on emerging technologies such as blockchain, Internet of Things (IoT), and cybersecurity to offer new and innovative solutions to clients.
2. Digital Transformation: There is a growing demand for digital transformation services across industries, presenting opportunities for Wipro to expand its service offerings and customer base.
3. Strategic Partnerships: Forming strategic partnerships with technology companies and startups can help Wipro enhance its capabilities and access new markets.
4. Geographic Expansion: Wipro can explore opportunities for geographic expansion in fast-growing markets such as Asia-Pacific and Latin America to diversify its revenue streams.

Threats:

1. Intense Competition: Wipro faces intense competition from global IT services giants as well as niche players, which can erode market share and pricing power.
2. Rapid Technological Changes: Rapid advancements in technology require continuous investment in research and development to stay competitive, which may strain financial resources.
3. Regulatory Risks: Compliance with various regulations across different geographies adds complexity and may expose Wipro to legal and regulatory risks.
4. Economic Uncertainty: Economic downturns and geopolitical tensions can impact IT spending by clients, leading to revenue volatility and financial challenges for Wipro.

Review of literature

- Bevan et al. (2002) Accordingly, it is suggested that the firms with high profits are recommended to hold less debt as higher profit yields more of internal funds.
- Andrew Ash et al (2016) The financial health of clothing enterprises in northern Australia has declined markedly over the last decade due to an escalation in production and marketing costs and a real decline in clothing prices. Historically, gains in animal productivity have offset the effect of declining terms of trade on farm incomes.
- Mr. S. Ajith Adithyaa and Ms. D. Caroline Rebecca (2020), this paper concentrated on the financial performance of Mahindra finance. The objectives of the paper were to check financial flow of the firm. They conclude that the company's net profit and sales are not in a good position and have if the company concentrates on these things, then it led to a growth of healthy organization in future
- Swapna & Sujatha (2011) examined the role of IT industry in Indian economy by studying the GDP, IT exports
- Thomson R (2008) said that financial analysis is the process of identifying the strengths and weakness of the firm with the help of accounting information provided in the Profit and Loss Account and Balance Sheet.
- Sheela Christina (2011) carried out the study of financial performance of Wheels India Limited Chennai. Profitability ratio indicated that there was a decrease in the profit level, utilization of fixed assets and working capital in last financial year. Thus the company would take necessary steps to improve sales and profit. Finally the sales revealed that the financial performance was satisfactory.

OBJECTIVES OF STUDY

To analyzethe financial strength ofthe company

To analyze the profitability position of the company.

To estimate and determine the possibilities of future growth of business.

To access the return on Investment.

RESEARCH METHODOLOGY

Research design	Analytical
Source of Data -	Secondary data
Period of Study -	2014-2015to2019-2020
Framework of analysis-	Financial statements
Tools and Techniques -	Ratio analysis

DATA REPRESENTATION AND ANALYSIS

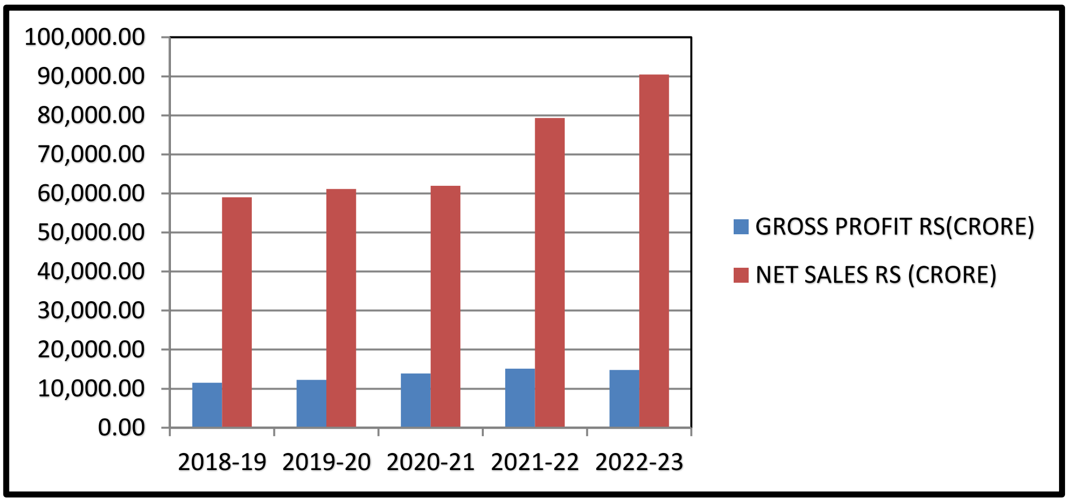
Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet assets, and shareholders' equity over time, using data from a specific point in time.

