



---

## **A Study on Capital Structure of Wipro Limited**

*<sup>1</sup>Jeevanantham. S, <sup>2</sup>Ms. R. Akshaya Sudarshana, M.Com.*

<sup>1</sup> REGISTER No: 212AK0855, Student of III B.com pa (A), <sup>2</sup>Guide, Assistant Professor  
Department of B.Com. Pa, Sri Krishna Adithya College of Arts and Science, Kovaipudur, Coimbatore.

---

### **INTRODUCTION:**

Capital structure plays a vital role on financial performance of the company. It affects both risk and return of equity owners of corporate enterprises. If a firm issues too much of debt then it is increasing the risk for both equity shareholders and other investors of the company and thereby making its capital structure risky. In contrast to this less use of debt capital reduce the risk of shareholder's but increases cost of capital. Debt is considered to be a cheaper source of finance as it is deductible before tax and the benefit of it could be given to equity shareholders. Thus the firm need to maintain a balance between debt and equity so that it could create an optimum capital structure for the company. There has been different theories like Net Income Approach, Net Operating Income Approach, Traditional Approach and MM approach propagating different kind of capital structure with their own specific assumptions, trading off between risk and return. A firm even need to look upon the Homogeneous firm's operating in the same industry.

---

### **OBJECTIVES OF THE STUDY:**

- ❖ To analyse the capital structure of Wipro limited.
- ❖ To understand the value of firm with variations in capital structure.
- ❖ To know the portion of debt equity in capital structure.

---

### **STATEMENT OF PROBLEM:**

This is led to the desire to establish whether there is an optimal capital structure that maximizes firm's values. Studies on the impact of the capital structure on firm performance have mostly been carried out in developed economic on large and listed firms. Financial Managers have a responsibility of determining the optimal mix of debt and equity that will ensure maximization of shareholders wealth.

---

### **SCOPE OF THE STUDY:**

Variation of capital structure across the top firms of the different industry classes in turning out to be significant in all the years in the pre-liberalisation period, whereas the same variation is consistently significant in all he year of the post-liberalization period. The significant variation in capital structure of firms is much similar to that of the top firms in the pre-liberalization period. The study is focusing towards maximizes the value of the firm.

---

### **LIMITATION OF THE STUDY:**

- Since the report is exclusively made from secondary source of data, the direct observation is literally impossible.
- The data collected for the study was historic in nature, so the suggestions will be irrelevant.
- Time and research constraint.

---

### **REVIEW OF LITERATURE**

- **James L Berens, Charles J Cuny (2012)** states that corporate finance researchers have long been puzzled by low corporate debt ratios given debt's corporate tax advantage. This article recognizes that firm value typically reflects a growing stream of earnings, while current debt reflects a nongrowing stream of interest payments. Debt to value is therefore a distorted measure of corporate tax shielding. Even with very small debt-

related costs, this may explain the observed magnitude and cross-sectional variation of debt ratios. Since this variation may be independent of tax shielding, debt ratios provide an inappropriate framework for empirically examining the trade-off theory of capital structure.

- **Roshan Boodhoo (2013)** In his study finds out There have always been controversies among finance scholars when it comes to the subject of capital structure. So far, researchers have not yet reached a consensus on the optimal capital structure of firms by simultaneously dealing with the agency problem. This paper provides a brief review of literature and evidence on the relationship between capital structure and ownership structure. The paper also provides theoretical support to the factors (determinants) which affects the capital structure.
- **Dilrukshi Yapa Abeywardhana (2017)** Capital structure is still a puzzle among finance scholars. Purpose of this study is to review various capital structure theories that have been proposed in the finance literature to provide clarification for the firm's capital structure decision. Starting from the capital structure irrelevance theory of Modigliani and Miller (1958) this review examine the several theories that have been put forward to explain the capital structure.
- **Milton Harris, Artur Raviv (2017)** This paper surveys capital structure theories based on agency costs, asymmetric information, product/input market interactions, and corporate control considerations (but excluding tax-based theories). For each type of model, a brief overview of the papers surveyed and their relation to each other is provided. The central papers are described in some detail, and their results are summarized and followed by a discussion of related extensions. Each section concludes with a summary of the main implications of the models surveyed in the section. Finally, these results are collected and compared to the available evidence. Suggestions for future research are provided.

