

WEALTH MANAGEMENT PROJECT

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May 2025 - July 2025

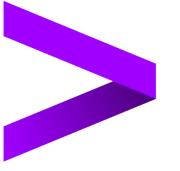


AGENDA



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INTRODUCTION



In today's dynamic business environment, **evaluating a company's performance goes beyond simply looking at profits.**

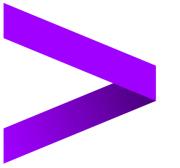
While profitability remains important, it **does not always indicate how efficiently a company is utilising its capital** or whether it is generating sustainable value in the long run.

Metrics like **ROIC, WACC, and the Impact Score offer a deeper view**—assessing capital efficiency and broader financial, sectoral, and socio-economic contributions.

To operationalise this approach, the **project aims to translate these financial insights into a visual** and strategic tool, enabling stakeholders to compare and segment companies based on their performance.



OBJECTIVE & ACTIVITIES



PROJECT OBJECTIVE

To create the **financial performance of publicly listed companies using industry-standard indicators** and visualise the results through **a dynamic Power BI Heat Map**.

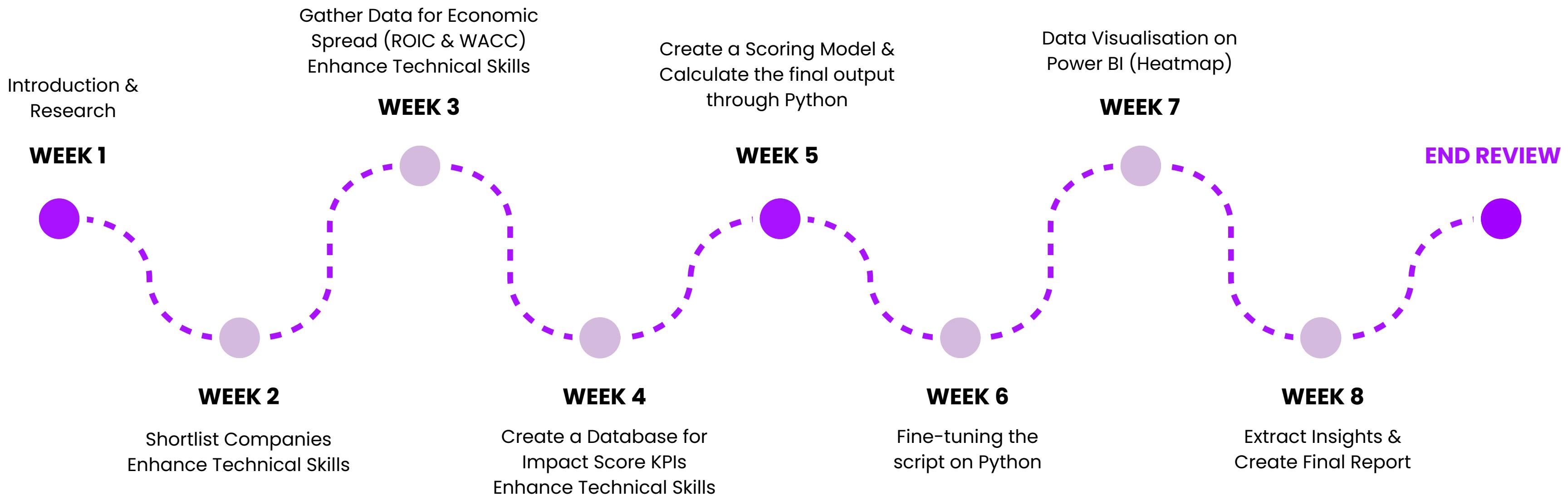
This helps in the segmentation of companies into four distinct categories for deeper business insights.

