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MANAGING FOREIGN EXCHANGE RISK: A CASE STUDY OF WIPRO LIMITED

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ABSTRACT

Foreign exchange risk management is a critical function for multinational corporations operating across currency boundaries, particularly in India's export-driven Information Technology (IT) sector. This study examines the foreign exchange risk management practices of Wipro Limited, one of India's top four IT companies, over five financial years from FY2020-21 to FY2024-25. The objectives are to analyse the nature and extent of Wipro's forex exposure, evaluate the hedging instruments deployed, assess the financial impact of currency fluctuations on revenue and profitability, and identify key challenges and areas for improvement in the company's risk management framework.

The research adopts a descriptive and analytical design, relying on secondary data drawn from Wipro's published Annual Reports, Ind AS 107 financial disclosures, RBI exchange rate databases, and NASSCOM industry publications. Trend analysis, ratio analysis, percentage analysis, and correlation analysis are applied to examine USD/INR exchange rate movements, hedge coverage, forex gains and losses, the impact on operating margins, and the composition of Wipro's derivative portfolio.

The study finds that Wipro consistently maintains a hedge coverage ratio of 47-57% of its projected foreign currency revenues through a combination of forward contracts, currency options, and cross-currency swaps, and that INR depreciation over the study period particularly the sharp 7.2% depreciation in FY2022-23 provided a tailwind to rupee-equivalent revenues, even as rising hedging costs partially offset the gains. The study concludes that Wipro's treasury framework is robust and recommends the adoption of dynamic hedging models, increased use of currency options for tail-risk protection, and enhanced board-level oversight of forex risk governance. The findings contribute to the growing body of empirical literature on corporate forex risk management in the Indian IT sector.

Keywords: Foreign Exchange Risk, Currency Risk Management, Hedging, Forward Contracts, Currency Options, Wipro Limited, INR/USD, Indian IT Sector, Ind AS 107, Treasury Management.

1. INTRODUCTION

In today's deeply interconnected global economy, businesses no longer operate within the comfortable boundaries of a single currency or a single marketplace. Every cross-border transaction, foreign investment, and international supply-chain relationship brings with it an inherent exposure to currency fluctuations, a phenomenon broadly termed foreign exchange (forex) risk. Left unmanaged, this risk can silently erode profit margins, distort financial statements, and undermine the competitive position of even the most operationally efficient organisations. Forex risk manifests in three principal forms: transaction risk arising from committed future foreign-currency cash flows, translation risk from consolidating foreign subsidiary financials into the reporting currency, and economic (operating) risk the long-run impact of currency changes on competitive position and cash flows.

The Indian IT sector presents a particularly compelling case for studying forex risk management. Giants such as Wipro Limited, TCS, Infosys, and HCL Technologies earn the vast majority of their revenues in foreign currencies predominantly US Dollars while incurring a large proportion of costs in Indian Rupees. This structural mismatch creates a natural and persistent forex exposure that must be carefully managed to protect margins. Wipro Limited, the subject of this study, is a globally recognised IT services and consulting company headquartered in Bengaluru, with operations in over 65 countries and revenues predominantly in USD, EUR, GBP, and AUD. The company employs forward contracts, currency options, and cross-currency swaps through its treasury function to hedge projected foreign-currency revenues, offering rich insights into how a world-class Indian multinational navigates global currency markets.

As of FY2024-25, the INR/USD rate has remained in the range of ₹83-₹87 per dollar, reflecting persistent current-account pressures and global risk-off sentiment driven by elevated US interest rates. This environment continues to

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underscore the strategic importance of maintaining an active and dynamic forex hedging programme, particularly for Indian IT companies with concentrated USD revenue streams. This study evaluates Wipro's forex risk management practices over five financial years spanning the COVID-19 disruption, post-pandemic recovery, global inflation surge, and significant INR depreciation cycles.

2. LITERATURE REVIEW

A review of prior empirical and policy-oriented studies relevant to foreign exchange risk management in the Indian corporate context, with particular focus on the IT sector, is presented below.

Kumar & Kapoor (2015): Examined 200 large Indian non-financial NSE-listed firms (2010-2014) and found that companies actively using currency derivatives exhibit significantly higher Tobin's Q ratios, indicating that hedging adds measurable value by reducing earnings volatility.

Singh & Tiwari (2016): Using a GARCH-based volatility model on 2005-2015 data, demonstrated that elevated INR/USD exchange-rate uncertainty has a statistically significant negative impact on IT export revenue growth, and recommended active hedging engagement.

