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AN ANALYSIS OF FINANCIAL PERFORMANCE OF WIPRO LTD

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ABSTRACT :

This study explores the financial performance of Wipro Ltd. from 2020 to 2024, concentrating on crucial financial metrics such as liquidity, profitability, and leverage. The study emphasizes Wipro's strong liquidity status, which has allowed the company to effectively fulfill short-term liabilities while keeping debt levels conservative. Nonetheless, variations in gross and net profit margins show difficulties in maintaining profitability, arising from operational expenses and shifting market conditions. The study provides strategic recommendations for improving profitability and long-term growth, focusing on cost control, strengthening equity, and sustainable leverage. The results highlight Wipro's resilience in navigating its financial position amid external challenges and its potential for ongoing growth with judicious financial strategies.

INTRODUCTION

Finance is the management of money, investments, and other financial assets. It involves the creation, allocation, and management of financial resources to achieve economic goals.

Wipro Limited is a multinational information technology (IT) consulting and outsourcing company headquartered in Bengaluru, India. Founded in 1945, Wipro has grown to become one of India's largest IT services companies, providing a range of services including: Wipro Limited is a multinational corporation headquartered in Bangalore, India, providing information technology, consulting, and business process outsourcing services. Founded in 1945 by Azim Premji, Wipro began as Western India Products Limited, manufacturing vegetable oils. Over the years, the company diversified into textiles, soaps, and eventually IT in 1980. Today, Wipro is one of India's largest IT companies.

Wipro's services portfolio includes IT services, consulting, cloud, cybersecurity, and business process outsourcing. The company serves clients across various industries, including banking, financial services, healthcare, retail, manufacturing, energy, and communications. With operations in over 50 countries and delivery centers worldwide, Wipro has established itself as a global leader in the IT industry.

This study aims to conduct a comprehensive analysis of Wipro Ltd's financial performance over the last several years, examining key financial indicators such as profitability, liquidity, efficiency, and solvency. Financial performance is a critical aspect for any organization as it reflects its operational efficiency, financial health, and future growth potential. By evaluating the financial statements and key ratios of Wipro Ltd, this study aims to provide insights into the company's financial stability, risk factors, and overall market positioning.

STATEMENT OF THE PROBLEM

Wipro Limited, a leading Indian IT services company, faces intense competition and rapid technological advancements. To sustain its market position, Wipro must optimize its financial performance. This analysis seeks to identify the key factors influencing Wipro's financial performance and explore strategies for improving its profitability, efficiency, and long-term sustainability.

OBJECTIVES OF THE STUDY

- 1.To Analyze Wipro's financial statements to identify trends and patterns.
- 2.To Identify Financial Strengths and Weaknesses:
3. To Identify areas for improvement and provide recommendations.

SCOPE OF THE STUDY

The scope of this study encompasses a comprehensive financial analysis of Wipro Limited, examining its financial performance, position, and prospects over a 5 year period (2019-2024). The analysis will cover financial statement analysis, ratio analysis, trend analysis, and industry comparison with peers such as Infosys and TCS. The study will utilize Wipro's annual reports, financial databases, industry reports, market research studies, and news articles as data sources. The expected outcomes of this study include a comprehensive understanding of Wipro's financial performance, identification of areas for improvement, and recommendations for investors and stakeholders. The study's findings will contribute to the existing literature on financial analysis and provide valuable insights for industry practitioners.