IN-SCOPE ACTIVITIES

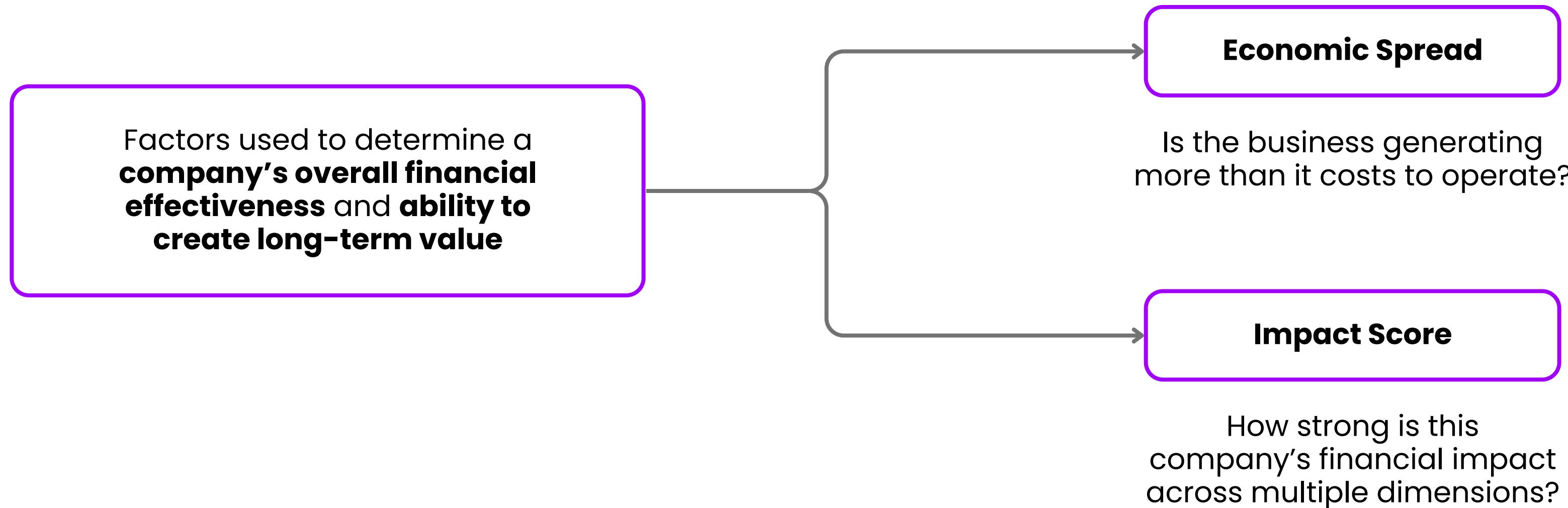
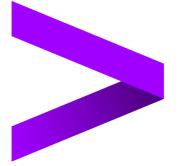
- Research to **determine standard financial performance KPIs** to calculate the Economic Spread and Impact score.
- Identify and shortlist a set of **publicly listed companies** based on available data.
- Develop a generalised logic or **scoring model to calculate the Final KPIs**.
- Design and build a **Power BI dashboard featuring a dynamic heat map** for company comparison.



PROJECT TIMELINE



FINANCIAL HEALTH & VALUE CREATION FACTORS



ECONOMIC SPREAD



WHAT IS ECONOMIC SPREAD?

Economic Spread measures the difference between a company's Return on Invested Capital (ROIC) and its Weighted Average Cost of Capital (WACC).

FORMULA: $\text{Economic Spread} = \text{ROIC} - \text{WACC}$

WHY IT MATTERS?

Positive Spread → The company is creating value (returns exceed cost of capital & industry average)

Negative Spread → The company is destroying value (cost of capital exceeds returns)

Indicates the **efficiency of capital allocation** and **long-term value creation**

USED TO DETERMINE

- Whether a company's growth is economically profitable
- Capital efficiency across industries and time
- Key input in Economic Value Added (EVA) analysis
- Strategic benchmark for investment decisions

