

Stock Market Analysis of EPS, P/E Ratio, and Stock Price Changes of Wipro Limited across the decades

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INTRODUCTION

This analysis evaluates the earnings per share (EPS), price-earnings (P/E) multiple, and stock price changes for Wipro from 2008 to 2023. Understanding these variables offers insight into investor sentiment, the company's valuation, and potential market reactions to its financial performance.

- **Earnings Per Share (EPS)**
The EPS is a direct measure of a company's profitability and is crucial for assessing its financial health. Over the period from 2008 to 2023, the EPS showed a general upward trend, indicating improving profitability. Significant increases are noted in years like 2014 and 2021, where the EPS jumps are considerable (from 8.98 to 11.65 and 17.10 to 19.84, respectively).
- **Price Earnings (P/E) Multiple**
The P/E multiple is indicative of the market's valuation of the company's earnings. A higher P/E ratio can suggest that the market expects future growth in earnings. The P/E ratio fluctuates considerably over the period, suggesting varying investor expectations about future earnings growth and market conditions. Notably, there's a significant reduction in the P/E ratio in 2009, followed by a sharp increase in 2010, reflecting the market's rapidly changing perception of the company's future growth potential during this period.
- **Stock Price Changes**
The stock price reflects the aggregate market reactions to not only earnings reports but also external economic conditions and market sentiment. The company's stock price experienced high volatility:

Significant drops in stock prices are observed in 2008 and 2022, with changes of -41.89% and -226.65%, respectively, likely due to broader market downturns or poor earnings reports.

Conversely, substantial increases in 2009 and 2021, with changes of +103.73% and +217.45%, respectively, indicate strong market recovery or favourable company-specific news.

Detailed Year-by-Year Analysis:

- **2008-2010 Transition:** During the period from 2008 to 2010, the IT industry, including Wipro, underwent a significant transition amid the global financial crisis. Wipro's stock price experienced a notable decline in 2008, mirroring the broader market turmoil. However, there was a silver lining with an increase in earnings per share (EPS), hinting at the company's resilience amidst the economic downturn. The subsequent rebound in 2009, marked by an upturn in both stock price and EPS, signalled a hopeful recovery phase, albeit with lingering uncertainties.
- **2010-2015 Stability and Growth:** Moving into the years spanning 2010 to 2015, Wipro embraced a strategy focused on stability and growth. During this period, there was a noticeable consistency in EPS growth, accompanied by a gradual uptick in the price-to-earnings (P/E) ratio. These trends underscored a growing investor confidence in Wipro's ability to sustain and expand its earnings, reflected in steady stock price appreciation. The company likely pursued initiatives aimed at enhancing operational efficiency, expanding its service offerings, and strengthening client relationships to drive this stable growth trajectory.
- **2016-2018 Market Corrections:** Moving into the years spanning 2016 to 2018, Wipro embraced a

strategy focused on stability and growth. During this period, there was a noticeable consistency in EPS growth, accompanied by a gradual uptick in the price-to-earnings (P/E) ratio. These trends underscored a growing investor confidence in Wipro's ability to sustain and expand its earnings, reflected in steady stock price appreciation. The company likely pursued initiatives aimed at enhancing operational efficiency, expanding its service offerings, and strengthening client relationships to drive this stable growth trajectory.

- **2019-2021 Pandemic Impact and Recovery:** The years 2019 to 2021 presented a unique challenge with the onset of the COVID-19 pandemic, disrupting global markets and economies. Wipro's stock experienced significant volatility during this period, reflecting uncertainty and market turmoil. However, the sharp increase in 2021 could be attributed to the company's resilient performance and strong earnings growth during the pandemic recovery phase. Wipro likely adopted agile strategies, emphasizing digital transformation, remote work capabilities, and innovative solutions to address emerging market needs and capitalize on new opportunities amidst the crisis.
- **2022-2023 Economic Concerns:** Finally, from 2022 to 2023, Wipro faced economic concerns that manifested in a dramatic fall in its stock price. Market apprehensions over economic conditions potentially overshadowed the company's steady EPS growth, leading to a downward pressure on its valuation. Wipro might have responded by intensifying efforts to streamline operations, optimize cost structures, and diversify revenue streams to mitigate the impact of external uncertainties and reassure investors of its long-term resilience and growth prospects. The company's financial performance, as reflected in its EPS growth, generally indicates strong underlying business health. However, the stock price volatility and varying P/E ratios suggest that investor sentiment and market conditions heavily influenced the stock's market value. Investors seemed particularly sensitive to broader economic changes and potential impacts on the company's future earnings. This analysis underscores the importance of monitoring not only fundamental

financial metrics like EPS but also external market and economic factors that significantly impact stock prices and P/E ratios.