---

## COMPANY PROFILE



- ❖ It was Founded in 29 December 1945; 77 years ago.
- ❖ The Founder of Wipro limited was M.H. Hasham Premji.
- ❖ The Owner of Wipro Limited was Azim Premji.
- ❖ Headquarters is located at Sarjapur Road, Bangalore, India.
- ❖ Formerly it was called as “Western India Vegetable Products Limited between (1945-1977), later it is called as Wipro products limited from (1977-1982).
- ❖ The Services provided by the Wipro Limited are
  - Information technology
  - Consulting
  - Outsourcing
- ❖ The Number of employees employed in Wipro limited is 2,50,000
- ❖ The Tagline of the company was “Applying Thoughts”



It was Established over 75 years ago, the company's journey from a modest entity to a technological giant is a source of inspiration to many. The revenue of USD 11.3 billion in fiscal year 2023 serves as a testament to its robust global presence and market reputation. At the heart of Wipro's success is its relationship with over 1,400 active global clients, showing the company's commitment to providing exceptional service and solutions. The impressive client roster spans across various industries, indicating Wipro's expertise and ability to navigate and adapt to diverse market needs.

---

## MISSION:

The Mission of WIPRO is to be a RF (Radio frequency) System Solution Provider, through its innovative research and design works for a new world of broadband wireless communications.

---

## VISION:

Contribute to global e-society, where a wide range of information is being exchanged beyond time and space over global networks, which breaks down the boundaries among countries, regions, and cultures, allowing individuals to take part in various social activities in an impartial, secure way. Continuous effort to enhance people's lifestyle and quality by means of developing new technology in wireless communication.

---

## HISTORY

- **1945:** Wipro Ltd. was founded in Amalner, Maharashtra by Mohamed Hasham Premji. Initially, the company was set up as 'Western India Palm Refined Oils Limited' and was involved in the production of vegetable and refined oils.
- **1966:** Azim Premji took over the leadership of the company at the young age of 21 after the passing of Mohamed Premji.
- **1980:** Wipro ventured into the IT industry. It began manufacturing mini computers under the technological collaboration with an American company Sentimental Corp.
- **1982:** Wipro started its own manufacturing unit to produce computer hardware, software development and related items, signifying the company's transition from a food product corporation to a technology-oriented company.
- **1990:** The company expanded its offerings by diversifying into software services, establishing a name in the burgeoning IT sector.
- **1999:** Wipro Ltd. became a publicly traded company, listed on the New York Stock Exchange, ensuring a global footprint in the IT industry.
- **2002:** The company was assessed at Level 5 for CMM (Capability Maturity Model), showcasing its commitment to quality service and operations.
- **2012:** Wipro separated its non-IT businesses and formed a separate company, Wipro Enterprises Limited, to focus more on information technology.
- **2016:** Wipro launched its new brand identity and the tagline 'Be Digital. Be More', highlighting its commitment to providing advanced and innovative digital solutions to its clients.
- **2019:** Wipro's Chairman Azim Premji announced his retirement, and his son Rishad Premji was appointed as the company's Executive Chairman.
- **2020:** Despite the global challenges posed by the COVID-19 pandemic, Wipro continued to showcase robust performance, further cementing its reputation as a resilient and innovative leader in the IT industry.
- **2023:** The company reported a revenue of USD 11.3 billion in the fiscal year, reflecting its continuous growth and substantial market presence.

---

## ANALYSIS AND INTERPRETATION OF DATA

### RATIO ANALYSIS:

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement. Ratio analysis is a cornerstone of fundamental equity analysis.

#### ❖ DEBT EQUITY RATIO:

Debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. Debt equity ratio is an important metric in corporate finance. It is a measure of the degree to which a company is financing its operations with debt rather than its own resources.

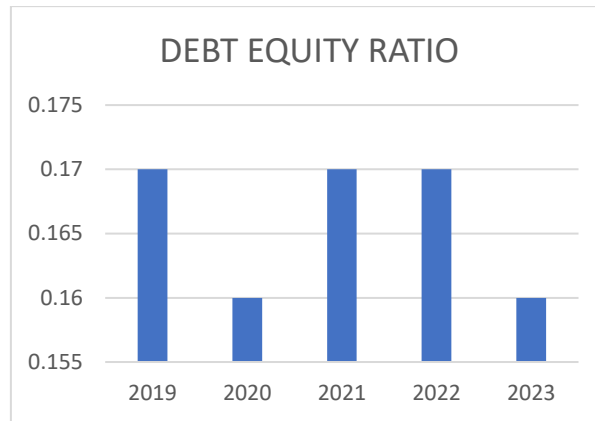
$$\text{Debt Equity Ratio} = \frac{\text{Total Long-term debt}}{\text{Total Shareholder's Funds}}$$

**TABLE SHOWING DEBT EQUITY RATIO**

YEAR	TOTAL LONG-TERM DEBT (In ₹)	TOTAL SHAREHOLDERS FUND (In ₹)	DEBT EQUITY RATIO
2019	4,803.5	56,422.6	0.17
2020	4,130.4	55,321.7	0.16
2021	4,677.4	54,901.0	0.17
2022	11,218.0	65,403.0	0.17
2023	12,631.6	77,667.9	0.16

**INTERPRETATION:**

The Debt Equity ratio of Wipro Limited was 0.17 in the year 2019 and then it decreased to 0.16 in the year 2020 and then it increases to 0.17 in the year 2021 and then continuing the same in 2022 (0.17) and it decreased to 0.16 in the year 2023.