EXAMPLE

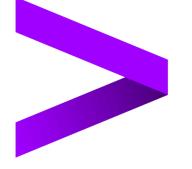
ROIC = 12%

WACC = 9%

Economic Spread = 3%

Positive → Value is being created

KPIs for Value Creation



METRIC	WHAT IT MEASURES	WHERE IT IS USED	WHY OR WHY NOT
ROIC (Return on Invested Capital)	Measures how efficiently a company generates profit from its total invested capital.	Strategic performance analysis, investor presentations, internal benchmarking	✓ Directly compares profitability to capital invested; key for understanding if capital is being used efficiently.
WACC (Weighted Avg. Cost of Capital)	Represents the average return required by investors and lenders to finance the business.	Valuation models (DCF), cost of capital estimation, investment decisions	✓ Serves as the hurdle rate; if ROIC > WACC, value is created.
ROE (Return on Equity)	Indicates how effectively a company uses shareholders' equity to generate profits.	Equity investor analysis, comparing public firms	✗ Not preferred: Ignores debt, distorts performance in leveraged companies; not holistic for value creation.
ROC (Return on Capital)	Evaluates profitability relative to all capital employed (debt + equity).	Internal efficiency analysis	✗ Similar to ROIC, but definitions vary; ROIC is preferred for clearer comparability.
FCF (Free Cash Flow)	Cash left after capital expenditures, available for reinvestment or distribution.	M&A analysis, dividend policy, financial health checks	✗ Support metric: Important for sustainability, but doesn't directly show if capital is generating adequate returns.
EBITDA Margin	Measures operating profitability as a % of revenue.	Operational performance analysis	✗ Too narrow: Ignores capital structure and investment efficiency – doesn't tell if capital is being used wisely.
EV/EBITDA	Valuation multiple comparing enterprise value to earnings before interest, tax, etc.	Company valuation, M&A, peer benchmarking	✗ Relative metric: Good for comparison, but doesn't assess intrinsic value creation from capital deployment.
EVA (Economic Value Added)	Calculates the value a company generates above its cost of capital.	Advanced financial analysis, shareholder reporting	✗ Not used directly: Derived from ROIC and WACC – it's a result, not a core KPI. Used for in-depth breakdowns, not headline metrics.

UNDERSTANDING WACC



WHAT IS WACC?

WACC (weighted average cost of capital) is the **average rate of return a company must pay to its investors** (both shareholders and lenders) for using their capital to fund operations and growth.

FORMULA: $(E/V \times R_e) + [(D/V \times R_d) \times (1-T)]$

E = Market value of the firm's equity

D = market value for the firm's debt

V = Total value of capital (equity + debt)

E/V = % of capital that is equity

D/V = % of capital that is debt

R_e = Cost of Equity

R_d = Cost of Debt

T = Tax rate

PURPOSE OF WACC

- Helps in evaluating investment projects and capital structure decisions.
- Reflects the overall cost of financing, combining equity and debt.
- Lower WACC indicates cheaper capital and potentially higher valuation.

Since companies do not publicly disclose WACC and accessing premium data sources was cost-prohibitive, we utilised open-source financial data to calculate WACC independently for our analysis.

UNDERSTANDING ROIC



WHAT IS ROIC?

ROIC (Return on Invested Capital) is a key financial metric that **measures how effectively a company is using its invested capital to generate profits.**

After accounting for taxes, it shows the return earned on all capital invested in the business, both equity and debt.

FORMULA: NOPAT/IC

NOPAT = Net Operating Profit After Taxes

Operating income x (1 - Tax Rate)

IC = Average Invested Capital

Debt + Equity + Other Long-Term Funding Sources

PURPOSE OF ROIC

- Evaluates the efficiency of capital use
- Indicates a firm's ability to generate returns above its cost of capital
- Key metric for assessing value creation and long-term performance

Since companies do not publicly disclose ROIC and accessing premium data sources was cost-prohibitive, we utilised open-source financial data to calculate ROIC independently for our analysis.

IMPACT SCORE



WHAT IS IMPACT SCORE?

An Impact Score is a **composite performance metric** that evaluates a company's overall contribution to financial, sectoral, and socio-economic goals.

It **aggregates multiple KPIs into a single score** for benchmarking, ranking, and strategic segmentation.

WHY IT MATTERS?

- Provides a **multi-dimensional view** of company performance
- **Goes beyond profits** to include economic, social, and sectoral impact
- Helps **identify companies that align** with long-term, sustainable value creation

HOW IT'S CALCULATED

- Based on a weighted scoring model using financial and non-financial KPIs
- Pulls data from dimensions like AuM, job creation, sector growth, and financial returns
- Each criterion contributes to the overall Impact Score used for heat map visualisation