Wipro's financial journey from 2008 to 2023 reflects resilience amid market upheavals and strategic adaptation to evolving landscapes. Despite the challenges posed by the financial crisis and subsequent economic fluctuations, Wipro maintained steady EPS growth and navigated market corrections with agility. The COVID-19 pandemic tested its mettle, yet Wipro emerged stronger, leveraging digital transformation to drive earnings growth amid adversity. However, economic concerns in 2022 triggered a stock price downturn, emphasizing the importance of proactive risk management and diversified revenue streams. Throughout, Wipro's commitment to stability, innovation, and client-centricity remained steadfast, underpinning its enduring journey of growth and resilience.

Wipro's Strategic & Financial Performance Review (2008-2023)

Wipro's financial and strategic trajectory from 2008 to 2023 highlights the complexities of growth and adaptation in a rapidly evolving IT services industry. This analysis delves into three distinct periods, examining strategic shifts, growth metrics, and financial outcomes to understand the undercurrents that influenced Wipro's performance.

A. 2008-2013: Post-Global Financial Crisis Recovery

- **Strategic Shifts**

In the aftermath of the 2008 global financial crisis, Wipro focused on consolidating its IT services and exploring diversification into non-IT sectors. The period was marked by efforts to penetrate deeper into existing markets and explore new geographical regions through strategic acquisitions, aiming to mitigate the slower growth in IT services by expanding its portfolio.

