MBA JOURNALS

NOLEGEIN Journal of
Information Technology & Management

ISSN: 2581-6802
Volume 6, Issue 1, 2023
DOI (Journal): 10.37591/NJITM

http://mbajournals.in/index.php/JoITM/index

Case study NJITM

Financial Performance Analysis of HCL and Wipro

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Abstract

Ratio analysis is a very quick and popular method of doing financial analysis since a long time. In order to properly utilize funds and analyze the company's financial condition, liquidity, profitability, risk, solvency, efficiency, and operational effectiveness, this analysis is crucial. For shareholders of the company making investment decisions, it also displays a trend or comparison of financial results. In this project, we have chosen two IT sector companies and analyze their performance in the past 5 years. We have chosen Wipro and HCL for this purpose and has conducted the study for the scope of past 5 years. For the past 5 years, Wipro and HCL's financial sheets and profit and loss accounts were gathered. Then we were required to calculate various financial ratios from the balance sheet for further analysis like operating profit ratio, net profit ratio, current ratio, liquid ratio, stock turnover ratio, and so on. These ratios were crucial data points for evaluating the operation of the businesses. After that, we looked at them to draw conclusions about the businesses' performance. The line items in the company's financial statements are studied or analysed using ratio analysis. It can be applied to assess a variety of company characteristics, such as profitability, liquidity, solvency, and operational efficiency. Since financial statements are their principal source of information, external analysts are primarily responsible for performing ratio analysis. In order to get crucial information for studying the financial performance of the organization, analysts heavily rely on the current and previous financial statements. The information or data gathered in this way during the study is useful in identifying whether a company's financial situation is improving or deteriorating.

Keywords: Financial ratios, IT companies, financial analysis, comparative analysis, financial performance

INTRODUCTION

Analysing Finances

Assessing the effectiveness and suitability of businesses, projects, budgets, and other financial-related transactions is done through financial analysis. When deciding if a company is reliable, solvent, liquid, or profitable enough to warrant a financial investment, financial analysis is usually employed as a tool [1]. Financial analysis, if done internally, can assist fund managers in making future company decisions or looking back at historical trends for prior accomplishments. Financial analysis can assist investors in selecting the finest investment options if it is carried out externally [2].

Financial Ratios

Financial ratios are created utilising numerical numbers gathered from financial documents to gain meaningful information about a company. Utilising information from a company's financial statements, which include the balance sheet, income statement, and cash flow statement, quantitative analysis is used to assess a company's liquidity, leverage, growth, margins, profitability, rates of return, value, and other characteristics [3].

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Received Date: May 03, 2023
Accepted Date: June 01, 2023
Published Date: June 12, 2023

Citation: Siddhant Jain1, Meghna Jain. Financial performance analysis of HCL and Wipro. NOLEGEIN Journal of Information Technology & Management. 2023; 6(1): 27–35p.

Financial Analysis using Financial Ratios

Financial ratio analysis is a technique for evaluating the relationship (or ratio) between two or more financial data points from a company's financial statements. It is mostly used as a tool for making fair comparisons across time and between different companies or industries [4]. In this project, we have chosen two IT sector companies, analyzed and compared their performance in the past 5 years. We have chosen Wipro and HCL for this purpose and has conducted the study for the scope of past 5 years. For the past 5 years, Wipro and HCL's financial sheets and profit and loss accounts were gathered [5]. Then, we were required to calculate various financial ratios from the balance sheet for further analysis like operating profit ratio, net profit ratio, current ratio, liquid ratio, stock turnover ratio, and so forth. These ratios were crucial data points for evaluating the operation of the businesses. After this, we analyzed them to make inferences about the performance of the companies and also performed some comparisons with bring out some relative insights about both the companies data [6].

We will do financial analysis using some key ratios each of following five main areas. These are as follows [7].

- Liquidity ratios—Current Ratio and Liquid Ratio.
- Activity ratios—Debtor's Turnover Ratio and Stock Turnover Ratio.
- Solvency ratios—Debt Equity Ratio and Total Assets to Total Debt Ratio.
- Efficiency ratios—Asset Turnover Ratio and Material to Sales Ratio.
- Valuation ratios—EPS (Earning Per Share), P/E Ratio and Dividend Yield.
- Profitability ratios—Operating Profit Ratio, Net Profit Ratio, ROE (Return on Equity) and ROCE (Return on Capital Employed).

Research Objectives

Following are the main objectives of this study.