IMPACT SCORE KPIs

IMPACT SCORE KPIs



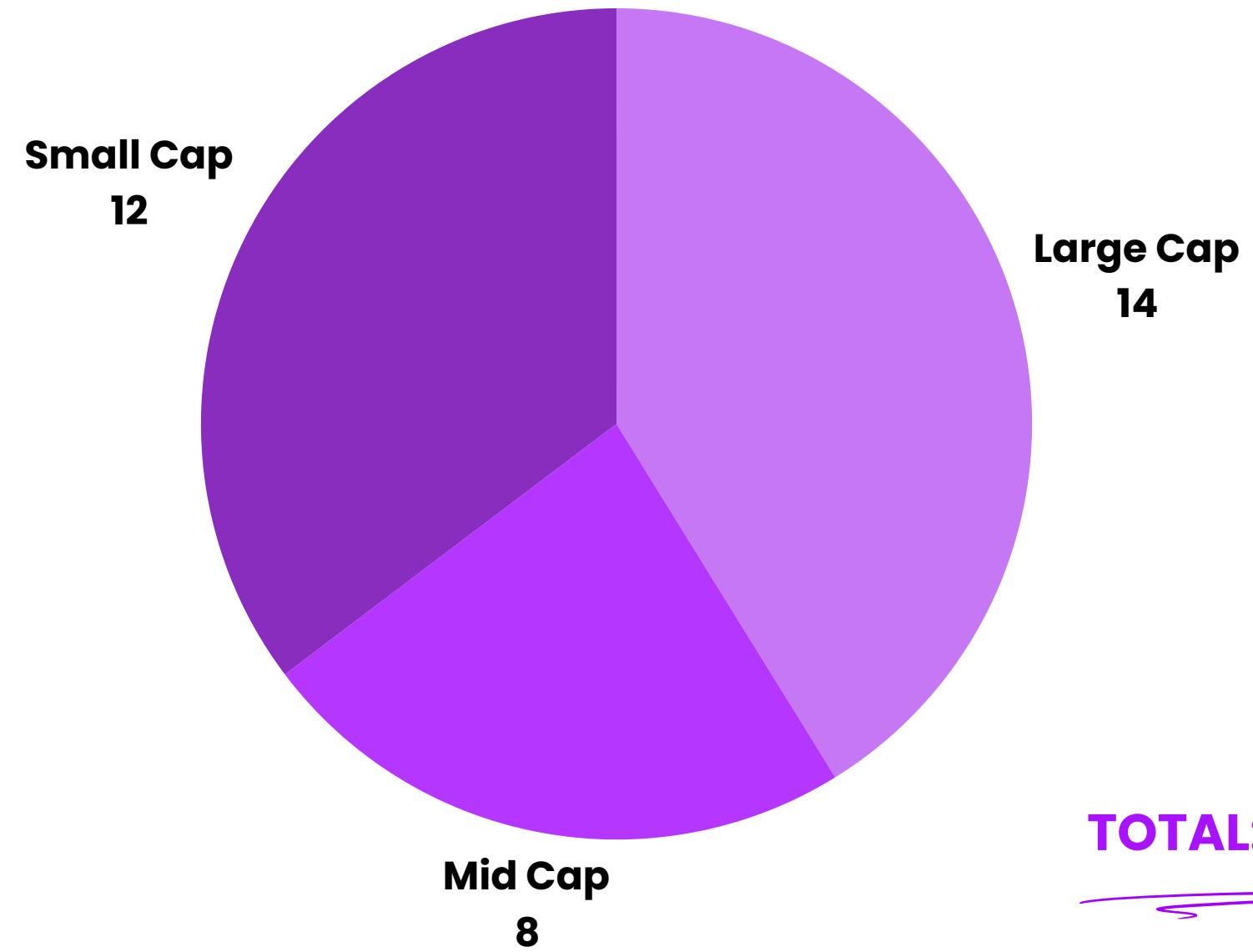
DIMENSION	CRITERIA	DEFINITION	WHY?
AuM	Approved Committed Capital	Total capital officially approved for investment.	Reflects the scale and intent of impact; essential for gauging potential reach of capital deployment.
	Current AUM	Present value of assets actively managed in the investment pool.	Indicates ongoing commitment and relevance of the investment in the current portfolio.
Microeconomic Objectives	Direct Job Creation	Measures how many jobs are directly created due to investment.	Jobs are a core measure of inclusive economic development; directly quantifiable.
	Local Content	Extent to which local labour, materials, or services are used.	Captures local economic integration and community benefit.
Impact on Sector	NGI (New Growth Initiatives)	Support for innovation, startups, or new opportunities.	Encourages long-term economic resilience through innovation and future-readiness.
	Growth Rate	Contribution of investment to sector growth (e.g., revenue, scale).	Shows the investment's role in strengthening and expanding its sector.
	Jobs and Sector Localisation	Jobs and local sector involvement generated.	Captures depth and quality of economic contribution within the sector.
	Portfolio Strategy Contribution	Alignment of investment with overall strategy.	Ensures strategic coherence and diversification within the broader investment framework.
	Role in Sector	Strategic importance or influence of investment in the sector.	Measures how pivotal the investment is to the sector's development or transformation.
	TSR Contributions to the Pool Target	Total Shareholder Return and its role in meeting financial return goals.	Ensures that impact also supports financial performance, linking social value with economic value creation.