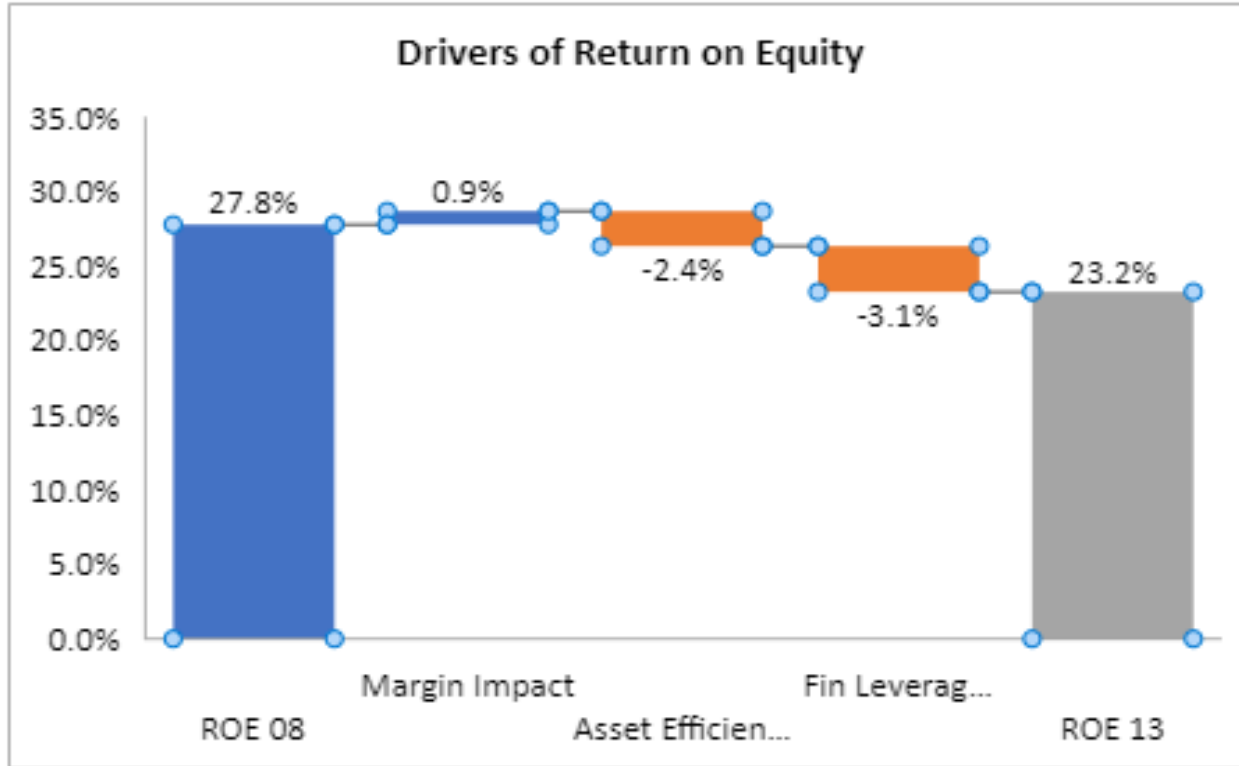
- **Growth Metrics**

During this era, Wipro experienced fluctuating growth rates, partially rebounding as the global economy recovered. The company's growth strategy involved significant organizational restructuring to enhance customer engagement, emphasizing value delivery over volume. Despite these efforts, Wipro grew at a

slower pace compared to its peers like TCS and Infosys, which led to its drop from the number three to number four position among the Big-4 Indian IT firms by the end of this period.

The financial performance of Wipro during this era was challenging. While there were peaks of revenue growth, the overall profitability and market share gains were limited. The company struggled to match the growth rates of its competitors, which increasingly focused on high-value services.

- Financial Outcomes



The ROE decreased from 27.8% in 2008 to 23.2% in 2013. This decrease can be broken down into the following impacts:

- Margin Impact: Positive contribution of 0.9%.
- Asset Efficiency: Negative contribution of 2.4%.
- Financial Leverage: Negative contribution of 3.1%

1. Product Mix and Geographic Coverage

A detailed analysis of Wipro's segment revenue reports from 2008 to 2013 would provide insight into whether growth was driven by changes in the product mix or geographic expansion. If growth was driven by higher prices, we would expect an increase in margins. However, the data shows only a marginal positive impact (0.9%) on the margin, suggesting that volume growth through increased segment coverage or geographic expansion may have been more significant contributors.

2. Capacity Building and Utilization

The negative impact of asset efficiency (-2.4%) indicates that Wipro may have invested in capacity building but faced challenges in effectively utilizing these assets. Underutilization of new capacity could lead to a decrease in overall asset efficiency. Evaluating the cost of building capacity requires examining Wipro's investment in gross fixed assets per unit of capacity. If the investments were high but the utilization was low, it would explain the negative impact on asset efficiency.

3. Cost Levels and Behaviour with Increasing Scale

Cost Levels: The minimal positive margin impact (0.9%) suggests that Wipro managed to control costs effectively. However, the negative impacts on asset efficiency and financial leverage indicate potential challenges in scaling operations.

Behaviour with Scale: As Wipro expanded its scope (market coverage, product and service portfolio), it seems to have faced difficulties in maintaining the same level of asset efficiency. The costs associated with expanding capacity may have outpaced the benefits derived from increased scale.

4. Financing and Financial Leverage

Financing: The negative impact of financial leverage (-3.1%) indicates that Wipro's use of debt or other financial instruments may have been less effective over this period. A decrease in financial leverage contribution suggests that the company may have either reduced its leverage or faced higher costs of debt, impacting overall returns.

Degree of Financial Leverage: The negative impact shows a decline in the effectiveness of financial

	Era	Year	Accenture	TCS	Infosys	Wipro	HCL Tech	Cognizant
Sales (\$ MM)	Strong	2008-09	25,314	6,016	4,663	4,323	2,180	2,816
Employees	Globalisati		1,86,805	1,43,761	1,04,790	97,180	54,216	61,697
Sales per Employee	on		135.5	41.8	44.5	44.5	40.2	45.6
Sales CAGR	Movement		11.7%	31.2%	35.5%	38.0%	31.8%	51.9%
Sales per Employee: CAGR			-4.1%	-2.6%	-1.6%	5.0%	-0.5%	3.5%
Operating Margin			12.0%	23.7%	29.5%	21.0%	17.6%	18.3%
Return on Equity			86.4%	36.4%	33.9%	22.9%	22.3%	9.6%

Wipro has consistently showcased its prowess, particularly in driving growth in sales per employee alongside Cognizant. This underscores the commitment to efficiency and productivity, leveraging our talented workforce to deliver value to their clients.