**CHART SHOWING DEBT EQUITY RATIO**❖ **GROSS PROFIT RATIO:**

This ratio indicates the efficiency of trading activities. The relationship of gross profit to sales is known as gross profit ratio. The gross profit ratio is a financial metric that helps a company assess its profitability.

$$\text{GROSS PROFIT RATIO} = \frac{\text{GROSS PROFIT} * 100}{\text{SALES}}$$

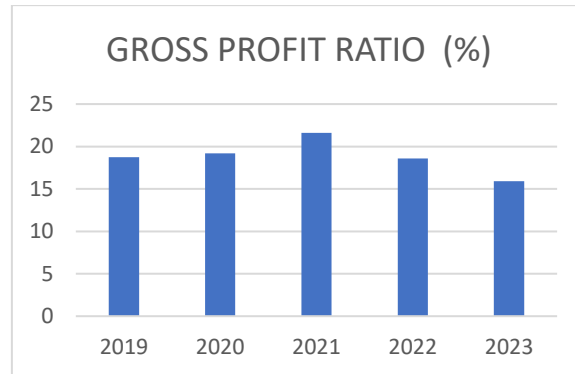
**TABLE SHOWING GROSS PROFIT RATIO**

YEAR	GROSS PROFIT (In Rs)	NET SALES (In Rs)	GROSS PROFIT RATIO (%)
2019	11,546.5	61,632.7	18.73
2020	12,249	63,862.6	19.18
2021	13,889.9	64,325.6	21.59
2022	15,135.1	81,373.2	18.59
2023	14,771.4	92,753.3	15.92

**INTERPRETATION:**

The Gross profit ratio of Wipro limited was 18.73 in the year 2019 and then it gradually increasing to 19.18 in the year 2020 and then again increasing to 21.59 in the year 2021 then it decreasing to 18.59 in the year 2022 and then again decreasing to 15.92 in the year 2023. The highest Gross profit ratio was attained in the year 2021(21.59).

#### CHART SHOWING GROSS PROFIT RATIO



#### ❖ NET PROFIT RATIO:

Net profit ratio, also known as net profit margin, measures a company's financial performance or profitability after taxes. It helps measure the company's profit to the total amount of money invested in the business. The net profit ratio reveals the remaining profit after deducting production costs, financing and administration from sales and income taxes.

$$\text{NET PROFIT RATIO} = \frac{\text{NET PROFIT} * 100}{\text{SALES}}$$

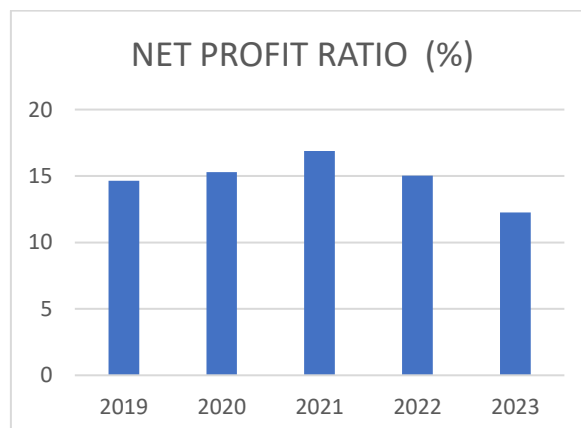
#### TABLE SHOWING NET PROFIT RATIO

YEAR	NET PROFIT (In Rs)	NET SALES (In Rs)	NET PROFIT RATIO (%)
2019	9,022.2	61,632.7	14.63
2020	9,768.9	63,862.6	15.29
2021	10,855	64,325.6	16.87
2022	12,237.7	81,373.2	15.03
2023	11,372.2	92,753.3	12.26

#### INTERPRETATION:

Net profit of Wipro Limited was 14.63 in the year 2019 and then it increasing to 15.29 in the year 2020 then again gradually increasing to 16.87 in the year 2021 and then it decreasing to 15.03 in the year 2022 then again decreased to 12.26. So that the highest net profit of Wipro limited attained in the year 2021(16.87).

