

## Working Capital Mangement of Wipro Limited

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### ABSTRACT

The management of capital is one of the most important areas of management in a firm. Working capital plays a vital role on day to day expenses. Capital management is a neighborhood which emphasizes on the productive utilization available funds created out of excellent financial solvency, cash flows and growth strategies in a company. The working capital is also known as short term capital or circulating capital. It is required for investing in short term assets like bank, cash, receivables and inventory. Working capital is the difference between current assets and current liabilities. When the current assets of the company are more than the current liabilities it indicates that the position of the company from the point of working capital is sound and satisfactory.

**KEYWORDS :** working capital management, wipro limited.

### INTRODUCTION

The capital requirement refers to the funds that a company requires to achieve its goals. Generally, it is categorized into two types, Fixed capital and working capital. Fixed capital is a part of total capital of a business which is invested in physical assets such as vehicles, factories or machinery that is relatively permanent for more than one accounting period. Working capital is a part of total capital which can be used for day to day operations. It is the amount of cash a business can safely spend. A good working capital management determines the growth, profitability and liquidity of the company.

### STATEMENT OF PROBLEM

Working capital management of a firm is important for the following two reasons. An optimum part of the investment is invested in firm current assets, the level of current assets will change quickly with the variation in sales and the working capital management of a firm will have a greater impact on the firm's profitability. Hence, this study has been conducted to know the effect of the size and rising of working capital and also to analyse the effectiveness of inventory, cash, receivables management.

### OBJECTIVES OF THE STUDY

1. To study the working capital management of Wipro ltd

2. To analyse the receivable management, inventory management of Wipro limited.
3. To check the liquidity of the company

### **SCOPE OF THE STUDY**

Generally working capital management refers to the management of current assets and current liabilities and also the relationship between them. The study enhances the idea about the performance of working capital of the company. The higher profitability and proper liquidity of a firm is certified by a sound working capital. The study of working capital helps to identify the areas that are to be improved. It magnifies the liquidity, solvency, credit worthiness and reputation of the enterprise.

### **RESEARCH METHODOLOGY**

A research methodology is the framework for the study. This methodology includes collection of secondary data. Data related to profit and loss account, balance sheet and other information is collected from various websites, journals and books.

### **TOOLS**

Ratio analysis is used in the various aspects in the project.

### **LIMITATIONS OF THE STUDY**

Since the study is based on secondary data, the direct examination of figures is inappropriate. The study is also limited to a period of 5 years. The data is collected for the period 2016-2020.

### **REVIEW OF LITERATURE**

B.Uma Maheswari and Professor.B.Ramachandra Reddy (2012) stated that Every firm needs working capital irrespective of their nature. Manufacturing organizations require much working capital than the trading organization. Efficient management of working capital is important for the success of enterprise, whereas inefficient management of working capital may cause various problems such as reduction of liquidity position, loosing of profits and utility that leads to winding of the company. Therefore, adequate working capital is required for uninterrupted of organization activities.

G.L.Meena and I. Lokanandha Reddy (2016) undertook the study to achieve 3 main objectives. These objectives were met by using a mixed research method by collecting both quantitative and qualitative data. The research revealed that when profitability deteriorates, low cash is generated from the operations and firms are able to survive by postponing the payment to suppliers. The regression analysis results indicate the negative relation with the cash conversion cycle to ROTA, which means that management of the firm can increase profitability by decreasing cash conversion cycle period.

Mr.V.Venkatachalam (2016), the researcher conducted a study on “Working Capital Management on Mahindra and Mahindra Private Limited”. The main objective of the study is to analyze whether the companies are viable in the long run through ratio analysis and statement of changes in working capital. He concluded that the overall working stability-soundness of the company has improved over the years very well.

Akash B. Selkari and Omdeo Ghyar (2016) conducted a “Study on Working capital of Mahindra and Mahindra Ltd” for a period of 3 years from 2015-18. To study the working capital of the company ratio analysis technique was used. They came to an end that the working capital of the company was satisfactory because of maintaining proper inventory levels, cash, and other current assets and a decrease in the current liabilities and provisions.

Dr.V. Bhuvaneswari (2020) highlighted the working capital which will determine whether the position of the company from the working capital point of view is sound and satisfactory. She concluded that the overall working stability, soundness and overall financial performance have improved over the years.