While Cognizant experiences accelerated growth, it's noteworthy that their operating margin has dipped. This indicates potential challenges in managing costs amidst expansion. On the other hand, HCL has not only accelerated its growth but also managed to improve margins, a testament to their strategic approach to business operations.

Accenture's steady growth coupled with significant improvements in Return on Equity (ROE) highlights their focus on both stability and profitability. Similarly, TCS has accelerated its growth trajectory while achieving higher ROE, reflecting a balance between expansion and efficiency.

leverage, possibly due to a strategic decision to reduce debt or an increase in the cost of borrowing.

5. Resulting Margin Performance and Returns to Shareholders

Margin Performance: The slight positive margin impact (0.9%) indicates that Wipro maintained its profitability to some extent. However, the gains were not substantial enough to offset the negative impacts of asset efficiency and financial leverage.

Returns to Shareholders: The overall decrease in ROE from 27.8% to 23.2% implies a reduction in returns to shareholders over the period. Despite maintaining margin performance, the inefficiencies in asset utilization and less effective financial leverage contributed to the decline in ROE.

B. 2013-2018: Strategic Reorientation and Market Challenges

• Strategic Shifts

The period from 2013 to 2018 saw Wipro making substantial investments in digital technologies and cloud computing, aiming to realign its service offerings with the changing demands of the IT industry. The focus was on building capabilities in analytics, cloud infrastructure, and cybersecurity, which were becoming increasingly important for clients across various sectors.

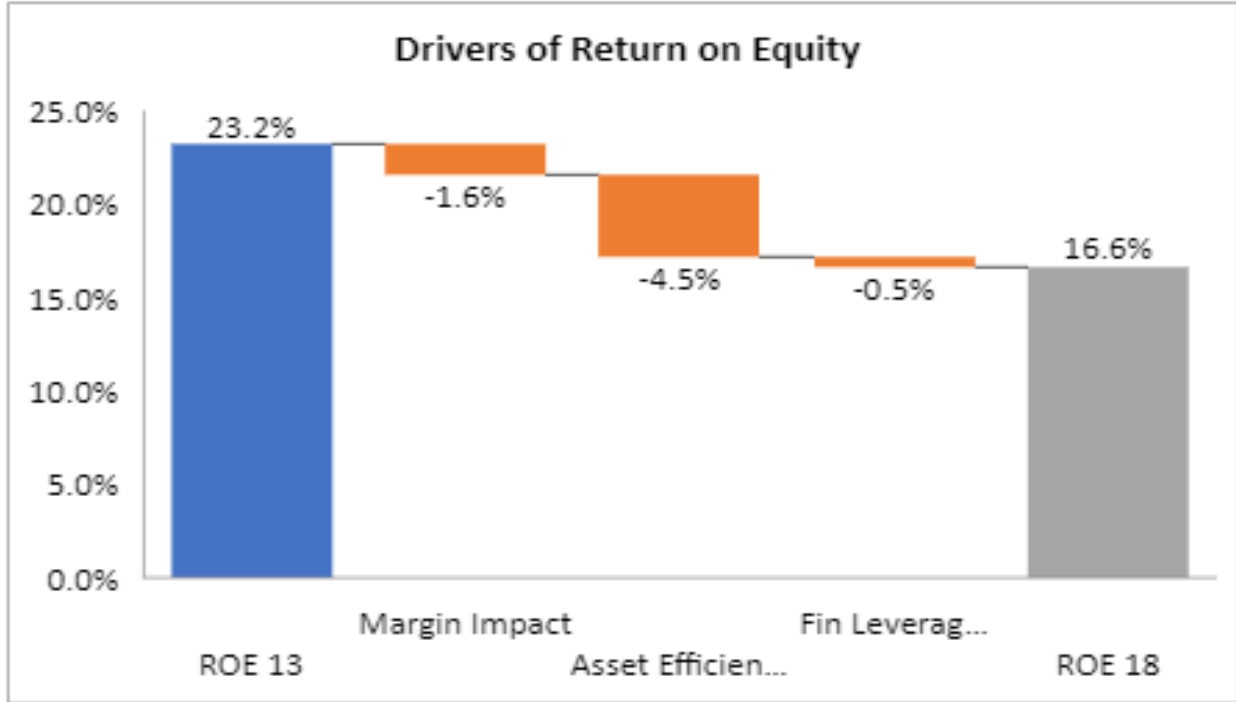
• Growth Metrics

Wipro's growth during this period was marked by a strategic push towards acquiring smaller tech firms that specialized in niche areas like artificial intelligence and digital transformation. However, the company continued to face intense competition from both global and Indian rivals, affecting its growth rate. The acquisition strategy, while helpful, did not immediately translate into the expected growth acceleration.

