THE STUDY OF WORKING CAPITAL MANAGEMENT ON WIPRO LTD

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ABSTRACT

Working Capital is required for carrying out day to day business operations. Proper management of working capital is essential to a company's fundamental financial health and operational success as a business. A hallmark of good business management is the ability to utilize working capital management to maintain a balance between growth, profitability and liquidity. The Project titled 'A Study of Working Capital Management on Wipro ltd' aims to study the various aspects of Working Capital Management. The period considered for the study is five years i.e., from FY 2017-18 to 2021-22. The research methodology adopted for this study is secondary data which include annual reports and other proprietary reports of Wipro ltd'. This project tries to evaluate how the management of working capital is done through Intra Firm Ratio Analysis. The study of working capital management has shown that Wipro ltd' has a fairly strong working capital position. The Company is enjoying reasonable profits.

KEYWORDS: *CURRENT RATIO, QUICK RATIO, WORKING CAPITAL, COMPONENTS OF WORKING CAPITAL, EFFICENCY RATIO, PROFITABILITY RATIO.*

I. INTRODUCTION:

The core roles in financial management are the management of capital, sometimes known as working capital. The term "working capital" refers to the cash on hand utilized for a firm day- to-day operation. It comprises mostly of that portion of a assets that are related to or used in running its current operations. It is crucial to maintain sufficient working capital to support a company's capacity to finance operations. Looking at a firm's working capital in the amount required by the company to finance its daily demands is a solid approach to assess its chances for cash flow. It involves analysing the connection between a firm's present assets and its ability to function. The following are the types of working capital:

COMPONENTS OF WORKING CAPITAL MANAGEMENT:

1. Cash and cash equivalents: These comprise of Money market account, Certificate of Deposit, Treasury Bill, Exchange-traded fund.

2. Accounts Receivable: They include money that is still owed to your company that hasn't been paid or checks that have been written but never cashed.

3. Inventory: Some businesses sell tangible goods that they must purchase and store before providing them to customers.

4. Accounts Payable: Supplier or vendor invoices: Amounts due to suppliers for goods and services received are included in AP.

OBJECTIVE OF THE STUDY:

- To study and analyse the working capital concept.
- To examine the working capital components.
- To study various working capital ratios.

II. REVIEW OF LITERATURE:

Many previous researches have indicated the relations between working capital management and profitability of a company in different environments. In literature, Mr. Ambade Shubham, Arun (A.Y 2020-2021), they have used ratio analysis and comparison analysis to investigate the idea of working capital. The companies report a belief that no trade-off exists but the actual performance indicate varying results regarding whether or not revenues are grown in a justifiable proportion to increases in NWC. Laxmi Gajanan Thakur, Prof. Geeta Naidu (2020- 21). Sorin Gabriel Anton and Anca Elena Afloarei Nucu (25-Dec-20), reducing unnecessary working capital releases unnecessary cash invested to fund daily operating activities and increases the firm's financial flexibility.

Tran Van Haia, Pham Huy Hung b, Le Van Vien c, Nguyen Duc Duong d (Jul-21), securities businesses want to boost working capital while also reducing the time it takes to collect receivables, therefore managers should put the following strategies into practice. Ms. Divya Shriprakash Soman (2020-21), The study uses intra-firm ratio analysis and comparative financial statement analysis and concluded that the company's profitability had risen over time, it is in a good position, had a balance between liquidity and profitability. Miss. Kumthekar Rupali Balkrishna (2020-21), The research uses statistical techniques, such as tables, graphs, charts, and diagrams and concluded working capital of the firms was properly managed.

III. DATA AND METHODOLOGY:

The study's based on empirical research and Quantitative description method. Basic random sampling involves selecting a portion of the population at random. Instruments used liquidity ratio, current ratio, quick ratio, efficiency ratio, profitability ratios.

HYPOTHESES:

H1: NULL HYPOTHESIS (***H*01**): There is a significant management of working capital in Wipro LTD.

ALTERNATE HYPOTHESIS (***HA*1**): There is insignificant management of working capital in Wipro LTD.

H 2: NULL HYPOTHESIS (***H*02**): There is a significant influence of components of the working capital towards the management of working capital in the company.

ALTERNATE HYPOTHESIS (***HA*2**): There is insignificant influence of components of the working capital towards the management of working capital in the company.