RESEARCH AND METHODOLOGY

The methodology for analyzing Wipro's financial statements involves a comprehensive approach. It begins with data collection, gathering Wipro's annual reports and financial statements for the previous 5 years. Next, ratio analysis calculates key financial ratios such as liquidity, profitability, efficiency, solvency, and market ratios. Financial statement analysis examines the balance sheet, income statement, to assess asset structure, liability composition, revenue growth, expense trends, and profitability. Trend analysis is conducted to identify patterns. Industry comparison benchmarks Wipro's performance against peers like Infosys and TCS. Tools utilized. Data sources include Wipro's annual reports, industry reports, market research studies, financial databases, and news art

LIMITATIONS OF THE STUDY

- 1) The study relies on the availability and accuracy of financial data provided by wipro in its annual reports and other publicly available sources.
- 2) The study is limited to five years that is from 2019-2020 to 2023 to 2024
- 3) This study only focuses on the quantitative aspects , the qualitative aspects like innovations, human resource capabilities etc are not considered.
- 4) Financial information collected for the analysis is completely secondary in nature.

RESEARCH TOOLS

- 1) LIQUIDITY RATIO
 - CURRENT RATIO
 - QUICK RATIO
- 2) PROFITABILITY RATIO
 - GROSS PROFIT RATIO
 - NET PROFIT RATIO
- 3) SOLVENCY RATIOS
 - DEBT EQUITY R

REVIEW OF LITERATURE

Dr. Sharma's (2020) research primarily focuses on the corporate financial performance of Wipro, especially in the context of its revenue diversification strategies. His study evaluates Wipro's shift from traditional IT services to new-age digital services such as cloud computing, artificial intelligence (AI), and machine learning, which have significantly influenced its financial outcomes in recent years.

Dr. Reddy's(2019) paper provides a comprehensive analysis of Wipro's capital structure and its management of financial risks. He explores the debt-to-equity ratio, liquidity ratios, and profitability margins to determine how well Wipro has balanced its capital needs with its financial risk. Using a peer comparison approach. In his study,

Dr. Gupta(2021) evaluates the impact of sustainability initiatives on Wipro's financial performance. He explores Wipro's commitment to green technologies, energy-efficient data centers, and sustainable practices across its operations. Using financial analysis tools, he traces how investments in sustainability have enhanced Wipro's long-term profitability by reducing operational costs and improving investor sentiment.

INDUSTRIAL OVERVIEW

Wipro Limited, a global leader in information technology (IT), consulting, and business process services, has carved out a prominent position in the ever-evolving technology sector. Established in 1945, Wipro's journey from a small vegetable oil company to one of the leading multinational corporations in the IT services and consulting industry is a testament to its adaptability, vision, and commitment to innovation. Headquartered in Bengaluru, India, Wipro is now one of the largest IT service providers globally, serving customers in more than 50 countries.

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PRODUCTS

1. IT Services and Consulting
2. Application Development and Maintenance (ADM)
3. Digital Transformation Services
4. Artificial Intelligence (AI) and Automation
5. Industry-Specific Solutions
6. Business Process Outsourcing (BPO)

Market Position and Market Share

Wipro is consistently ranked among the top global IT services firms. In the 2023 fiscal year, the company reported revenue of over \$11 billion, with the majority of its revenue stemming from IT services, including consulting, BPO, and digital transformation. Wipro's revenue from digital services and cloud computing continues to grow at a rapid pace, demonstrating the company's successful pivot toward more advanced technology.

RATIO ANALYSIS AND INTERPRETATION

1) LIQUIDITY RATIO

A liquidity ratio is a measurement which is used to indicate whether a debtor will be able to pay their short-term debt off with the cash they have readily available, or whether they'll need to raise additional capital to cover the amount. The most commonly used liquidity ratios are the current ratio and the quick ratio.

- Current Ratio
- quick ratio

CURRENT RATIO

Current Ratio is a financial metric that enables investors and stockholders to assess a firm's ability to pay off its immediate liabilities with its current assets. In other words, it offers a fair idea about a firm's current assets against its current liabilities. A corporation can satisfy its short-term obligations if its ratio is larger than 1, which shows that it has more current assets than current liabilities. A ratio of less than one suggests that a business would find it challenging to fulfill its immediate responsibilities. $\text{Current ratio} = \text{current asset} / \text{current liability}$