• Financial Outcomes

Revenue growth was modest and the profitability from new ventures took time to materialize. Wipro's

investments in new technologies and market expansion were substantial, which initially burdened the financial statements. However, these investments were crucial for future growth alignment.



The ROE decreased from 23.2% in 2013 to 16.6% in 2018. This decrease can be broken down into the following impacts:

- Margin Impact: Negative contribution of 1.6%.
- Asset Efficiency: Negative contribution of 4.5%.
- Financial Leverage: Negative contribution of 0.5%

1. Product Mix and Geographic Coverage

A significant negative impact on margin (-1.6%) suggests that the company may have faced pricing pressures, possibly due to competitive markets or a shift in the product mix towards lower-margin services. This indicates that growth might have been more volume-driven through segment coverage or geographic expansion rather than price increases.

2. Capacity Building and Utilization

Pace of Capacity Building: The substantial negative impact of asset efficiency (-4.5%) indicates that Wipro faced challenges in effectively utilizing its assets during this period. This suggests that the pace of capacity building may have been higher than the

company's ability to utilize the new capacity effectively.

Cost of Building Capacity: Evaluating the cost of building capacity requires examining Wipro's investment in gross fixed assets per unit of capacity. If the investments were high but the utilization was low, it would explain the negative impact on asset efficiency. This implies that Wipro may have invested significantly in capacity building without corresponding revenue growth to justify these investments.

3. Cost Levels and Behaviour with Increasing Scale

Cost Levels: The negative margin impact (-1.6%) suggests that Wipro struggled with cost management during this period. The inability to maintain or improve margins indicates rising costs, potentially due to increased operational complexity or higher expenses related to market expansion.

Behaviour with Scale: As Wipro expanded its scope (market coverage, product and service portfolio), it seems to have faced difficulties in maintaining cost

efficiency. The negative impacts on both margin and asset efficiency suggest that the benefits of scale were outweighed by increased costs and underutilized capacity.

4. Financing and Financial Leverage

Financing: The slight negative impact of financial leverage (-0.5%) indicates that Wipro's use of debt or other financial instruments had a minor adverse effect on ROE. This suggests that the company's financing strategy did not significantly change, but there may have been a slight increase in the cost of debt or a reduction in leverage.

Degree of Financial Leverage: The negative impact shows a decline in the effectiveness of financial

leverage, possibly due to higher borrowing costs or a conservative approach to leveraging.

5. Resulting Margin Performance and Returns to Shareholders

Margin Performance: The negative margin impact (-1.6%) indicates that Wipro's profitability declined during this period. The decrease in margins reflects rising costs and pricing pressures.

Returns to Shareholders: The overall decrease in ROE from 23.2% to 16.6% implies a reduction in returns to shareholders over the period. Despite attempts to grow through increased capacity and market expansion, the inefficiencies in asset utilization and rising costs contributed to the decline in ROE.

	Era	Year	Accenture	TCS	Infosys	Wipro	HCL Tech	Cognizant
Sales (\$ MM)	Post GFC	2019-20	43,215	22,031	12,780	8,253	9,936	16,783
Employees	Recovery		4,92,000	4,48,464	2,42,371	1,82,886	1,50,423	2,92,500
Sales per Employee	(Social		87.8	49.1	52.7	45.1	66.1	57.4
Sales CAGR	Media,		5.0%	12.5%	9.6%	6.1%	14.8%	17.6%
Sales per Employee: CAGR	Mobile)		-3.9%	1.5%	1.6%	0.1%	4.6%	2.1%
Operating Margin			14.6%	24.6%	21.3%	17.7%	19.6%	15.9%
Return on Equity			33.6%	39.8%	26.9%	17.5%	22.7%	16.7%

Wipro's recent performance reveals a contrast amidst the industry landscape. While some competitors are navigating growth challenges, Wipro faces a period of slower growth. Despite this, the company is dedicated to maintaining competitiveness, even if it means operating with tighter margins. As Accenture and Cognizant focus on bolstering their margins alongside growth, HCL stands out for its accelerated growth trajectory coupled with improved margins. Meanwhile, TCS emerges as a formidable player, surpassing Accenture's return on equity level, showcasing its robust performance in the market.