#### CHART SHOWING NET PROFIT RATIO



**CASH FLOW STATEMENT ANALYSIS:**

A cash flow statement is a financial statement that provides aggregate data regarding all cash inflows a company receives from its ongoing operations and external investment sources. It also includes all cash outflows that pay for business activities and investments during a given period.

Cash flows from financing (CFF) is the last section of the cash flow statement. The section provides an overview of cash used in business financing. It measures cash flow between a company and its owners and its creditors, and its source is normally from debt or equity.

**TABLE SHOWING THE CASH FLOW STATEMENT OF WIPRO LIMITED**

<b>PARTICULARS</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Net Profit Before Tax	9,017.9	9,771.8	10,868	12,243.4	11,366.5
Net cash from operating Activities	11,631.6	10,064.3	14,755	11,079.7	13,060.1
Net Cash (used in) from Investing Activities	5,012.6	3,401.2	7,73.90	-22,449.5	-8,406.5
Net cash (used in)/from Financing Activities	-4,936.9	-15,099.8	-12,884	4,658.6	-6,088.1
Net (decrease)/increase In cash and cash Equivalents	11,759.9	-1,442.1	2,555.9	-6,583	-1,197.2
Opening Cash & cash Equivalents	4,092.6	15,852.5	14,410.4	16,966.3	10,383.3
Closing cash & cash Equivalents	15,852.5	14,410.4	16,966.3	10,383.3	9,186.1

**INTERPRETATION:**

The Net Profit was gradually increased from 2019 to 2022 and then decreased in the year 2023. The net cash and cash equivalents was in the stage of decreased in 2020 and then increased in the year 2021 then decreased in the year 2022 then again decreased in the year 2023. The net cash operating activities was decreased in the 2020 and then increased in the year 2021 and then again decreased in the year 2022 then increased in the year 2023.

**FINDINGS, SUGGESTIONS AND CONCLUSIONS****FINDINGS:**

- The Debt Equity ratio of Wipro Limited was 0.17 in the year 2019 and then It decreased to 0.16 in the year 2020 and then it increases to 0.17 in the year 2021 and then continuing the same in 2022 (0.17) and it decreased to 0.16 in the year 2023.
- The Gross profit ratio of Wipro limited was 18.73 in the year 2019 and then it gradually increasing to 19.18 in the year 2020 and then again increasing to 21.59 in the year 2021 then it decreasing to 18.59 in the year 2022 and then again decreasing to 15.92 in the year 2023. The highest Gross profit ratio was attained in the year 2021(21.59).
- Net profit of Wipro Limited was 14.63 in the year 2019 and then it increasing to 15.29 in the year 2020 then again gradually increasing to 16.87 in the year 2021 and then it decreasing to 15.03 in the year 2022 then again decreased to 12.26. So that the highest net profit of Wipro limited attained in the year 2021(16.87).
- The Net Profit was gradually increased from 2019 to 2022 and then decreased in the year 2023. The net cash and cash equivalents was in the stage of decreased in 2020 and then increased in the year 2021 then decreased in the year 2022 then again decreased in the year 2023. The net cash operating activities was decreased in the 2020 and then increased in the year 2021 and then again decreased in the year 2022 then increased in the year 2023.

**SUGGESTIONS:**

- The debt-equity ratio has been fluctuating over the years so the company should aim for a stable debt-equity ratio to maintain a balanced capital structure.

- 
- The gross profit ratio and net profit have decreased in recent years this indicating a decline in profitability so the company should focus on strategies to increase sales, reduce costs, or both.

**CONCLUSION:**

- Wipro's financial performance has seen ups and downs over the years. While assets and net worth have shown positive trends, inventories and cash flow have fluctuated. The company's long-term borrowing increased, indicating strategic investments. Overall, Wipro's financial health remains dynamic, influenced by market conditions and management decisions.

**BIBLIOGRAPHY**

---

- James L Berens, Charles J Cuny The Review of Financial Studies 8 (4), 1185-1208, 2012.
- Roshan Boodhoo Journal of Online Education, January, 2013.
- Dilrukshi Yapa Abeywardhana Accounting and finance research 6 (1), 2017.
- Milton Harris, Artur Raviv the Journal of Finance 46 (1), 297-355, 2017.

**WEBSITE:**

- <https://www.scribd.com>
- <https://www.moneycontrol.com>
- <https://www.investopedia.com>
- <https://www.google.com>
- <https://en.m.wikipedia.org>
- <https://scholar.google.com>