FINANCIAL MANAGEMENT PROJECT

ANALYSIS OF FINANCIAL STATEMENTS OF WIPRO LTD.

SUBMITTED BY:

Name	Enrollment Num.	Batch
Astha Raghuwanshi	21103042	B2
Jahanvi Gupta	21103150	B6
Prerna Badlani	21103164	B6

ABOUT THE COMPANY

Wipro Limited (NYSE: WIT, BSE: 507685, NSE: WIPRO) is a leading technology services and consulting company focused on building innovative solutions that address clients' most complex digital transformation needs.
It leverages a holistic portfolio of capabilities in consulting, design, engineering, operations, and emerging technologies to help clients realize their boldest ambitions and build future-ready, sustainable businesses.

Wipro is the leading strategic IT partner for companies across India, the Middle East and Asia–Pacific – offering integrated IT solutions. They plan, deploy, sustain and maintain your IT lifecycle through their total outsourcing, consulting services, business solutions and professional services. Wipro InfoTech helps you drive momentum in your organization – no matter what domain you are in.

Backed by their strong quality processes and rich experience managing global clients across various business verticals, they align IT strategies to your business goals. Along with their best of breed technology partners, Wipro InfoTech also helps you with your hardware and IT infrastructure needs.

In the Indian market, Wipro is a leader in providing IT solutions and services for the corporate segment in India offering system integration, network integration, software solutions and IT services. Wipro also has a profitable presence in niche market segments of consumer products and lighting. In the Asia Pacific and Middle East markets, Wipro provides IT solutions and services for global corporations.

RATIO ANALYSIS

LIQUIDITY RATIOS:

CURRENT RATIO = CURRENT ASSETS / CURRENT LIABILITIES

	2023	**2022**
Current Assets	666871	678483
Current Liabilities	270398	336781
Current Ratio	2.47	2.01

The current ratio is a liquidity ratio that measures a company's ability to cover its short-term obligations with its short-term assets. A current ratio higher than 1 indicates that a company has more assets than liabilities in the short term.
The company's current ratio declined from 2.47 to 2.01 in a year, signaling potential liquidity challenges due to increased short-term liabilities or reduced assets.

QUICK RATIO = QUICK ASSETS / CURRENT LIABILITIES

QUICK ASSETS = CURRENT ASSETS - INVENTORIES

	2023	**2022**
INVENTORIES	773	1602
QUICK ASSETS	666098	676881
Current Liabilities	270398	336781
Quick Ratio	2.46	2.01

The quick ratio, or acid-test ratio, measures a company's ability to cover its short-term liabilities with its most liquid assets (excluding inventory). A quick ratio of 2.46 in the first year and a decrease to 2.01 in the second year suggest a potential reduction in the company's immediate liquidity, indicating the need to assess changes in current assets, especially those readily convertible to cash, to ensure it can meet short-term obligations.

OPERATING EFFICIENCY RATIOS:

INVENTORY TURNOVER RATIO = COGS / AVERAGE INV.

	2023	2022
COGS	651551	607910
AVG. INVENTORY	132749	136898
INVENTORY T.O RATIO	4.90814	4.44060

The inventory turnover ratio measures how efficiently a company manages its inventory by calculating the number of times inventory is sold and replaced within a specific period. In this case, a decrease in the inventory turnover ratio from 4.91 to 4.44 over two consecutive years may indicate a slowdown in inventory movement. This could be due to factors like overstocking, changes in demand, or inefficiencies in supply chain management, warranting.

DEBTORS TURNOVER RATIO = CREDIT SALES / AVG. RECEIVABLES

	2023	2022
CREDIT SALES	897478	781824
AVG. RECEIVABLES	125346	113968
DEBTORS TO	7.16	6.86

The debtor turnover ratio measures how efficiently a company collects payments from its customers. A decrease in the ratio from 7.16 to 6.86 over two consecutive years suggests a potential slowdown in the collection of receivables. This could be due to factors such as changes in credit policies, economic conditions, or issues with customer payment patterns. It's advisable to investigate the reasons behind the decline and assess the impact on the company's cash flow and overall financial health.

DEBT COLLECTION PERIOD = 365 DAYS / RECEIVABLES T.O.

	2021	2022
DEBTORS T.O.	7.16	6.86
DEBT COLLECTION PERIOD	50.977	53.20699

The debt collection period, also known as the average collection period, measures the average number of days it takes for a company to collect payment from its customers. In this case, an increase in the debt collection period from 50.977 days to 53.207 days over two consecutive years suggests a lengthening of the time it takes for the company to collect receivables. This could be indicative of challenges in prompt debt recovery, potentially affecting cash flow and liquidity.

TOTAL ASSETS TURNOVER= COGS/AVG. TOTAL ASSETS

	2021	**2022**
COGS	651551	607910
AVG. TOTAL ASSETS	118377	106187
TOTAL ASSETS TO	5.5040	5.7249

The total assets turnover ratio measures a company's efficiency in generating sales revenue relative to its total assets. In this case, a decrease in the ratio from 5.5040 to 5.7249 over two consecutive years suggests a potential decrease in the company's ability to generate sales from its total assets. This could be due to various factors, including underutilization of assets, changes in market conditions, or shifts in the business model.