C. 2018-2023: Focusing on Digital Transformation and Operational Efficiency

• Strategic Shifts

In the most recent era, Wipro's strategy has been intensely focused on digital transformation, both internally and for clients. The company initiated a significant organizational transformation program, aiming to streamline operations and enhance focus on large-scale digital projects. Wipro also aimed to

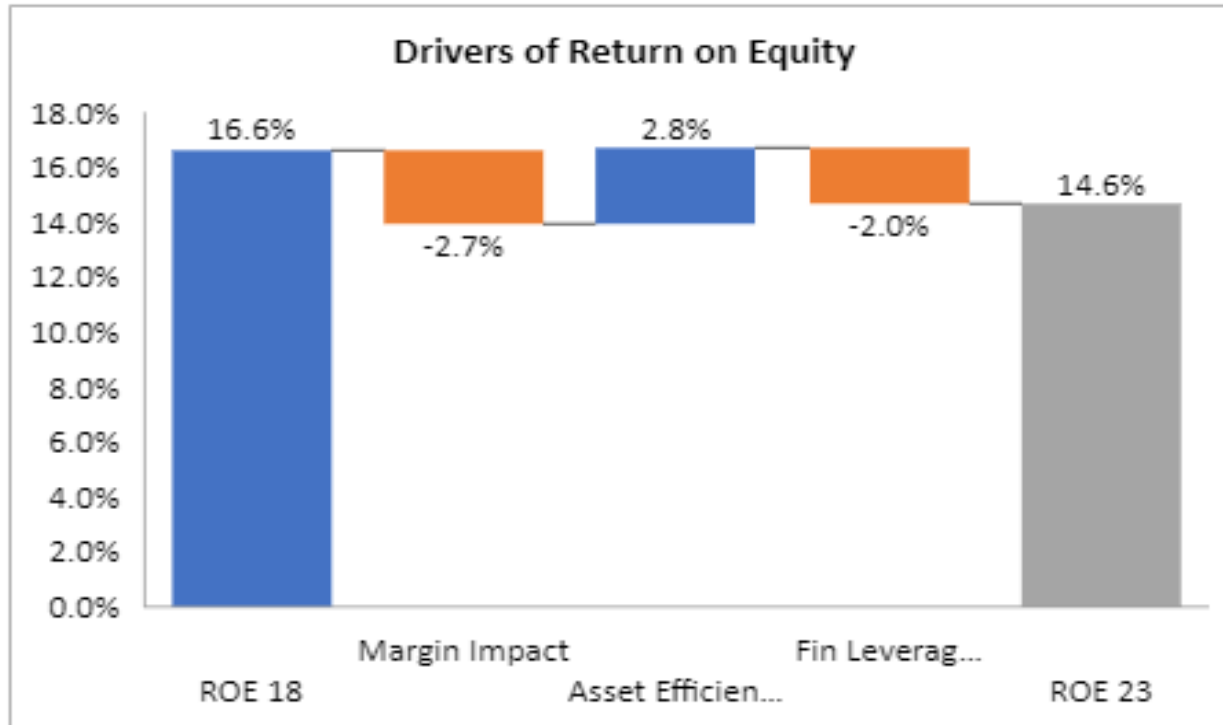
improve its agility and responsiveness to market changes by adopting a more robust approach to talent acquisition and management.

• Growth Metrics

This period saw Wipro aggressively pursuing large deals that promised higher margins and focusing on scaling up its digital services portfolio. Despite these efforts, Wipro's growth remained relatively slow compared to its peers, who also accelerated their digital transformations.

• Financial Outcomes

Financially, Wipro saw some improvement in profitability due to better project execution and higher-margin digital services. However, the sales per employee metrics indicated that while the company was growing in headcount, revenue growth per capita was not as strong, suggesting that increasing efficiency and productivity remained areas needing more attention.



The ROE decreased from 16.6% in 2018 to 14.6% in 2023. This decrease can be broken down into the following impacts:

Margin Impact: Negative contribution of 2.7%.

Asset Efficiency: Negative contribution of 2.8%.