1. To use ratio analysis to examine Wipro's financial performance over the previous 5 years.
2. To use ratio analysis to assess HCL's financial performance over the previous 5 years.
3. To compare the financial performance of Wipro and HCL in the past 5 years using ratio analysis.

Research Methodology

The method which we have used for this research is collection of data and subsequent analysis. Our data includes the balance sheet and profit and loss account of both the companies for the past 5 years as the scope of this project is past 5 years. These numbers were gathered from the moneycontrol.com website, which is a reliable site having all the validity credentials so the data from this website can be trusted.

Research Gap

This study assessed the financial situation of chosen IT sector enterprises from 2017 to 2022 with a primary focus on selected organisations.

Research Design

After gathering the information, we used it to determine various percentages for both businesses. We took the necessary numbers from balance sheet and profit and loss account as required for the calculation of various ratios. As generally observed there are six varieties of ratios according to the type of quantity they are measuring.

Universe

Indian IT industry.

Sample Unit

Higher market capitalization is used to identify IT companies.

Sample Size

We have considered two companies for our study, that is, HCL and Wipro.

Period of Study

All calculations are done for past 5 years, that is, 2017 to 2022.

Data Collection Method

Secondary data has been used for this study like the Balance Sheet and the Profit and Loss Account of the companies collected from reliable sources.

Tools used for Data Analysis

We have taken the help of tables and graphs prepared using MS Excel and used methods like ratio analysis and average for conducting this project.

Place of Research

Research work was actually done at Jabalpur facilitated by Verzeo EduTech Pvt. Ltd., Bangalore via remote internship.

Table 1. Data analysis and interpretation.

HCL Financial ratios						
S.N.	***Year***	***2017-2018***	***2018-2019***	***2019-2020***	***2020-2021***	***2021-2022***
1	Current ratio	2.41	2.43	1.65	2.43	2.52
2	Liquid ratio	2.41	2.43	1.65	2.43	2.52
3	Debtor's turnover ratio	5.24	5.66	5.47	5.42	4.98
4	Stock turnover ratio	300.821	525.33	612.93	466.871	853.404
5	Debt equity ratio	1.22	10.99	5.24	7.05	7.22
6	Total assets to total debt ratio	142.07	19.67	29.11	22.51	22.69
7	Asset turnover ratio	2.11	1.13	1	0.89	0.98
8	Material to sales ratio	78.23%	79.11%	80.22%	78.97%	80.21%
9	Earnings per share (in Rs.)	62	74	41	41	50
10	P/E ratio	7.9	7.5	10.09	24.46	23.4
11	Dividend yield	2.44%	1.44%	1.93%	0.99%	3.58%
12	Operating profit ratio	21.70%	20.80%	19.70%	21.00%	19.70%
13	Net Profit Ratio	17.20%	16.70%	15.60%	14.70%	15.70%
14	Return on capital employed	44.70%	34.25%	23.62%	18.34%	15.67%
15	Return on equity	30.26%	30.51%	27.27%	26.46%	27.38%

HCL

1. The current ratio remained almost unchanged over the past 5 years. It saw a sudden drop in 2019–2020. It is slightly above 2, which is a satisfactory value. It achieved highest value in 2021–2022. It achieved lowest value in 2019–2020 (Table 1)
2. The liquid ratio remained almost unchanged over the past 5 years. It witnessed a sudden drop in 2019–2020. It is slightly above 2, which is almost double than ideal 1:1 and is not a satisfactory value. It achieved highest value in 2021–2022. The liquid ratio achieved lowest value in 2019–2020 [8].
3. Debtors turnover ratio has greatly increased in 2018–2019. It decreased in the 3 years after 2018–2019. It is around 5 throughout these years which is a good value. It achieved highest value in 2018–2019. It achieved lowest value in 2021–2022.
4. Stock turnover ratio has greatly improved in the past 5 years. It witnessed a mild drop in 2020–2021. It has almost tripled indicating good sales but is also a sign of insufficient inventory levels. Stock turnover ratio achieved highest value in 2021–2022. It achieved lowest value in 2017–2018 [9].