CAPITAL TURNOVER= COGS/CAPITAL EMPLOYED

CAPITAL EMPLOYED =OWNER'S EQUITY + R&S + LONG TERM LIABILITIES

	2023	**2022**
OWNER'S EQUITY	789350	720473
R&S	667362	602966
LONG TERM LIABILITIES	127464	122734
CAPITAL EMPLOYED	158417	144517
COGS	651551	607910
CAPITAL T.O.	2.2191	4.2064

The capital turnover ratio measures a company's efficiency in generating sales revenue relative to its total capital employed. In this case, a significant increase in the capital turnover ratio from 2.2191 to 4.2064 over two consecutive years indicates improved efficiency in utilizing capital to generate sales. This could be attributed to effective asset management, increased productivity, or strategic initiatives that leverage capital more efficiently.

FIXED ASSETS TURNOVER =COGS/FIXED ASSETS

	2023	**2022**
COGS	651551	607910
FIXED ASSETS	519816	501393
FIXED ASSETS TO	1.2534	1.21244

The fixed asset turnover ratio measures a company's ability to generate sales revenue from its investment in fixed assets. In this case, a decrease in the fixed asset turnover ratio from 1.2534 to 1.21244 over two consecutive years suggests a potential decline in efficiency in utilizing fixed assets to generate sales. This could be due to factors such as underutilization of assets, changes in production processes, or increased depreciation.

LEVERAGE RATIOS:

DEBT/EQUITY RATIO= TOTAL LIABILITIES/TOTAL OWNER’S EQUITY

	2023	**2022**
TOTAL LIABILITIES	397828	459901
TOTAL OE	789350	720473
DEBT/EQUITY	0.50399	0.63833

The debt-to-equity ratio measures the proportion of a company's financing that comes from debt compared to equity. In this case, an increase in the debt/equity ratio from 0.50399 to 0.63833 over two consecutive years indicates a higher reliance on debt for financing. This could lead to increased financial leverage and potential risks, such as higher interest expenses and debt servicing obligations.

DEBT RATIO= TOTAL LIABILITIES/TOTAL LIABILITIES AND OWNER'S EQUITY

	2023	2022
TOTAL LIABILITIES	397828	459901
LIABILITIES+OE	118717	118037
DEBT RATIO	3.35106	3.8962

The company's debt ratio increased from 3.35 to 3.90 over two consecutive years, indicating a higher reliance on debt for financing. This raises concerns about increased financial risk, impacting interest expenses and the company's ability to meet debt obligations. Investors may closely monitor these changes for potential effects on creditworthiness and overall financial stability.

INTEREST/DEBT COVERAGE RATIO=
EARNINGS BEFORE INTERESTS AND TAXES/INTEREST EXPENSE

	2023	**2022**
EARNINGS BIAT	174682	187213
INTEREST EXPENSE	1074	3647
INTEREST/DEBT	162.646	51.3334

The interest coverage ratio measures a company's ability to cover its interest expenses with its operating income. In this case, a decrease in the interest/debt coverage ratio from 162.646 to 51.3334 over two consecutive years suggests a significant reduction in the company's ability to meet its interest obligations from operating income. This may indicate increased financial risk, potentially affecting the company's ability to service its debt. A lower interest coverage ratio raises concerns about the company's financial health and ability to manage its debt burden.

PROFITABILITY RATIOS:

EARNINGS PER SHARE=
Net income available to equity shareholders / number of equity shares

	2023	**2022**
EPS	20.74	24.06

The earnings per share (EPS) increased from 20.74 to 24.06 over two consecutive years, indicating improved profitability on a per-share basis. This growth may be attributed to factors such as increased net income, efficient cost management, or a reduction in the number of outstanding shares. Investors generally view rising EPS positively, as it reflects a company's ability to generate higher earnings for each share held.

DIVIDEND PAYOUT RATIO=

Annual dividend per share / earnings per share

	2023	**2022**
DPS	105.566	580.808
EPS	20.74	24.06
DPR	5.09	24.14

The company's dividend payout ratio rose significantly from 5.09% to 24.14%, signaling a notable shift towards distributing a higher proportion of earnings as dividends. Investors should assess the sustainability of this change and its alignment with the company's overall financial strategy.

Return on assets/Return on Investment =

Net income / average investment (total assets)

	2023	**2022**
Net Income	114601	133605
Total Assets	118717	118037
ROA	9.653	11.3189

The Return on Assets (ROA) increased from 9.653% to 11.3189% over two consecutive years, indicating improved efficiency in generating earnings from its assets. This growth may result from effective asset utilization, increased profitability, or a reduction in average total assets. Investors generally view a rising ROA positively, as it reflects enhanced profitability relative to the company's asset base.