IV. DATA ANALYSIS AND FINDINGS:

1. CURRENT RATIO: As seen in the Figure 1 below, the firm has excellent liquidity according to the conventional ratio of 2:1 because its current ratio is better than 1, which denotes that it can meet its debt commitments.

2. QUICK RATIO: The company has a ratio of 1 throughout all years as shown in figure 2. A corporation with a quick ratio of 1 will be able to immediately pay off all of its current liabilities.

WORKING CAPITAL COMPONETS: 1.INVENTORY (Figure 4)

2. TRADE RECEIVABLES (Figure 5)

3. TRADE PAYABLES (Figure 6)

4. CASH AND CAH EQUIVALENTS (Figure 7)

Figure:1

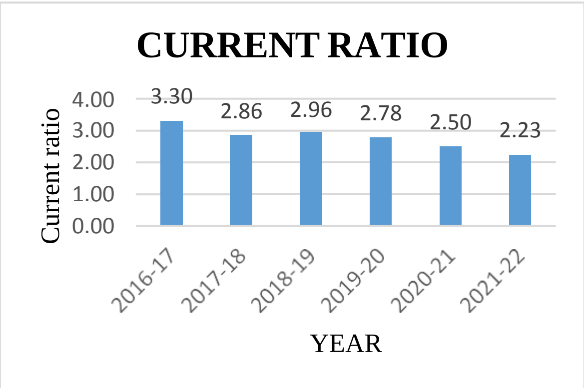
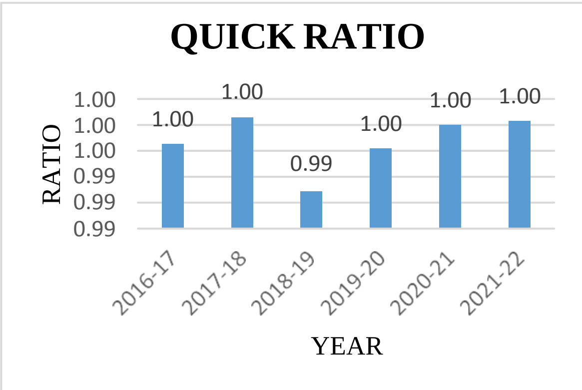
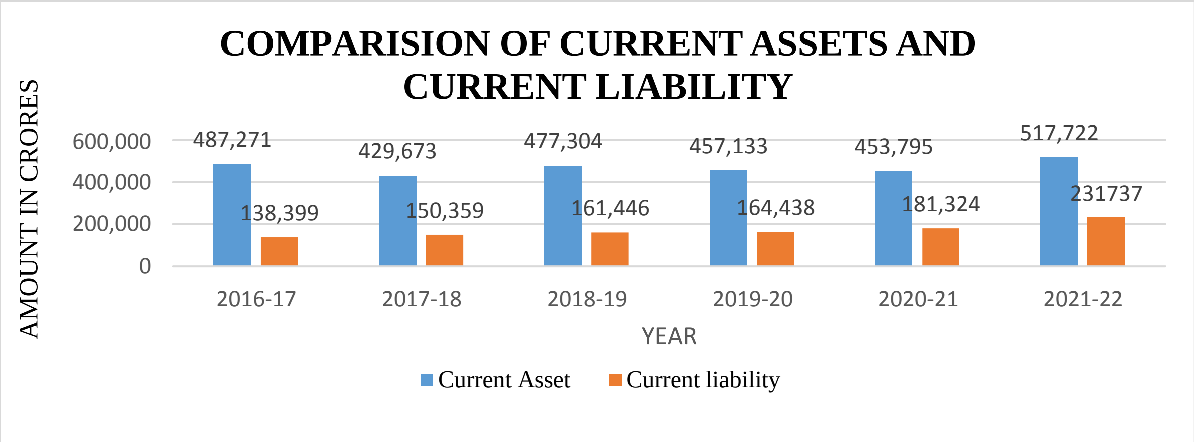


Figure:2



3. COMPARISION OF CURRENT ASSET AND CURRENT LIABILITIES: Since the company's current assets are greater than its current liabilities as presented in figure 3, it has positive working capital. If a corporation has enough working capital, it can pay all of its short- term obligations when they fall due during the course of the following year.