5. Debt equity ratio remains very high in the years following 2017–2018. It is increasing constantly after 2019–2020. The company is using high amount of debt in comparison with equity and is at some risk. Debt equity ratio achieved highest value in 2018–2019. It achieved lowest value in 2017–2018.
6. Total assets to total debt ratio have greatly varied in period 2017–2018–2020. The sharp increase in debt during the years 2018–2019 is what caused the value to abruptly decline. Company is making use of high amount of debt since 2018–2019. It achieved highest value in 2017–2018. It achieved lowest value in 2018–2019 [10].
7. Asset turnover ratio was greater than 1 in the period 2017–2018–2019–2020. It got lower than 1 in the two succeeding years. A ratio higher than one signifies that the business used its resources to generate income effectively. The value less than 1 is indicating inefficiency. It achieved highest value in 2017–2018. It achieved lowest value in 2020–2021.
8. Material to sales ratio always remained in the range of 78% to 81%. High material to sales ratio indicates high cost of direct materials. It also indicates lower profit margins. Material to sales ratio achieved highest value in 2019–2020. It achieved lowest value in 2017–2018.
9. Earnings per share have decreased over these 5 years. There is an overall decrease of Rs.12 from 2017–2018–2022. It achieved highest value in 2018–2019. It achieved lowest value in 2019–2020 and 2020–2021. The current value is lower than the value in 2017–2018.
10. Price to earnings ratio has greatly improved in these 5 years. Higher values of P/E ratio in 2020–2021 and 2021–2022 indicates that the shares are overpriced. It attained highest value in 2020–2021. It attained lowest value in 2018–2019. P/E ratio is high in 2020–2021–2022 indicates that the prices of shares may fall in future.
11. Dividend Yield is at a better value in 2021–2022 as compared with 2017–2018. It can be called satisfactory only for years in 2017–2018 and 2021–2022. The value was very low in middle years from the perspective of investment. It attained highest value in 2021–2022. It attained lowest value in 2020–2021.
12. The operating profit ratio has decreased in the past 5 years. The latest value of operating profit ratio is less compared with IT industry's average of about 23% in FY2021–2022. The operating profit ratio attained highest value in 2017–2018. It attained lowest value in 2019–2020 and 2021–2022. It witnessed continuous downfall from 2017–2018 to 2019–2020.
13. The net profit ratio has decreased by 1.5% in the past 5 years. Values of net profit ratio are less satisfactory to be considered good. It attained highest value in 2017–2018. It attained lowest value in 2020–2021. It witnessed continuous downfall from 2017–2018 to 2020–2021.
14. In comparison with 2017–2018, the return on capital employed has drastically reduced in 2021–2022. The most recent value is subpar and requires improvement. In 2017–2018, return on capital employed reached its highest level. It employed attained lowest value 2021–2022. It is witnessing continuous downfall from 2017–2018 to 2019–2020.
15. Return on equity remained lower than 30% after 2019–2020. Values after the year 2019–2020 can be considered slightly less satisfactory. Return on equity decreased overall by almost 3% in the period 2017–2022. It attained highest value in 2018–2019. It attained lowest value 2020–2021.

Wipro

1. The current ratio remained near 2 over the past 5 years. It is above 2, which are satisfactory values. It witnessed a high of 2.7 in 2018–2019. The current ratio achieved ideal value of 2:1 in the year 2021–2022. It attained highest value in 2018–2019. It attained lowest value 2021–2022.
2. The liquid ratio varied slightly over the past 5 years. It is above than 2 throughout these 5 years. It is almost double than ideal 1:1 and is not at a satisfactory value. The liquid ratio attained highest value in 2018–2019. It attained lowest value 2021–2022.
3. Debtors Turnover Ratio has shown negligible increase in the period of 5 years. It is below 1.1 throughout these years. It is at a low value and indicates risk. Debtors Turnover Ratio attained highest value in 2020–2021. It attained lowest value 2021–2022.