SHORTLISTED COMPANIES



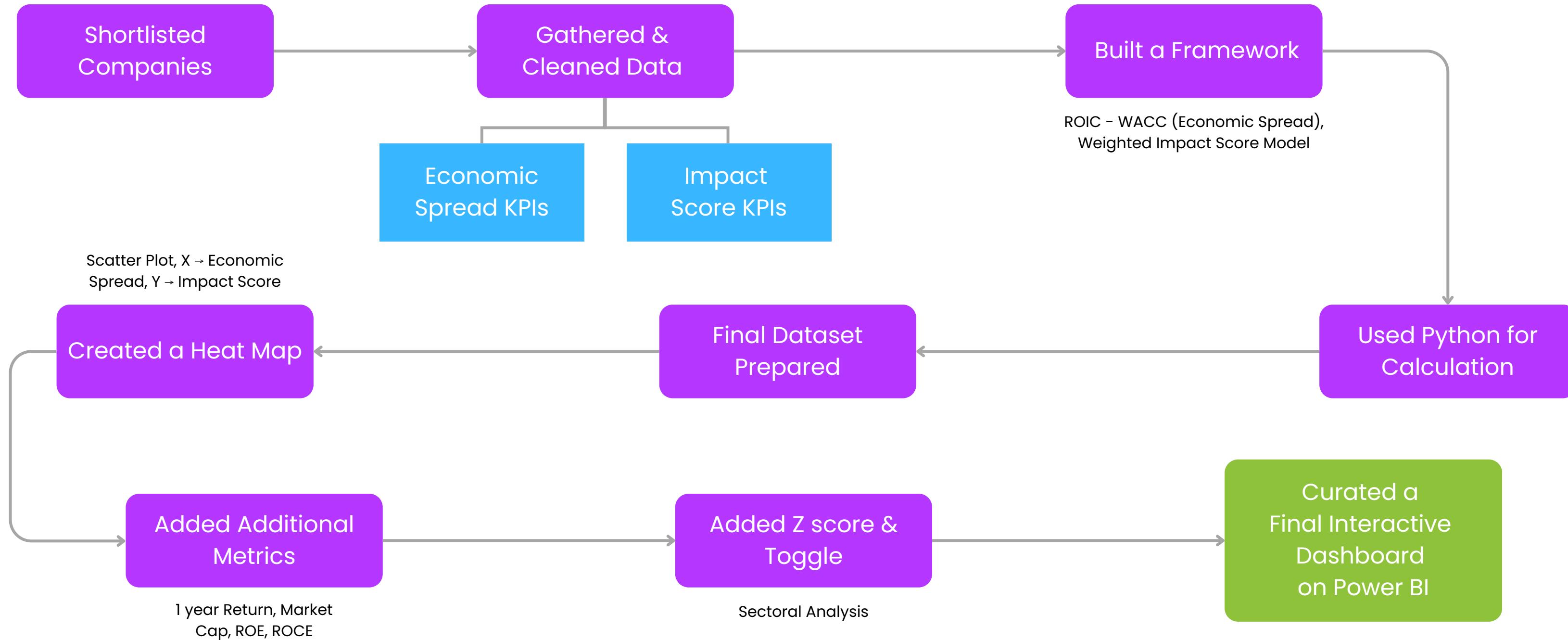
SECTORS

Industry	No. of Companies
BFSI	9
Pharmaceuticals & Healthcare	5
Infrastructure & Construction	4
Consumer Goods & Durables	4
Oil, Gas & Energy	3
Retail & E-commerce	2
Automobile & Auto Ancillaries	2
Information Technology	1
Capital Goods & Industrial	1
Textiles & Apparel	1
Media & Entertainment	1
Hospitality & Tourism	1
Metals, Mining & Power	1
Conglomerate	1



Source: (Categorisation of Large Cap, Mid Cap and Small Cap Stocks – July to Dec 2024) amfiindia.com