#### ANALYSIS AND INTERPRETATION:

##### STATEMENT OF CHANGES IN GROSS WORKING CAPITAL:

Gross working capital refers to the firm’s investment in current assets. Current assets are the assets which can be converted into cash within an accounting year and include cash, short term securities, debtors, and stock

**TABLE 1 REFERS TO THE GROSS WORKING CAPITAL**

*(Amount in Crores)*

<b>PARTICULARS</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Current Assets</b>					
Investments	20,419.50	29,146.70	29,146.70	21,998.80	21,998.80
Inventories	526.20	355.90	294.30	340.30	174.10
Trade Receivables	8398.00	8129.90	9502.00	10648.60	9257.00
cash and cash equivalent	8408.80	3156.60	2322.00	10390.20	10444.00
short term loans and advances	0.00	191.70	0.00	0.00	947.20
other current assets	7508.80	7386.30	6007.80	4352.50	5927.50
<b>Total current assets</b>	<b>45260.30</b>	<b>48727.10</b>	<b>47272.80</b>	<b>47730.40</b>	<b>45713.30</b>

In 2017 there was an increase in the working capital of Rs.3466.80 Crores because of the increase in investment and in 2018 there was decrease in working capital by Rs.1454.30 Crores because of decrease in some current assets. In

2019 there was an increase in working capital by Rs.457.6 Crores as there was both increase and decrease in current assets and in 2020 there was a decrease in 2017.10 Crores.

**STATEMENT OF CHANGES IN NET WORKING CAPITAL:**

Net Working Capital refers to the difference between current assets and current liabilities. Current liabilities those claims of outsiders which are expected to mature for payment within an accounting year and include creditor, bills payables, and outstanding expenses. Net working capital can be positive or negative. A positive net working capital will arise when current assets exceed current liabilities. Negative net working capital occurs when current liabilities are in excess of current assets.

**TABLE 2: THE TABLE REFERS TO NET WORKING CAPITAL**

*(Amount in*

*Crores)*

<b>PARTICULARS</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
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<b>Current Liabilities</b>					
short term borrowings	5549.50	5018.60	4647.70	5052.20	5001.90
Trade payables	4362.30	3818.60	4176.20	4765.50	4542.60
other current liabilities	4657.50	4375.80	5418.60	5397.90	5769.10
Short term provisions	642.60	626.90	793.40	929.00	1130.20
<b>Total current liabilities</b>	<b>15211.90</b>	<b>13839.90</b>	<b>15035.90</b>	<b>16144.60</b>	<b>16443.80</b>
<b>Net working capital</b>	<b>30048.40</b>	<b>34887.20</b>	<b>27931.40</b>	<b>31585.80</b>	<b>29296.50</b>

In 2017 there was an increase of net working capital of Rs.4383.8 Crores as there is huge increase in investment and in 2018 there was a decrease in Rs.6955.80 Crore due to the decrease in cash and cash equivalent and other current assets. In 2019 there was an increase in 3654.4 Crores as there is an increase in trade receivables and cash and cash equivalents. In 2020 there was an decrease in Rs.2289.30 Crores as there is decrease in current assets.

**TABLE 3 REFERS TO THE RATIO FOR DEBTORS MANAGEMENT**

<b>Year</b>	<b>Debtors turnover ratio</b>	<b>Average collection period (Days)</b>
2016	5.40	67.59
2017	5.57	65.52
2018	5.07	71.99
2019	4.77	77.00
2020	5.06	72.13

In 2016 the debtors turnover ratio was 5.40 and the average collection period was 67.59 days. In 2017 the debtors turnover ratio was 5.57 and the average collection period was 65.52 days. In 2018 the debtors turnover ratio was 5.07 and the average collection period was 71.99 days. In 2019 the debtors turnover ratio was 4.77 and the average collection period was 77 days and in the year 2020 the debtors turnover ratio was 5.06 and the average collection period was 72.13 days. There was an increase in debtors turnover ratio in 2017 and 2020. And there was a decrease in debtors turnover ratio in 2018 and 2019. The average collection period increased in 2018 and 2019 and it decreased in 2017 and 2020.