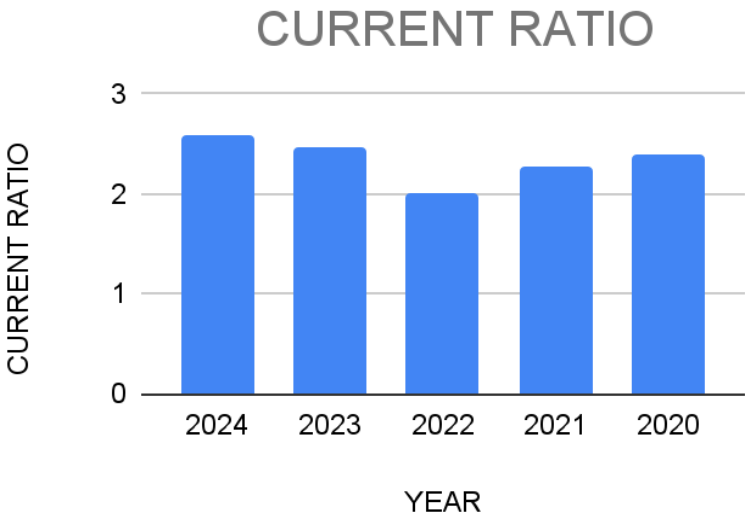
TABLE CURRENT RATIO

YEAR	CURRENT ASSET	CURRENT LIABILITY	CURRENT RATIO
2024	65,066.20	25,245.80	2.58
2023	66,109.60	26,775.30	2.47
2022	62,075.20	30,832.90	2.01
2021	52,318.60	23,004.00	2.27
2020	51,985.10	21,639.30	2.40

INTERPRETATION

The current ratio has increased from 2.40 in 2020 to 2.58 in 2024. This suggests that the company's liquidity has improved over time, meaning it has become better positioned to meet its short-term liabilities with its short-term assets. A current ratio above 1.0 indicates that the company has more current assets than current liabilities, which is generally considered a healthy sign, indicating that the company should be able to meet its short-term obligations without difficulty. A ratio of 2.58 in 2024 means that the company has 2.58 times more current assets than current liabilities, suggesting strong liquidity.

GRAPH
CURRENT RATIO



INFERENCE

The calculation of the current ratio is from the year 2020 to 2024. The highest ratio in the year 2024 indicates a stronger liquidity position during the period. The lowest is in the year 2022 indicates a lower liquidity position during th

QUICK RATIO

The quick ratio, also known as the acid-test ratio, is a financial metric used to assess a company's short-term liquidity and its ability to cover its current liabilities using its most liquid assets. This ratio is a more stringent measure of liquidity compared to the current ratio, as it excludes inventory from the calculation. It is an important liquidity measure that provides insight into a company's ability to meet its short-term obligations without depending on the sale of inventory. The quick ratio is calculated by dividing a company's most liquid assets like cash, cash equivalents, marketable securities, and accounts receivables by total current liabilities.

Quick ratio = $\frac{\text{current asset} - \text{inventories}}{\text{current liabilities}}$