Figure 3



B. EFFICIENCY RATIO:

1. WORKING CAPITAL TURNOVER RATIO: In the figure 8 demonstrates how the ratio is continually changing. A high turnover ratio shows that management is making excellent use of the short / medium assets and liabilities to boost sales.

2. INVENTORY TURNOVER RATIO: (Figure 9**)** The ratio has been rising at an increasing pace over time. This may indicate a solid inventory or sales strategy, which might result in increased profit and liquidity.

3. TRADE RECEIVABLES TURNOVER RATIO: (Figure 10) The greatest ratio among the previous years was 68.38 in 2016–17, however this ratio has been declining. A high percentage is preferred since it shows how well the business collects receivables.

4. TRADE PAYABLES TURNOVER RATIO:(Figure 11) The firm may not be effectively managing its debt and cash flow if the ratio of accounts payable turnover is declining.

C. PROFITABILITY RATIO:

1. GROSS PROFIT RATIO:(Figure 12) The graph of the gross margin ratio demonstrates a change in earnings. A greater profit ratio is advantageous since it shows that the business can pay all costs and make a profit.

2. NET PROFIT RATIO:(Figure 13) Over time, the Net Profit Ratio has fallen. A corporation with a large net profit margin is able to successfully manage its costs and/or offer products or services for a price that is much greater than its costs. Therefore, effective management, reduced expenditures and expenses, or effective pricing tactics can all lead to high ratios and vice versa.

Figure 4 **Figure 5**

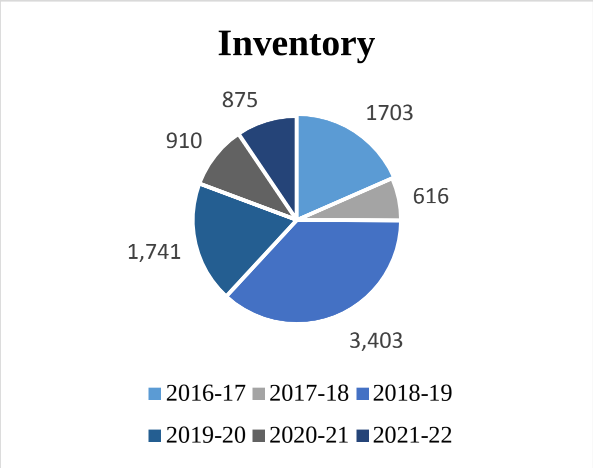
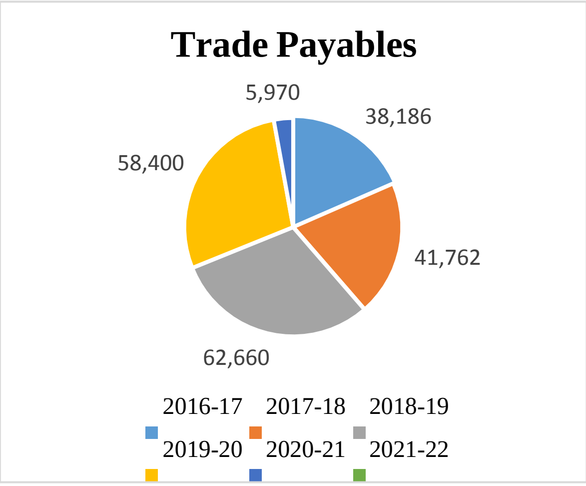


Figure 6 **Figure 7**



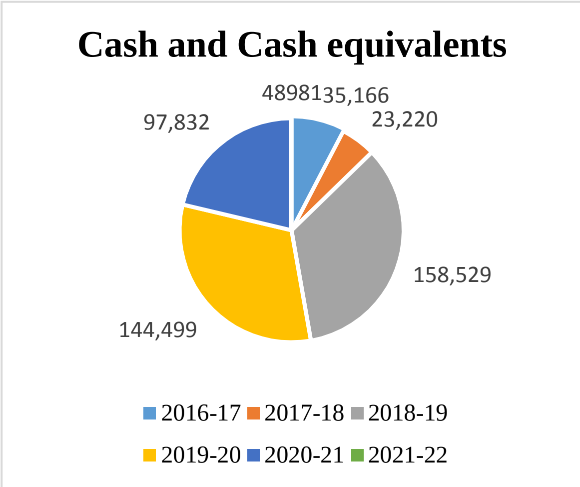
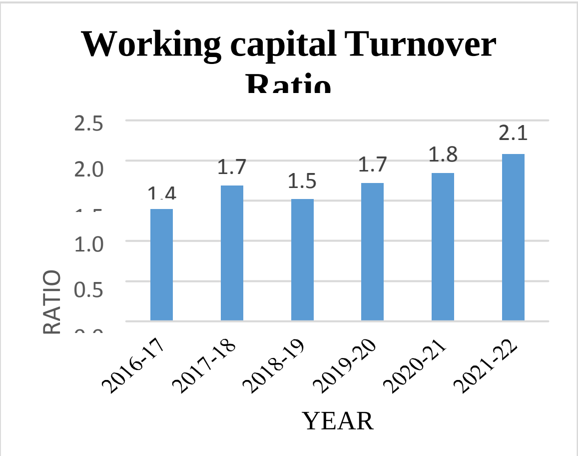