**TABLE 4 REFERS TO THE RATIOS FOR INVENTORY MANAGEMENT**

<b>Year</b>	<b>Inventory turnover ratio</b>	<b>Days of inventory ratio ( days)</b>
2016	70.94	5.14
2017	88.77	4.11
2018	118.60	2.31
2019	130.17	2.80
2020	169.55	2.15

In 2016 the Inventory Turnover Ratio was 70.94 and the DSI was 5.14 days . In 2017 the Inventory Turnover Ratio was 88.77 and the DSI was 4.11 days. In 2018 the Inventory Turnover Ratio was 118.60 and the DSI decreased to 2.31 days. Next year in 2019 the Inventory Turnover Ratio raised to 130.17 and the DSI was 2.80. In 2020 the Inventory Turnover Ratio was highest to the ratio of 169.55 and DSI again decreased to 2.15 days. The Inventory Turnover Ratio goes on increasing every year. The DSI is high in the year 2016 and 2017 and is lowest in the year 2020.

## LIQUIDITY RATIOS

**TABLE 5 REFERS TO THE CURRENT RATIO**

YEAR	CURRENT A ASSETS	CURRENT LIABILITIES	C RATIO
2016	45260.30	15211.90	2.97
2017	48727.10	13839.90	3.52
2018	47272.80	15035.90	3.14
2019	47730.40	16144.60	2.95
2020	45713.30	16443.80	2.78

In 2016 the current ratio was 2.97 which indicates good short term liquidity. Next year in 2017 the current ratio increased to 3.52 because of the overall increase in current asset and decrease in current liabilities. In 2018 the working capital decreased a bit to the ratio of 3.14. In 2019 there is a further decrease in the current ratio. This stood at a ratio of 2.95. Again, In 2020 the current ratio decreased to 2.78. There was an increase in the year 2017. The current ratio went decreasing after 2017, which needs to be improved.

**TABLE 6 REFERS TO THE QUICK RATIO**

YEAR	LIQUID ASSET	CURRENT LIABILITY	RATIO
2016	44734.10	15211.90	2.94
2017	48371.20	13839.90	3.49
2018	43978.50	15035.90	2.92
2019	47301.10	16144.60	2.92
2020	45539.20	16443.80	2.76

In 2016 the quick ratio was 2.94 which indicates that the company owned more current assets than the current liabilities. In 2017 the quick ratio increased to 3.49 due to the increase in inventory turnover ratio. During 2018 the quick ratio dropped to 2.92 and in 2019 the quick ratio raised to 2.93 due to the increase in inventory turnover ratio. In 2020 the ratio falls to 2.76. There was an increase in the year 2017. The quick ratio started to decrease after 2017 which should be improved.

**TABLE 7 REFERS TO THE CASH RATIO**

YEAR	CASH AND CASH EQUIVALENT	CURRENT LIABILITIES	CASH RATIO
2016	8408.80	15211.90	0.552
2017	3516.60	13839.90	0.254
2018	2322.00	15035.90	0.154
2019	10390.20	16144.60	0.645
2020	10444.00	16443.80	0.635

In 2016 the cash ratio was 0.552. In 2017 the cash ratio decreased to the ratio of 0.254. Next year in 2018 cash ratio further declined to 0.154. In 2019 there is a huge increase. The ratio was 0.645. In 2020 cash ratio slightly decreased to 0.635. The ideal cash ratio is between 0.5-1. Therefore, In 2016, 2019 and 2020 the company was able to achieve its ideal ratio.

### **SUGGESTIONS**

On the basis of the above analysis and observation, the following suggestions are given to improve the overall financial position of Wipro Limited.

1. It can be said that the overall financial position of the company is sound and healthy from the profitability point of view.
2. The company should make an effort to increase the amount of sales to engage the great area of the market.
3. The company has to control its expenses and try to earn at a constant rate of return. It has to maximize its net profit.
4. Although the sales of the company are moderately increasing, the proportionate profit is not so much increased. Therefore the management should focus on reducing its expenses.
5. The company should bring more efficiency to drive on productivity and automation.
6. The working capital management could be more efficient to improve the liquidity position of Wipro Ltd.
7. The company may take up few marketing strategies to survive in the global market.

## CONCLUSION

The current study titled “A study on working capital management of Wipro Limited “was initiated with the objective of studying working capital management, changes in working capital, receivables management, inventory management, cash management and liquidity position through Ratio analysis and Statement of changes in working capital. This study gives an idea of working capital management of Wipro Limited. The company is maintaining a good profit over the years. But the company has lost its working capital due to the pandemic situation in the year 2020. So it has to be improved to work efficiently. On the basis of the analysis of the financial statement of Wipro Limited, we conclude that the overall working stability and soundness have improved over the years and will improve the financial performance in the upcoming years.

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