TABLE

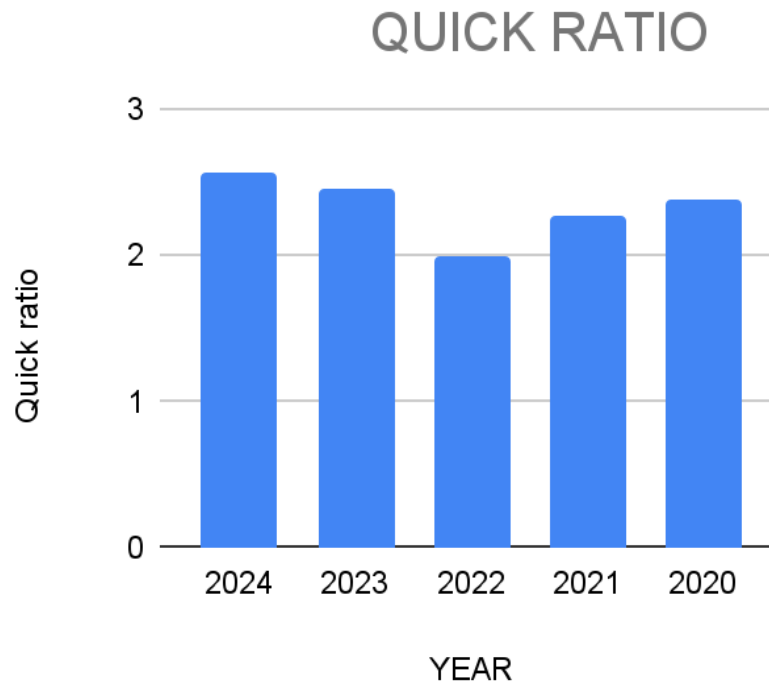
QUICK RATIO

YEAR	QUICK ASSET	CURRENT LIABILITIES	QUICK RATIO
2024	64975.5	25,245.80	2.57
2023	65990.8	26,775.30	2.46
2022	61941.8	30,832.90	2.00
2021	52212.2	23,004.00	2.27
2020	51798.6	21,639.30	2.39

INTERPRETATION

Wipro has maintained a robust liquidity position over the last five years, and although there were slight fluctuations, the company has shown the ability to effectively manage its short-term liabilities without depending heavily on its inventory. A quick ratio of 1.0 or higher is generally considered favourable, as it indicates that the company has enough liquid assets to cover its short-term liabilities. A quick ratio of 2.57 in the year 2024 indicates that wipro ltd had sufficient liquid assets to cover its short-term liabilities.

GRAPH
QUICK RATIO

**INFERENCE**

Wipro's ability to maintain a quick ratio consistently above 2 for most years reflects the company's strong ability to manage short-term financial obligations. Even though the quick ratio saw some fluctuations, the company remained in a good liquidity position, ensuring its capacity to cover urgent liabilities.

2) PROFITABILITY RATIO

Profitability ratios are financial metrics used to assess a company's ability to generate earnings relative to its revenue, assets, equity, or other financial metrics. These ratios provide insight into how well a company is performing in terms of profitability and how efficiently it is using its resources to generate profits.

GROSS PROFIT RATIO

The Gross Profit Ratio, often referred to as the Gross Profit Margin, is an essential financial metric that measures the percentage of revenue that exceeds the cost of goods sold (COGS). In simpler terms, it indicates how efficiently a company is producing and selling its products relative to its production costs. The Gross Profit Ratio is calculated by subtracting the COGS from the total revenue and dividing that result by the total revenue, then multiplying by 100 to get a percentage. This ratio provides valuable insight into the basic profitability of a company's core business activities before considering other operating costs such as administrative expenses, taxes, or interest. The formula for calculating gross profit ratio is

$$\text{Gross profit ratio} = \text{gross profit} / \text{net sales} * 100$$

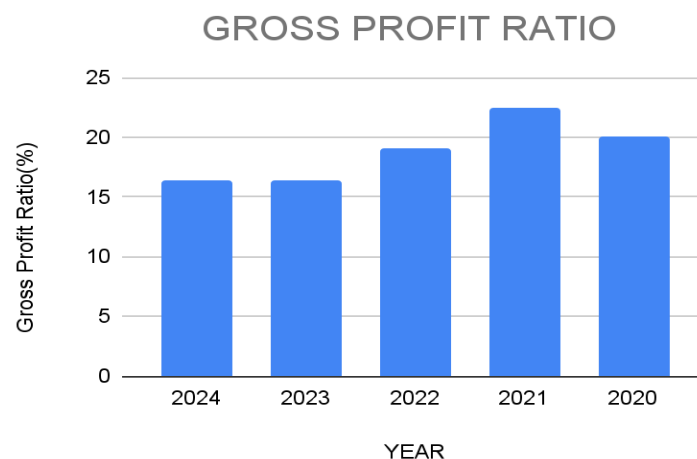
TABLE GROSS PROFIT RATIO

YEAR	GROSS PROFIT	NET SALES	GROSS PROFIT RATIO(%)
2024	14,744.30	89,760.30	16.42
2023	14,771.40	90,487.60	16.32
2022	15,135.10	79,093.40	19.13
2021	13,889.90	61,934.90	22.43
2020	12,249.00	61023.20	20.07