4. Stock turnover ratio has greatly improved in the past 5 years. It witnessed mild a drop in 2018–2019. It has more than doubled indicating good sales. High stock turnover rates are another indicator of low inventory levels. Stock turnover ratio attained highest value in 2018–2019. It attained lowest value 2021–2022.
5. Debt equity ratio remained low in the year 2019–2020 and 2020–2021. It increased suddenly in 2020–2021. The company is using very variable amount of debt each year and is currently is at some risk. Debt equity ratio attained highest value in 2021–2022. It attained lowest value 2019–2020.
6. Total assets to total debt ratio have greatly varied in period 2017–2018–2022. It had sudden increase in the value in 2019–2020. The sudden increase in the value is due to sudden decrease in debt amount. Total assets to total debt attained highest value in 2019–2020. It attained lowest value 2017–2018.
7. Asset turnover ratio was greater than 1 in the 2017–2018 and got lower than 1 in the successive years. The corporation was effectively exploiting its assets to create revenue if the ratio was larger than one. A value less than 1 is indicating inefficiency from 2018–2019–2022. Asset turnover ratio attained highest value in 2017–2018. It attained lowest value 2018–2019 and 2019–2020.
8. Material to sales ratio always remained in the range of 79% to 82%. High material to sales ratio indicates high cost of direct materials. High value of material to sales ratio also indicates lower profit margins. It attained highest value in 2017–2018. It attained lowest value 2018–2019 and 2019–2020.
9. Earnings per share have increased over these 5 years. There is an overall increase of Rs.5 from 2017–2018–2022. Earnings per share saw a mild drop in 2018–2019. It attained highest value in 2021–2022. It attained lowest value 2018–2019.
10. Price to earnings ratio has greatly improved in these 5 years. Higher values of P/E ratio in 2020–2021 and 2021–2022 indicate that the shares are overpriced. Values which are much higher also indicate that the prices may fall in future. It attained highest value in 2021–2022. It attained lowest value 2019–2020.
11. Dividend Yield is at low values after 2017–2018. Dividend Yield can be called satisfactory only for the year 2017–2018. The values were very low in succeeding years from the perspective of investment. It attained highest value in 2017–2018. It attained lowest value 2021–2022.
12. The operating profit ratio had only small variations in the past 5 years. It saw a sudden rise in 2020–2021. The latest value of operating profit ratio is less compared with IT industry's average of about 23% in 2021–2022. It attained highest value in 2020–2021. It attained lowest value 2017–2018.
13. The net profit ratio had only small variations in the past 5 years. It witnessed a sudden rise in 2020–2021. Values of net profit ratio are less satisfactory to be considered good. The net profit ratio attained highest value in 2020–2021. It attained lowest value 2017–2018.
14. Return on capital employed has shown great increase in 2021–2022 as compared with 2017–2018. It showed growth in 2018–2021. It attained highest value in 2021–2022. It attained lowest value 2018–2019. It witnessed a mild drop in 2018–2019.
15. Return on equity increased by small amount in the period 2017–2018–2022. It remained lower than 26% after 2019–2020. Values after 2019–2020 can be considered slightly less satisfactory. Return on equity attained highest value in 2020–2021. It attained lowest value 2018–2019 (Tables 2 and 3).

Table 2. Wipro financial ratios.

Wipro financial ratios						
S.N.	***Year***	***2017–2018***	***2018–2019***	***2019–2020***	***2020-21***	***2021–2022***
1	Current ratio	2.42	2.73	2.45	2.37	2.02
2	Liquid ratio	2.46	2.63	2.45	2.31	2.02

3	Debtor’s turnover ratio	0.98	0.99	1.01	0.94	1.09
4	Stock turnover ratio	262.59	128.5	167.72	328.12	533.43
5	Debt equity ratio	5	2.35	0.42	0.68	5.15
6	Total assets to total debt ratio	16.72	29.23	167.93	110.93	19.04
7	Asset turnover ratio	1.44	0.74	0.74	0.76	0.83
8	Material to sales ratio	81.20%	80.29%	79.93%	77.58%	80.86%
9	Earnings per share (in Rs.)	17	15	17	19	22
10	P/E ratio	12.76	17.47	11.18	21.89	27.36
11	Dividend yield	2.76%	0.38%	0.53%	0.24%	0.17%
12	Operating profit ratio	18.80%	19.71%	20.07%	22.42%	19.14%
13	Net profit ratio	14.69%	15.37%	15.93%	17.43%	15.46%
14	Return on capital employed	34.99%	32.29%	40.36%	47.38%	48.44%
15	Return on equity	21.37%	20.46%	22.14%	25.30%	23.14%

Table 3. Comparison table—comparison between various financial ratios of HCL and Wipro.