TECHNICAL ARCHITECTURE



DASHBOARD



HEAT MAP

X Axis - Economic Spread

$x > 0$ = Positive Spread
 $x < 0$ = Negative Spread

Y Axis - Impact Score

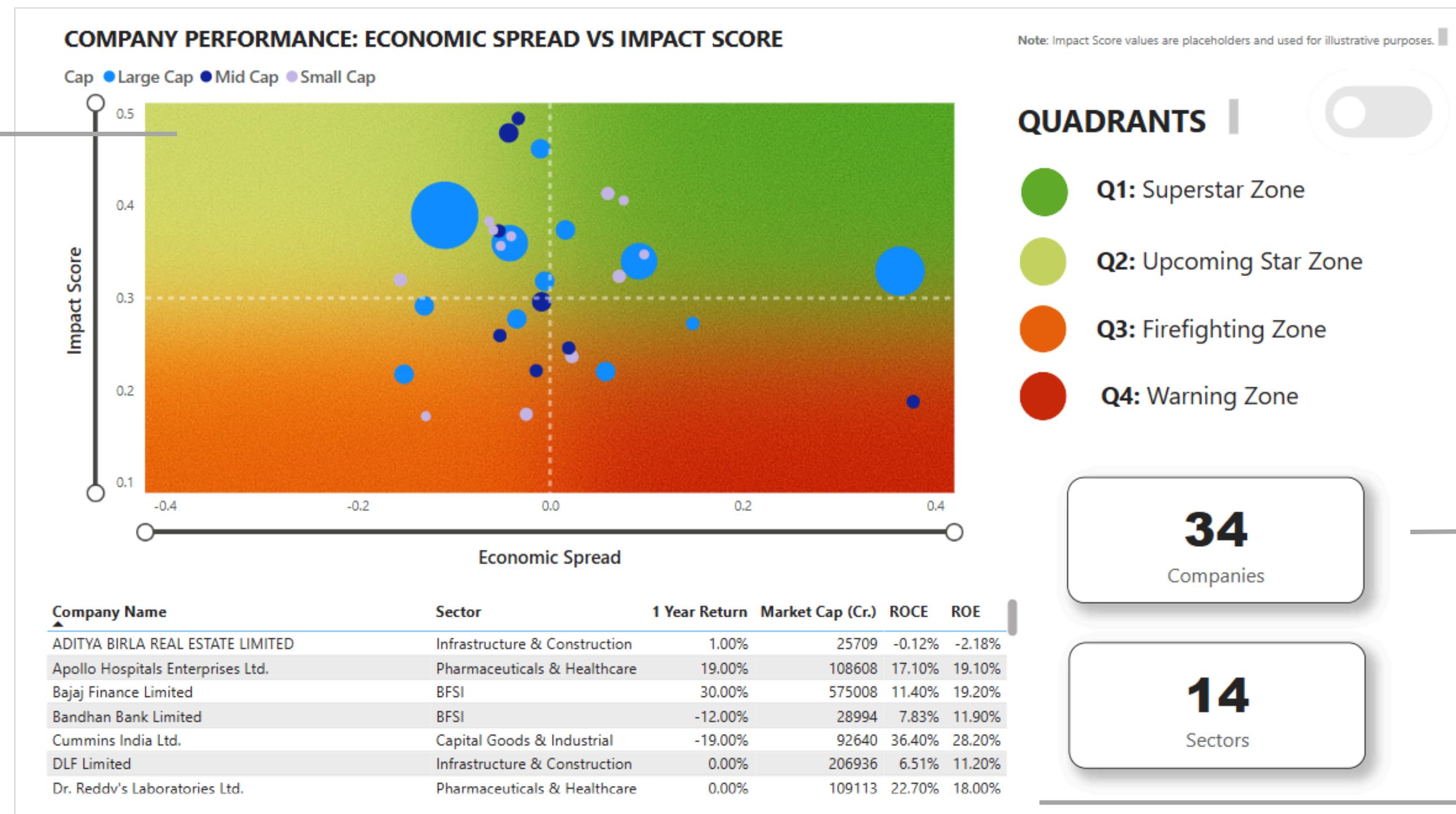
Threshold = 0.3

Markers

- Large Cap
- Mid Cap
- Small Cap

Size

- cap > 20,00,000
- cap > 10,00,000
- cap > 5,00,000
- cap > 1,00,000
- cap > 30,000
- cap < 30,000