Return on equity=

Net income / average owners' equity

(PAT – Pref. Dividend)/ Net Worth

	2023	**2022**
PAT	118717	118037
Pref. Dividend	32640	72196
Net Income	86077	45841
Avg. OE	789350	720473
ROE	14.61	18.69

The Return on Equity (ROE) increased from 14.61% to 18.69% over two consecutive years, indicating enhanced profitability in relation to shareholder equity. This improvement could result from increased net income, efficient use of equity, or a reduction in shareholder equity. Investors generally view a rising ROE positively as it signifies a better return on shareholders' investments.

Gross Profit ratio: Gross Profit/ Sales

Gross Profit = Total Sales - COGS

	2023	**2022**
Total Sales	913744	865115
COGS	651551	607910
Gross Profit	262193	257205
Sales	913744	865115
Gross Profit Ratio	0.286	0.2973

The gross profit ratio increased from 28.6% to 29.73% over two consecutive years, indicating improved efficiency in generating gross profit from sales. This enhancement may result from better cost management, favorable pricing strategies, or economies of scale. Investors typically view an increasing gross profit ratio positively, as it suggests the company is retaining a higher proportion of revenue after accounting for the cost of goods sold.

Net Profit Ratio or Net Profit margin:Net Profit/ Sales

	2023	2022
Net Profit	149123	165471
Sales	913744	865115
Net Profit Ratio	0.1631	0.1912

The net profit ratio increased from 16.31% to 19.12% over two consecutive years, signaling improved profitability as a percentage of total revenue. This growth may stem from increased operational efficiency, cost management, or revenue enhancement. Investors generally view a rising net profit ratio positively, as it indicates a higher proportion of revenue retained as net profit.

Price/earning ratio: Market price of equity shares / earning per Share

	2023	2022
Market Price	374.93	646.17
EPS	20.74	24.06
Price/earning	18.077	26.8566

The Price/Earnings (P/E) ratio increased from 18.077 to 26.8566 over two consecutive years, indicating a higher valuation placed on the company's stock relative to its earnings. This rise may be driven by increased investor confidence, improved earnings prospects, or positive market sentiment. Investors typically interpret a higher P/E ratio as a reflection of higher growth expectations.

*(₹ in millions, except share and per share data, unless otherwise stated)

FINANCIAL ANALYSIS

In reviewing the financial performance of the company, several key ratios and metrics were analyzed over two consecutive years. Summary of the findings and an assessment of the overall status of the firm is as follows:

Liquidity and Efficiency:
- The current ratio decreased from 2.47 to 2.01, signaling potential liquidity challenges.
- Quick ratio, debtors turnover, and inventory turnover ratios exhibited mixed trends, warranting attention to working capital management.

Profitability and Operational Efficiency:
- Earnings per share (EPS) increased from 20.74 to 24.06, indicating improved profitability on a per-share basis.
- Net profit ratio rose from 16.31% to 19.12%, showcasing enhanced overall profitability.

Asset Management:
- Fixed asset turnover ratio declined slightly, indicating potential inefficiencies in utilizing fixed assets.
- Total assets turnover ratio showed a decrease, prompting a closer look at the company's ability to generate sales from its assets.

Capital Structure and Risk:
- The debt/equity ratio increased from 0.50399 to 0.63833, reflecting a higher reliance on debt for financing.
- The interest/debt coverage ratio declined significantly, raising concerns about the company's ability to cover interest expenses with operating income.

Investor and Market Indicators:
- Dividend payout ratio increased substantially, suggesting a shift towards distributing a higher proportion of earnings as dividends.
- The P/E ratio surged from 18.077 to 26.8566, indicating a higher valuation relative to earnings.

Overall Assessment:

Strengths of the company :
- Improved profitability and per-share earnings.
- Positive market perception, reflected in a higher P/E ratio.
- Enhanced overall profitability, with a rising net profit ratio.

Concerns for the company:
- Decline in liquidity, as evidenced by a lower current ratio.
- Increased reliance on debt financing, reflected in a higher debt/equity ratio.
- Challenges in efficiently managing fixed assets, indicated by a decrease in fixed asset turnover.
- Notable shift in dividend payout policy, raising questions about sustainability.

Recommendations:

1. Liquidity Management: Strengthen working capital management to improve liquidity and ensure the ability to meet short-term obligations.
2. Debt Management: Evaluate the company's debt strategy to balance capital structure and mitigate financial risks.
3. Investor Communication: Clearly communicate strategies driving the dividend policy change to manage investor expectations.
4. Operational Efficiency: Focus on optimizing asset utilization and improving fixed asset turnover to enhance overall operational efficiency.

The company has demonstrated strengths in profitability and earnings per share. However, challenges in liquidity, working capital management, and increased reliance on debt raise concerns. The decline in interest coverage ratio indicates potential financial risks. Additionally, the market's higher valuation, as reflected in the P/E ratio, suggests optimistic expectations, which must align with the company's ability to deliver sustained growth.

REFERENCES

https://www.wipro.com/content/dam/nexus/en/investor/quarterly-results/2022-2023/q4fy23/consolidated-financial-statement-q4fy23.pdf

https://www.wipro.com/content/dam/nexus/en/investor/annual-reports/2022-2023/integrated-annual-report-2022-23.pdf

https://www.wipro.com/investors/annual-reports/