The following ratios were used to measure the profitability of WIPRO Limited: -

GROSS PROFIT RATIO-

YEAR	GROSS PROFIT	NET SALES	RATIO

2018-19	11,546.50	59,018.90	19.564
2019-20	12,249.00	61,137.60	20.035
2020-21	13,889.90	61,934.90	22.426
2021-22	15,135.90	79,312.00	19.082
2022-23	14,771.40	90.487.60	16.324

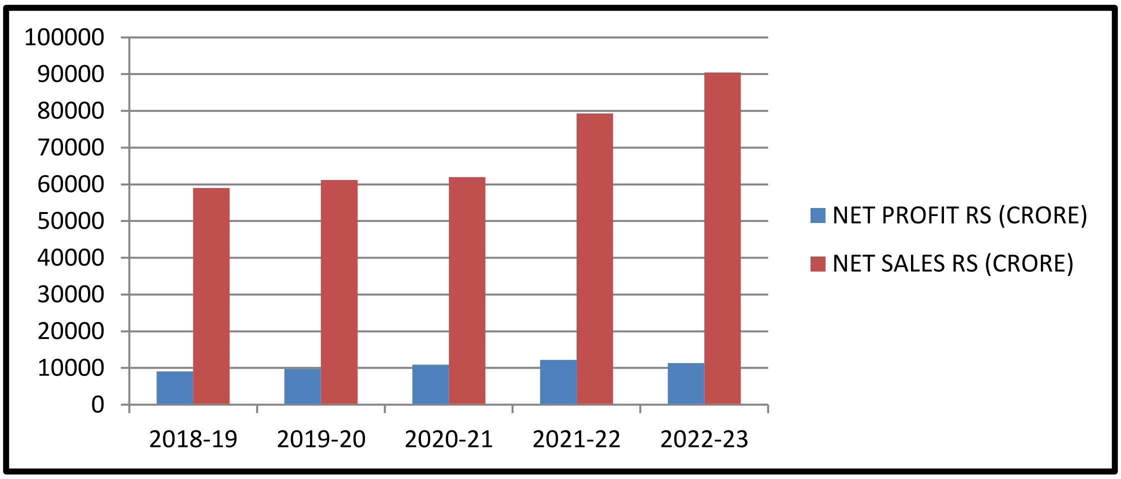


INTERPRETATION:

The gross profit ratio of Wipro limited was started increasing from the year 2018-19 to 2020-21 and then again increasing condition with the year 2018-2019 but it's percentage started falling down And at last year 2022-23 with 16.3%, it indicates the profitability of the company needs to be improved.

NET PROFIT RATIO-

YEAR	NET PROFIT	NET SALES	RATIO
2018-19	9,022.20	59,018.90	15.286
2019-20	9,768.90	61,137.60	15.978
2020-21	10,855.00	61,934.90	17.526
2021-22	12,237.70	79,312.00	15.429
2022-23	11,372.20	90.487.60	12.567

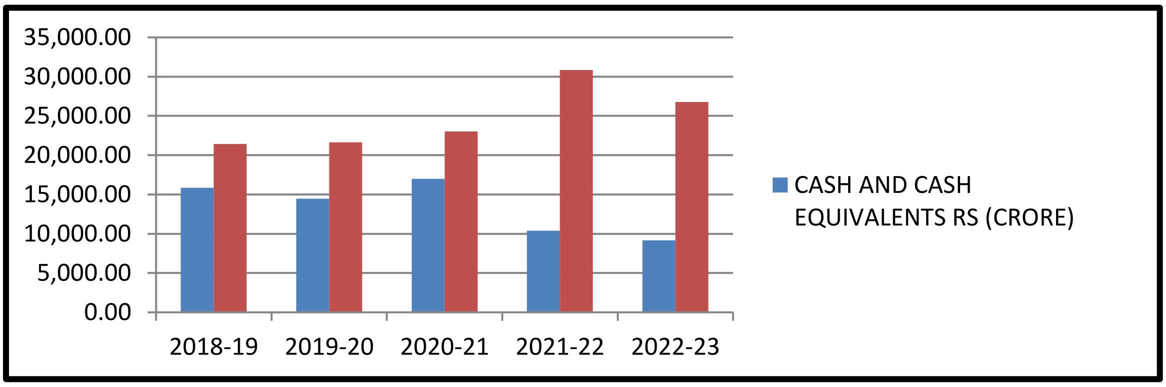


INTERPRETATION:

It is being observe that, net profit ratio shows quite similar trend when compared to gross profit ratio. This indicates that there has been less as no change in the expenses of the business. It can be difficult to improve a firm's net profit ratio, since a business tends to pursue the highest profit opportunities first leaving lower margin sales for later. A good way to avoid this trap is to pursue economies of scale, so that it becomes less expensive to generate each additional sale.