DASHBOARD



HEAT MAP

X Axis - Economic Spread

$x > 0$ = Positive Spread
 $x < 0$ = Negative Spread

Y Axis - Impact Score

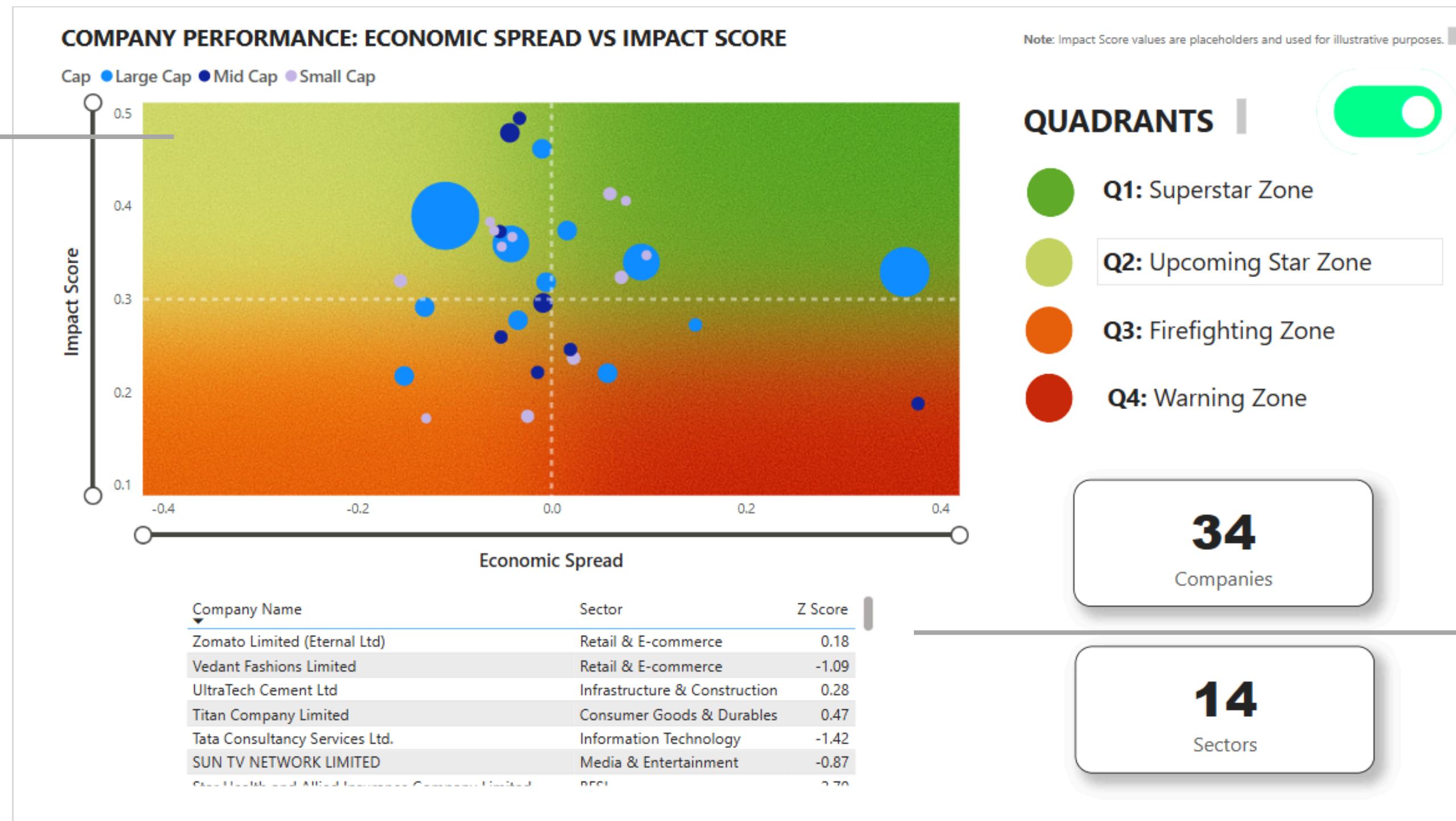
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LEARNINGS



WHAT HAVE I LEARNT SO FAR?

- **Application of Advanced Financial Metrics:** ROIC, WACC among other KPIs
- **Data Analysis and Visualisation Tools:** Python for data processing and calculation, Power BI for visualisations



- **Strategic Data Procurement and Validation:** How to identify, validate, and extract data from reliable open-source platforms
- **Structured Project Management:** How to manage a complex, multi – phase project
- **Crafting Impactful Presentations with Narrative and Visuals:** How to structure a clear, compelling presentation, Building a coherent narrative
- **Communication of Technical Insights to Business Stakeholders:** Developed the ability to translate technical financial data into strategic business insights