Financial Leverage: Negative contribution of 2.0%

1. Product Mix and Geographic Coverage

A significant negative impact on margin (-2.7%) suggests that the company may have faced substantial pricing pressures, possibly due to competitive markets or a shift in the product mix towards lower-margin services. This indicates that growth might have been more volume-driven through segment coverage or geographic expansion rather than price increases. Declining margins imply that any revenue growth during this period likely came from increased sales volume rather than higher prices.

2. Capacity Building and Utilization Pace of Capacity Building:

The substantial negative impact of asset efficiency (-2.8%) indicates that Wipro continued to face challenges in effectively utilizing its assets during this period. This suggests that the pace of capacity building may have remained high, but the company struggled to achieve optimal utilization.

Cost of Building Capacity: Evaluating the cost of building capacity requires examining Wipro's investment in gross fixed assets per unit of capacity. If the investments were significant but utilization was low, it would explain the negative impact on asset efficiency. This implies that Wipro may have invested heavily in capacity building without corresponding revenue growth to justify these investments, leading to inefficiencies.

3. Cost Levels and Behaviour with Increasing Scale

Cost Levels: The negative margin impact (-2.7%) suggests that Wipro faced rising costs during this period. The inability to maintain or improve margins indicates that the company struggled with cost management. Rising operational costs, potentially due to increased complexity or higher expenses related to market expansion, likely contributed to this trend.

Behaviour with Scale: As Wipro expanded its scope (market coverage, product and service portfolio), it seems to have faced difficulties in maintaining cost efficiency. The negative impacts on both margin and asset efficiency suggest that the benefits of scale were outweighed by increased costs and underutilized capacity.

4. Financing and Financial Leverage

Financing: The negative impact of financial leverage (-2.0%) indicates that Wipro's use of debt or other financial instruments had an adverse effect on ROE. This suggests that the company's financing strategy may have involved higher borrowing costs or a strategic decision to reduce leverage.

Degree of Financial Leverage: The negative impact shows a decline in the effectiveness of financial leverage, possibly due to higher interest rates or a more conservative approach to using debt.

Margin Performance: The negative margin impact (-2.7%) indicates that Wipro's profitability declined during this period. The decrease in margins reflects rising costs and pricing pressures.

Returns to Shareholders: The overall decrease in ROE from 16.6% to 14.6% implies a reduction in returns to shareholders over the period. Despite attempts to grow through increased capacity and market expansion, the inefficiencies in asset utilization, rising costs, and higher financial leverage costs contributed to the decline in ROE.

5. Resulting Margin Performance and Returns to Shareholders

	Era	Year	Accenture	TCS	Infosys	Wipro	HCL Tech	Cognizant
Sales (\$ MM)	Cloud, AI	2022-23	61,594	27,927	18,212	11,160	12,586	19,428
Employees	Boom, Post		7,21,000	6,14,795	3,43,234	2,56,921	2,22,270	3,55,300
Sales per Employee	Covid		85.4	45.4	53.1	43.4	56.6	54.7
Sales CAGR			2.6%	1.7%	2.6%	2.2%	1.7%	1.1%
Sales per Employee: CAGR			-0.2%	-0.7%	0.0%	-0.3%	-1.4%	-0.4%
Operating Margin			15.2%	24.0%	21.0%	15.7%	18.2%	15.3%
Return on Equity			32.1%	46.6%	32.3%	14.5%	23.1%	18.6%

In the realm of IT services, the growth trajectory of Accenture, Infosys, and Wipro appears steady, clocking in at a compound annual growth rate (CAGR) of over 2%. However, the recent financial reports paint a nuanced picture. While Accenture managed to enhance its margins, the same cannot be said for Infosys and Wipro, both witnessing a decline in margins. Despite this, Accenture's return on equity (ROE) remains stable, showcasing a robust performance in this aspect. On the other hand, TCS seems to be edging past Accenture in terms of ROE performance, indicating a formidable competitor in the market. Unfortunately, Wipro's ROE continues its downward trajectory, while Cognizant manages to boost its own ROE, hinting at shifting dynamics within the industry landscape.

intense competition and rapid technological changes defining the industry. Moving forward, Wipro's ability to enhance operational efficiencies and capitalize on digital transformation initiatives will be crucial for its growth trajectory and market position.

CONCLUSION

Wipro's journey through these three eras illustrates the challenges and opportunities faced by large IT service companies in a globalized market. While strategic shifts towards digitalization and high-value services have set the stage for future growth, Wipro's performance has been a mixed bag, reflecting the