INTERPRETATION

Wipro's Gross Profit Ratio increased from 20.07% in 2020 to 22.43% in 2021, indicating that the company was able to improve its profitability during this period. From 2022 onwards, the Gross Profit Ratio shows a consistent decline, from 19.13% in 2022 to 16.42% in 2024. This decreasing trend could signal several potential concerns. It may be due to several

GRAPH
GROSS PROFIT RATIO



INFERENCE

The Gross Profit Ratio of Wipro Ltd. shows a clear downward trend from 2021 to 2024. After an increase from 20.07% in 2020 to 22.43% in 2021, the ratio started to decline, dropping to 19.13% in 2022, and further to 16.32% in 2023 and 16.42% in 2024. This decline suggests that while Wipro was able to improve its profitability in 2021, it has since faced challenges in maintaining healthy margins, likely due to rising costs, competitive pressures, or changes in its product/service mix.

NET PROFIT RATIO

The Net Profit Ratio is a key financial metric that measures the percentage of revenue that remains as profit after all expenses have been deducted from a company's total revenue. This ratio is a critical indicator of a company's overall profitability and financial health because it accounts for all costs, including operating expenses, interest, taxes, depreciation, and any other non-operating costs. In essence, it reflects how effectively a company can turn its total revenue into actual profit after covering all its financial obligations.

Net profit ratio = Net profit / net sales *100

TABLE - NET PROFIT RATIO

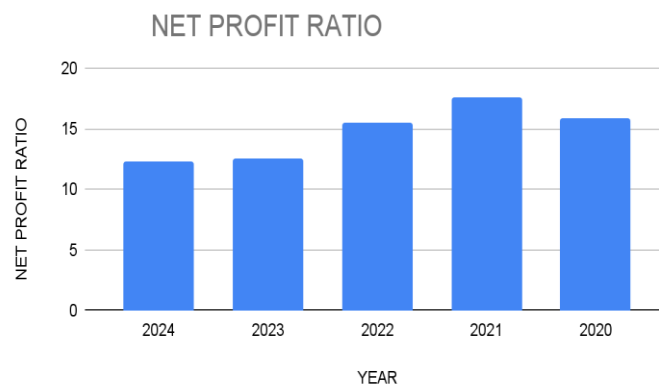
YEAR	NET PROFIT	NET SALES	NET PROFIT RATIO(%)
2024	11045.20	89,760.30	12.31
2023	11350.00	90,487.60	12.54
2022	12229.60	79093.40	15.46
2021	10796.40	61493.00	17.56
2020	9722.30	61023.20	15.93

INTERPRETATION

The net profit ratio is in a declining

trend where it was 17.56% in 2021 and was 12.31%. The period of 2021 had a strong profitability due to favourable conditions. But from 2022 it has been declining each year and the lowest was during 2024 of 12.31% due to several reason such as operational costs, increasing competition, market pressure which have impacted it .

GRAPH - NET PROFIT RATIO



INFERENCE

The graph shows a declining trend of the net profit ratio. The highest was during 2021 where the ratio was 17.56% and it started declining whereby it was 12.31% in 2024. The profitability has reduced over the years.

DEBT EQUITY RATIO

The Debt-to-Equity Ratio (D/E) is a key financial metric that evaluates the financial leverage of a company by comparing its total liabilities to shareholders' equity. This ratio is used to assess how much debt a company is using to finance its assets relative to the value of equity. It provides valuable insights into a company's capital structure and its ability to meet financial obligations, highlighting the balance between debt and equity funding.