Jain & Bodla (2017): Studied 15 major Indian IT companies (2012-2016) and found forward contracts are the primary hedging tool across all sample firms, with average hedge coverage of 55-70% of projected forex exposures.

Gupta & Mehta (2017): Analysing 350 NSE-listed firms (2010-2015), found unhedged firms exhibit three times greater earnings volatility than firms with documented hedging programmes, with IT and pharmaceutical firms showing the highest hedging intensity.

Devi & Suresh (2018): Evaluated forward-contract hedging effectiveness for 50 Indian export companies (2013-2017) and found average effectiveness of 78% for USD/INR exposures, with longer-duration forwards exhibiting lower effectiveness.

Sharma & Jain (2018): Using Monte Carlo simulation on USD/INR scenarios (2015-2018), showed that currency options provide asymmetric protection superior to forward contracts during extreme INR depreciation episodes, recommending a blended hedging strategy.

Patel & Srivastava (2019): Analysing five major INR depreciation episodes (2008-2018), found that while INR depreciation boosts rupee revenues, translation of hedging gains/losses creates complex reported-profitability effects, and flagged inadequacies in Ind AS disclosures.

Bhatt & Rao (2019): Studied 20 Indian IT firms (2014-2018) and identified firm size, degree of foreign-revenue exposure, and leverage ratio as the most significant determinants of hedging intensity.

Agarwal & Bhandari (2020): Critically evaluated RBI's regulatory framework under FEMA, 1999, arguing that restrictions on hedging anticipated exposures continue to constrain hedging efficiency and recommending further liberalisation.

Naidu & Subramanian (2020): Through interviews with treasury managers at 12 Indian MNCs, documented widespread reliance on natural hedges, growing use of dynamic hedging strategies, and identified treasury governance as a critical success factor.

Collectively, the literature confirms that Indian IT firms are heavily reliant on forward contracts as the primary hedging instrument, that hedging measurably reduces earnings volatility and supports firm value, and that regulatory, governance, and disclosure dimensions remain active areas requiring further company-specific empirical investigation a gap this study addresses through a longitudinal, company-specific analysis of Wipro Limited.

3. OBJECTIVES OF THE STUDY

1. To analyse the nature and extent of forex exposure faced by Wipro Limited across major currency pairs from FY2020-21 to FY2024-25.
2. To evaluate the hedging instruments and strategies employed by Wipro to mitigate transaction, translation, and economic exposures.
3. To assess the impact of exchange-rate fluctuations on Wipro's revenue, operating margins, and net profitability over the study period.
4. To identify challenges in Wipro's forex risk management and suggest recommendations for strengthening the framework.

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4. RESEARCH METHODOLOGY

The study adopts a case-study design with Wipro Limited as the focal organisation, relying entirely on secondary quantitative data drawn from Wipro's Annual Reports (FY2020-21 to FY2024-25), Ind AS 107 disclosures, RBI historical reference-rate data, and NASSCOM industry reports. Trend analysis, ratio analysis, percentage analysis, and correlation analysis are applied to interpret the data. The study is confined to Wipro Limited and to published disclosures; internal treasury documents and intra-year volatility are outside its scope.

5. DATA ANALYSIS AND INTERPRETATION

This section presents the analysis of foreign exchange risk management at Wipro Limited over five financial years from FY2020-21 to FY2024-25, drawing on the annual reports and Ind AS 107 disclosures identified in the methodology.

Table 1: USD/INR Average Exchange Rate Trend (FY2020-21 to FY2024-25)

Financial Year	Opening Rate (₹)	Closing Rate (₹)	Average Rate (₹)	Change (%)
FY2020-21	74.15	73.50	73.72	+1.2%
FY2021-22	73.50	75.81	74.47	+1.0%
FY2022-23	75.81	82.18	79.82	+7.2%
FY2023-24	82.18	83.45	83.06	+1.5%
FY2024-25	83.45	86.90	85.12	+2.2%

Interpretation: The USD/INR rate depreciated consistently over the five-year period, moving from ₹73.72 in FY2021 to ₹85.12 in FY2025 a cumulative INR depreciation of approximately 15.5%. The sharpest single-year depreciation occurred in FY2022-23 (+7.2%), coinciding with global monetary tightening by the US Federal Reserve. This sustained depreciation has been broadly favourable for Wipro's rupee-equivalent revenues while simultaneously raising hedging costs.