S.N.	Ratio	HCL	Wipro
1.	Current ratio	Current ratio remained closer to ideal value 2:1.	The current ratio remained less close to the ideal value.
2.	Liquid ratio	Liquid ratio is less high and closer to ideal value 1:1.	Liquid ratio is less close to ideal value 1:1.
		5.35	1.00
3.	Debtors’ turnover ratio	Debtors Turnover Ratio is satisfactory and higher which means faster collection from debtors.	Debtors turnover ratio is not satisfactory and lesser.
		551.86	283.81
4.	Stock turnover ratio	Stock turnover ratio is very high and might indicate insufficient stocking.	Stock turnover ratio is less high and more acceptable for good performance.
		6.34	2.72
5.	Debt equity ratio	Company is making use of high amount of debt and is risky.	Company is employing debt Financing in balanced amount and close to ideal value 2:1.
		47.21	68.77
6.	Total assets to total debt ratio	Value is lesser when compared with Wipro.	Value is higher and indicates good value of assets against debt.
		1.22	0.90
7.	Asset turnover ratio	Asset Turnover Ratio is greater than one which means the company is generating enough revenue for itself.	Asset turnover ratio is lower indicating lower efficiency.
		79.34%	79.97%
8.	Material to sales ratio	Material to sales ratio is high and good.	Material to sales ratio is high and good.
		Rs. 53.6	Rs. 18
9.	Earnings per share (in Rs.)	Earnings per share has decreased over the years but still higher than Wipro.	Earnings per share has increased over the years but still lower than HCL.
		14.67	18.13
10.	P/E ratio	P/E ratio was lower in 2017–2018 but is higher in 2021–2022.	P/E Ratio was higher in 2017–2018 but is lower in 2021–2022 indicating better earnings.
		2.07%	0.81%
11.	Dividend yield	Dividend yield is higher.	Dividend yield is lower.
		20.58%	20.02%
12.	Operating profit ratio	Operating profit ratios are good and similar.	Operating profit ratios are good and similar.
		15.98%	15.77%

13.	Net profit ratio	Net profit ratios are low and similar.	Net profit ratios are low and similar.
		27.31%	40.69%
14.	Return on capital employed (ROCE)	Lower value of ROCE.	Higher value of ROCE.
		28.37%	22.48%
15.	Return on equity (ROE)	Higher value of ROE.	Lower value of ROE.

Research Findings

1. The current ratio remained almost unchanged over the past 5 years for HCL and remained near ideal over the past 5 years with a high in 2018–2019 and is above ideal and achieved ideal value of in the year 2021–2022 for Wipro.
2. The liquid ratio remained almost unchanged over the past 5 years for HCL varied slightly over the past 5 years with highest value in 2018–2019 and is above (almost double) than ideal which is not a satisfactory value for Wipro.
3. Debtors Turnover Ratio has increased in 2018–2019 and then decreased over the rest 4 years for HCl and has shown negligible increase in this period with maximum value in FY2021–2022 and is a low value and indicates risk for Wipro.
4. Stock turnover ratio has greatly improved in the past 5 years and has almost tripled indicating good sales for HCL has greatly improved in the past 5 years with a drop in 2018–2019 and has more than doubled indicating good sales for Wipro.
5. Debt equity ratio remains very high in these years and HCL is using high amount of debt, whereas Debt equity ratio remained low in the year 2019–2020 and 2020–2021 for Wipro and increased suddenly in 2020–2021.
6. Total assets to total debt ratio have greatly varied in period 2017–2020 and the sudden decrease in value is due to the high increase in debt amount in the year 2018–2019 for HCL. It has greatly varied in period 2018–2019 and the sudden increase in the value in 2019–2020 is due to sudden decrease in debt amount for Wipro.
7. Asset turnover ratio was greater than one in the period 2017–2020 in case of HCL and was also greater than one in the 2017–2018 and got lower than 1 in the successive years in case of Wipro.
8. In HCL, material to sales ratio doesn't changed much in the past 5 years whereas at Wipro, material to sales ratio always remained almost invariable and high value of material to sales ratio indicates high cost of direct materials and lower profit margins.
9. Earnings per share has decreased over these 5 years and there is an overall decrease in period between 2017 and 2022, whereas earnings per share has increased over these 5 years and there is an overall increase in the period between 2017 and 2022.
10. Price to earnings ratio has greatly improved in these 5 years and higher values of P/E ratio in 2020–2021 and 2021–2022 indicates that the shares are overpriced at HCL. Similarly, price to earnings ratio has greatly improved for Wipro in these 5 years and there are higher values of P/E ratio in 2020–2021 and 2021–2022
11. Dividend yield is at a better value in 2021–2022 as compared with 2017–2018 for HCL and same is at low values after 2017–2018 and can be called satisfactory only for the year 2017–2018, the value was very low in succeeding from the perspective of investment in Wipro.
12. The operating profit ratio has decreased in the past 5 years and the latest value of operating profit ratio is less compared with IT industry's average of FY2021–2022 for HCL and had only small variations in the past 5 years with a sudden rise in 2020–2021 and the latest value of operating profit ratio is less compared with IT industry's average in FY2021–2022 for Wipro.
13. The net profit ratio has decreased in the past 5 years and the values of net profit ratio are less satisfactory to be considered good for HCL, whereas in case of Wipro, the net profit ratio had only small variations with a sudden rise in 2020–2021 and values of net profit ratio are less satisfactory to be considered good.