THANK YOU

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APPENDIX



COMPANY	SECTOR
HDFC Bank Ltd.	BFSI
Bajaj Finance Limited	Financial Services
Zomato Limited (Eternal Ltd)	Retail & E-commerce
SBI Life Insurance Company Limited	Insurance
Tata Consultancy Services Ltd.	Information Technology
Cummins India Ltd.	Capital Goods & Industrial
DLF Limited	Infrastructure
Maruti Suzuki India Ltd.	Automobile
Indian Oil Corporation Ltd.	Oil & Gas
Hindustan Unilever Ltd.	Consumer Goods
UltraTech Cement Ltd	Construction
Dr. Reddy's Laboratories Ltd.	Pharmaceuticals & Healthcare
Titan Company Limited	Consumer Durables
Reliance Industries Ltd	Conglomerate

LARGE CAP

COMPANY	SECTOR
Indian Hotels Co. Ltd	Hospitality & Tourism
Apollo Hospitals Enterprises Ltd.	Healthcare & Hospitals
IndusInd Bank Ltd.	BFSI
Jindal Steel & Power Ltd	Metals & Mining / Power
Oracle Financial Services Software Limited	Information Technology
Godrej Industries Ltd.	Conglomerate
Indian Renewable Energy Development Agency Limited (IREDA)	Energy & Utilities
GMR Airports Limited	Infrastructure & Airports

MID CAP

COMPANY	SECTOR
Motherson Sumi Wiring India Limited	Automobile & Auto Ancillaries
Vedant Fashions Limited	Consumer Goods
Star Health and Allied Insurance Company Limited	Insurance
Mangalore Refinery & Petrochemicals	Oil & Gas
Godfrey Phillips India Ltd.	Consumer Goods
K.P.R. Mill Ltd.	Textiles & Apparel
Multi Commodity Exchange of India Ltd	Financial Services
SUN TV NETWORK LIMITED	Media & Entertainment
Bandhan Bank Limited	BFSI
Gland Pharma Limited	Pharmaceuticals & Healthcare
Global Health Limited	Healthcare & Hospitals
ADITYA BIRLA REAL ESTATE LIMITED	Infrastructure & Construction

SMALL CAP

APPENDIX



1. INDEX VS. STOCK PRICE PERFORMANCE

Compare a **company's stock return with the performance of its relevant sectoral index** (e.g., Nifty IT for tech stocks, BSE Pharma for pharmaceutical companies) to evaluate relative performance.

This helps **identify whether the company is outperforming or underperforming** its industry peers and market trends.

2. PERCENTILE RANK

Percentile rank **tells us about the position of a value** (e.g., your company's revenue growth) **relative to a dataset** (e.g., other companies in the same industry).

If a company is in the **90th percentile**, it has **outperformed 90% of the companies** in the dataset on that metric.

3. QUARTILE ANALYSIS

Quartile analysis is a **statistical technique used to divide a dataset into four equal parts** (quartiles) **to understand the distribution and spread of the data**. It helps identify where a particular data point stands relative to the rest of the dataset.

- Q1 (First Quartile): Bottom 25% of the dataset – lowest performers.
- Q2 (Second Quartile): 25th to 50th percentile – below-average performers.
- Q3 (Third Quartile): 50th to 75th percentile – above-average performers.
- Q4 (Fourth Quartile): Top 25% of the dataset – highest performers.

APPENDIX



4. Z SCORE – STATISTICAL (STANDARD SCORE) ✓

This is used to understand how far a specific value (like a company's performance metric) is from the mean of the dataset, in terms of standard deviations.

$$Z = \frac{x - \mu}{\sigma}$$

Annotations: 'Score' points to x , 'Mean' points to μ , and 'SD' points to σ .

Where:

- XXX = value for the company (e.g., its ROIC, revenue growth, etc.)
- μ = mean value for the industry or peer group
- σ = standard deviation of the industry or peer group

5. ALTMAN Z-SCORE FORMULA ✗

The Altman Z-Score is a financial metric used to predict the likelihood of a company going bankrupt. Developed by Edward Altman, it combines five key financial ratios into a single score to assess the financial health and credit risk of a company.

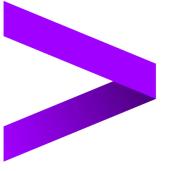
Equation for Altman's Z-Score Model (1968):

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1X_5$$

Where:

- X_1 = Working Capital / Total Assets → Liquidity
- X_2 = Retained Earnings / Total Assets → Profitability & age of firm
- X_3 = EBIT / Total Assets → Operating efficiency
- X_4 = Market Value of Equity / Total Liabilities → Leverage
- X_5 = Sales / Total Assets → Asset turnover

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RESEARCH

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GATHERING DATA

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