CASH RATIO-

YEAR	CASH AND CASH EQUIVALENTS	TOTAL CURRENT LIABILITIES	RATIO
2018-19	15,852.90	21,435.00	73.958
2019-20	14,449.90	21,639.30	66.776
2020-21	16,979.30	23,004.00	73.810
2021-22	10,383.60	30,832.90	33.677
2022-23	9,188.00	26,775.30	34.315

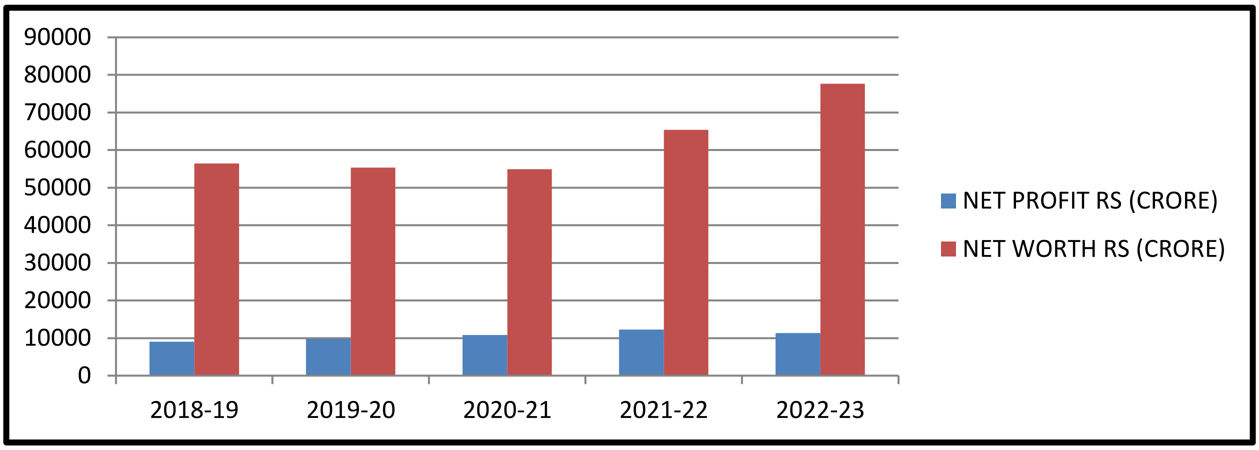


INTERPRETATION:

This ratio shows a declining trend throughout the observable years. However there has been a scope of improvement in the year 2022-23 which is a positive sign and the company should work on fixing the cash profit ratio. To improve its cash ratio, a company can strive to have more cash on hand in case of short term liquidation or demand for payments.

RETURN ON NET WORTH RATIO-

YEARS	NET PROFIT RS.	NET WORTH RS.	RATIO
2018-19	9,022.20	56,422.60	15.990
2019-20	9,768.90	55,321.70	17.658
2020-21	10,855.00	54,901.00	19.771
2021-22	12,237.70	65,403.00	18.711
2022-23	11,372.20	77,667.90	14.642