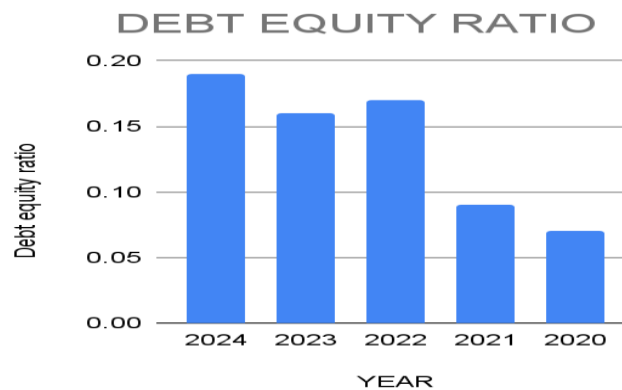
Debt equity ratio = Total debt / shareholders funds

TABLE - DEBT EQUITY RATIO

Year	Long term debt	Shareholders funds	Debt equity ratio
2024	14877.80	74533.00	0.19
2023	12631.60	77667.90	0.16
2022	11218.00	65403.00	0.17
2021	4677.40	54901.00	0.09
2020	4130.40	55321.70	0.07

INTERPRETATION

The debt equity ratio of Wipro Ltd is very low . in 2020 int was 0.07 which means the company was less dependent on debt for financing. But the period from 2021 to 2024 saw an increase in use of the debt fund

GRAPH - DEBT EQUITY RATIO**INFERENCE**

The debt equity has increased from 0.07 in 2020 to 0.19 in 2024 which shows the increased usage of debt by wipro.

FINDINGS AND SUGGESTION**FINDINGS**

1. Wipro Ltd had a strong liquidity position during 2020 to 2024 . It had sufficient current assets to meet its current liability.
2. Wipro has maintained a robust liquidity position over the period of five years. wipro was effectively able to manage the short term liabilities.
3. The gross profit ratio exhibited fluctuations over the five years. it has increased from 20.07% in 2019-20 to 22.43% in 2023-24 which shows the profitability during the period but the declines during 2022 and 2023 shows the challenges in maintaining profit during dynamic market conditions.
4. There were fluctuations in the net profit ratio over the five years . the highest was 17.56 % in 2023-24 and the lowest of 12.31% suggesting the challenges impacting profitability. The net profit has been in a decline during the five year period due to several reason like operational cost , market conditions which have impacted it
5. The debt equity ratio shows a steady increase from 0.07 in 2019-20 to 0.19 in 2024. in 2020 the ratio was at the lowest reflecting the reliance of company on the shareholders funds. wipro has maintained its liquidity which shows it has managed its leverage conservatively

SUGGESTIONS

- ❖ Maintain effective liquidity management to comfortably meet short term obligations and seize growth opportunities, leveraging consistently high current and quick ratios
- ❖ Addressing the fluctuations and the decline in the net profit and the gross profit ratio. wipro should focus on cost management strategies to mitigate operational expenses. regular reviews of profit centers should be done to identify areas of improvement .
- ❖ The company should monitor its leverage carefully and ensure that debt levels are sustainable in the long term
- ❖ The company should focus on strengthening its equity base by retaining, more earnings and reducing debt and issuing new ratios

CONCLUSION

Wipro Ltd. has demonstrated strong liquidity management and profitability during 2020-2024, effectively handling short-term obligations and maintaining a conservative leverage approach. However, fluctuations in both the gross and net profit ratios suggest challenges in sustaining profitability, primarily due to operational costs and dynamic market conditions. To improve, Wipro should focus on cost management strategies, regular profit center

reviews, and strengthening its equity base by retaining more earnings, reducing debt, and managing leverage sustainably. This approach will help mitigate risks and support long-term growth while enhancing overall financial stability

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WEBSITES

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