14. Return on capital employed has significantly decreased in 2021–2022 as compared with 2017–2018 and the latest value is less than satisfactory and needs improvement in case of HCL whereas in case of Wipro, ROCE has shown great increase in 2021–2022 as compared with 2017–2018 and return on capital employed showed growth in 2018–2021.
15. Return on equity remained lower after 2019–2020, which can be considered slightly less satisfactory and decreased overall in the period 2017–2022 for HCL and has increased by small amount in the period 2017–2018–2022 and return on equity remained lower after 2019–2020, which can be considered slightly less satisfactory in case of Wipro.

CONCLUSION

HCL performed better as compared with Wipro on accounts of liquidity, efficiency and ROE and Wipro performed better compared with HCL on accounts of solvency and valuation but from an investor's point of view HCL can be a better option because of higher Earning Per Share (EPS), Dividend Yield and Return on Equity (ROE). HCL performed better on the accounts of Current Ratio, Liquid Ratio, Debtors Turnover ratio, Asset Turnover Ratio, Earnings per Share (in Rs.), Dividend Yield, and Return on Equity (ROE), whereas Wipro performed better on the accounts of Stock Turnover Ratio, Debt Equity Ratio, Total assets to Total debt Ratio, P/E Ratio, and Return on Capital Employed (ROCE). On the accounts of Material to Sales Ratio, Operating Profit Ratio and Net Profit Ratio both the companies HCL and Wipro performed similar in the past 5 years.

If a corporation earns a return on capital employed that is greater than the cost of the capital it has raised to finance the capital employed, it will be able to build value throughout the specified time period. It is simple to identify working capital's components. Even with a subpar accounting system, capital expenditure increases in cash and asset sales can be demonstrated quite quickly. Even before they have been reported, a company's earnings can be very roughly estimated using a reverse cash flow statement. Every firm must analyze its financial statements if it wants to expand and generate more money. Since it improves business operations' efficiency, it should not be sacrificed. The detailed analytical process can be aided by better procedures. This study on ratio analysis in the financial sector aims to provide students with a basic understanding of how to evaluate a company's financial performance. The research project has made a number of results clear. Both the current ratio and the quick ratio, which measure liquidity, are effective since they have always been higher than the recommended 2:1 and 1:1 ratio, respectively. The company keeps a small cash position and marketable securities, indicating that it has made cash payments. The debt-to-equity ratio indicates that the company will remain solvent over the long run. Debtor's turnover ratio is showing the credit worthiness of the customers to the firms.

Recommendations

HCL

1. It is advisable to HCL to reduce use of debt financing and incorporate equity also as company is making use of high amount of debt and is at risky position.
2. It is advisable to HCL to improve its inventory management because of very high stock turnover which could cause loss of sales.

Wipro

1. It is advisable to Wipro to increase liquidity to attract more investors.
2. It is advisable to Wipro to improve Earning Per Share (EPS), Dividend Yield, and Return on Equity (ROE) to increase the value it can offer to its shareholders.

Scope for Future

The future scope of this project can be elaborated in multiple ways as follows.

1. First, this time, we have compared only two companies from IT sector in future we can compare more than two companies from the same sector to get a more comprehensive view of this sector.

2. Second, we can also increase the number of ratios of the same companies which we have studied as of now to get a better understanding of these companies themselves.
3. Also, business analytics is a recent emerging field which can also be applied to the field of finance. Business analytics is the process of transforming data into insights to improve business decisions. Data management, data visualization, predictive modelling, data mining, forecasting simulation, and optimization are some of the techniques used to glean insights from data. So this financial analysis of the ratios can be better understood in a more dynamic way using business analytics in future.

Limitations

Some of the most important limitations of this analysis are as follows.

1. ***Historical Data.*** Data included in the research is based on actual prior results that the company has made public. Ratio analysis measures thus may not always predict future business performance.
2. ***Effects on inflation.*** Because financial statements are periodically provided, there are time gaps between each publication. Real prices are not reflected in the financial accounts if inflation has taken place in between periods. Thus, until they are corrected for inflation, the numbers from various time periods cannot be compared.
3. ***Operational Changes.*** A business may make significant changes to its operational framework, including those to its supply chain strategy or the products it sells. When significant operational changes occur, the comparison of financial metrics before and after the operational change may lead to misleading conclusions about the company's performance and future prospects.

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