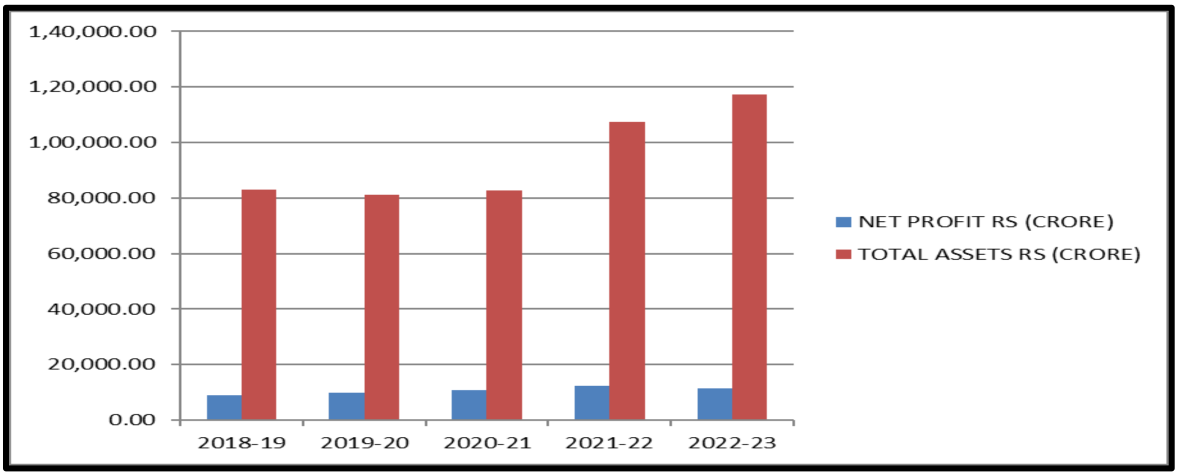


INTERPRETATION:

According to the table the Return on net worth ratio of WIPRO LTD. The net worth ratio started increasing from another year till the year 2020-21. And after that net worth ratio started decreasing which is a matter of concern for the company as the company is losing its efficiency to use the shareholder's money to generate profit. To improve the situation a company can work towards increasing its net worth by either increasing its assets or reducing liabilities by paying off debt.

RETURN ON INVESTMENT RATIO-

YEARS	NET PROFIT RS.	TOTAL ASSEST RS.	RATIO
2018-19	9,022.20	82,924.80	10.879
2019-20	9,768.90	81,278.90	12.018
2020-21	10,855.00	82,732.20	13.120
2021-22	12,237.70	1,07,505.40	11.383
2022-23	11,372.20	1,17,133.70	9.708



INTERPRETATION:

As in this ratio according to table in year 2018-19 ratio of investment was 10.8% .It is increased in another two years and it started decreasing from the year 2021-22 and then started falling in the next year. Basically return on investment is typically calculated by taking the actual or estimated income from a project and subtracting the actual or estimated costs.

FINDINGS

- The Gross profit ratio of Wipro Limited was increased from 2018-19 to 2021-22 and then in another year it started decreasing which shows company's condition should be improved.
- The Net profit ratio shows quite similar changes when compared to the Gross profit ratio as in the first three years it started increasing and then from the year 2021-22 and then started decreasing.
- The cash ratio shows the fluctuating throughout all the years and then there has been in rising situations.
- The Statement of return on Net worth ratio was constantly in increasing and decreasing every year. This has to be improved.
- The statement of return on investment in the year 2018-19 ratio of investment was 10.8% .It is increased in another two years and it started decreasing from the year 2021-22 and then started falling in the next year.

SUGGESTIONS

- The Gross profit Ratio and Net profit of the company needs to be improved. This can be done by increasing the selling price without increasing the cost of goods sold.
- In net profit ratio, a good way to avoid this trap is to pursue economies of scale, so that it becomes less expensive to generate each additional sale.
- The company should work on the improvement of its cash and cash equivalents. This can be done by the detailed study of their liquid assets and cash flow statements.
- The company must use shareholder's money in an efficient manner to generate profit. Efficient utilization of the resources should be practiced.
- To improve the situation a company can work towards increasing its net worth by either increasing its assets or reducing liabilities by paying off debt.
- Companies can increase their net margin by reducing costs.

REFERENCE

Books and Journals

1. Khan, M. Y. and Jain, P. K. Financial Management Text and Problems,Tata Mac Grawhill Publishing Ltd., New Delhi.
2. Pandey L M "Financial Management", sixth edition Vikass Pub. house Pv Ltd., New Delhi.
3. Agarwal, B.D; (2005) Advanced financial accounting, New Delhi; Pitambar Pub. Com.
   Sharma and Gupta, Management Accounting, Kalyani Publications. New Delhi
4. Sharmila. P "A Study on financial performance analysis of Hindustan Unilever Limited", CIKITUSI Journal for Multidisciplinary Research, Volume 6, Issue 4, ISSN NO: 0975-6876.
5. Dr. Mrs. Vijayalakshmi, J. Nandhini, P. V. Nivashini and G. Pavithra (2019), "A Study on financial performance analysis of Ashok Leyland Limited", Journal of Emerging Technologies and Innovative Research, Volume 6, Issue 2, ISSN 2349-5162.

WEBSITES

1. http://shodhganga.inflibnet.ac.in
2. http://economictimes.indiatimes.com
3. http://www.scribed.com/

4. https//www.moneycontrol.com
5. https://en.wikipedia.org/wiki/Wipro
6. http://www.wipro.com
7. https://www.wiprolighting.com/
8. https://www.capitalmarket.com/CompanyInformation/Financials/Balance-sheet/WiproLtd/61