Figure 8 **Figure 9**



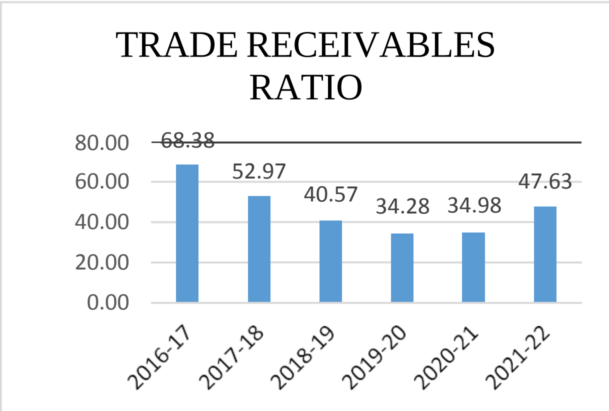


Figure 10 Figure 11

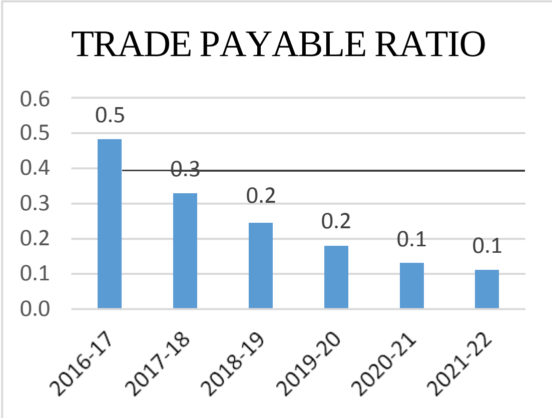
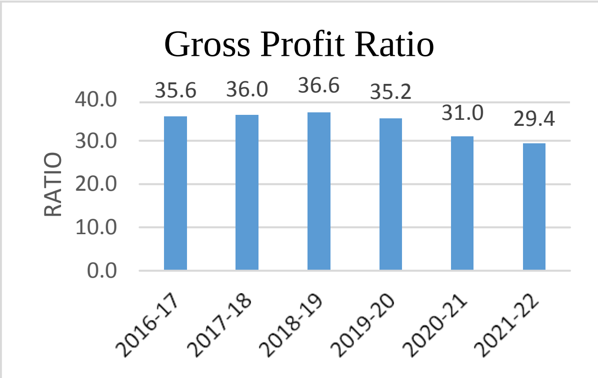
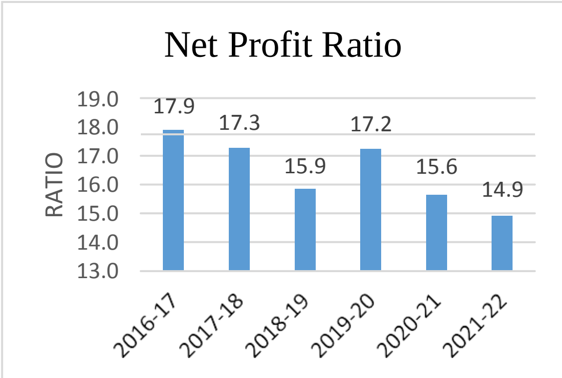


Figure 12 Figure 13





V. CONCLUSION:

The project report was to analysis the working capital management of Wipro LTD. The ratios are satisfactory and all the ratios meet the standard but it is found that in previous year there is a decrease in net profit ratio. Based on the analysis, we can conclude that company has a positive working capital management and company is financially sound.

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