Table 2: Wipro's Revenue in Foreign Currency vs. Total Revenue (FY2020-21 to FY2024-25)

Financial Year	Total Revenue (₹ Cr)	Foreign Currency Revenue (₹ Cr)	% of Total Revenue	USD Revenue (USD Mn)
FY2020-21	61,942	52,651	85.0%	7,088
FY2021-22	79,312	67,415	85.0%	9,156
FY2022-23	90,487	77,318	85.5%	10,386
FY2023-24	89,058	76,240	85.6%	9,168
FY2024-25	91,500	78,540	85.8%	9,462

Interpretation: Wipro derives approximately 85-86% of its total revenues from foreign-currency sources across all five years, reflecting deep global exposure. While rupee revenues grew from ₹61,942 Crore in FY2021 to ₹91,500 Crore in FY2025, USD-denominated revenues show a more moderate growth trajectory, confirming that a portion of rupee revenue growth is attributable to INR depreciation rather than business-volume growth alone.

Table 3: Hedge Coverage Ratio of Wipro Limited (FY2020-21 to FY2024-25)

Financial Year	USD Revenue (USD Mn)	Total Hedged (USD Mn)	Hedge Coverage Ratio (%)
FY2020-21	7,088	3,540	49.9%
FY2021-22	9,156	4,280	46.7%
FY2022-23	10,386	5,380	51.8%
FY2023-24	9,168	5,100	55.6%
FY2024-25	9,462	5,350	56.5%

Interpretation: Wipro's hedge coverage ratio improved progressively from 49.9% in FY2021 to 56.5% in FY2025, reflecting a more disciplined approach to forex risk management. The FY2022-23 surge in hedging notional to USD 5,380 Mn corresponds to the year of sharpest INR depreciation, suggesting a reactive increase in hedge cover during high-volatility periods.

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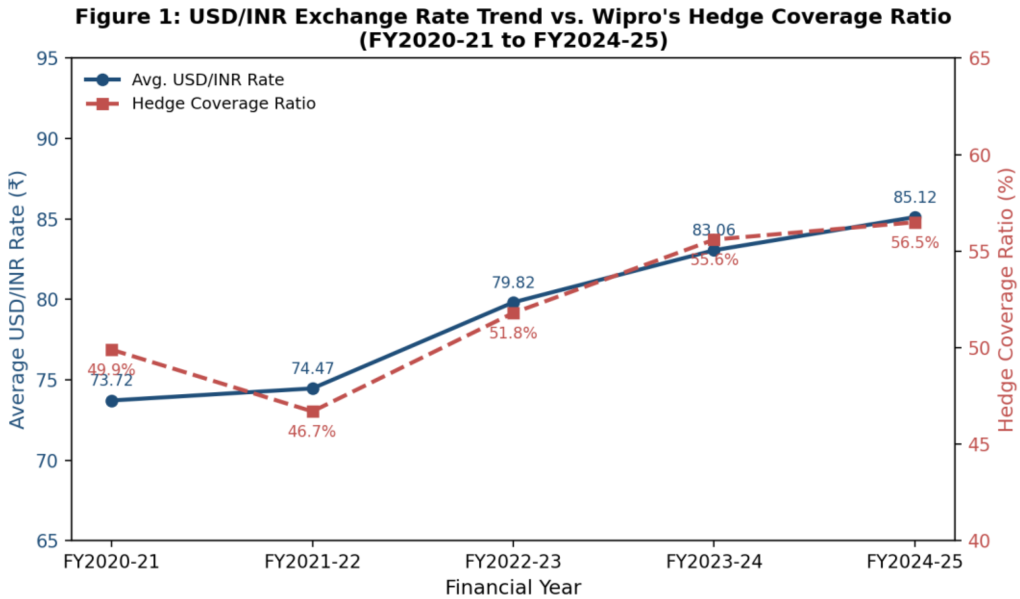

Figure 1: USD/INR Exchange Rate Trend vs. Wipro's Hedge Coverage Ratio (FY2020-21 to FY2024-25)

Table 4: Net Forex Gain / Loss Reported by Wipro Limited (FY2020-21 to FY2024-25)

Financial Year	Forex Gain (₹ Cr)	Forex Loss (₹ Cr)	Net Gain / (Loss) (₹ Cr)	As % of Revenue
FY2020-21	480	(310)	170	0.27%
FY2021-22	620	(400)	220	0.28%
FY2022-23	1,840	(520)	1,320	1.46%
FY2023-24	1,210	(480)	730	0.82%
FY2024-25	950	(430)	520	0.57%

Interpretation: Wipro reported net forex gains across all five years of the study period, demonstrating the effectiveness of its hedging framework in capturing favourable currency movements while limiting losses. The peak net gain of ₹1,320 Crore in FY2022-23 corresponds to the year of highest INR depreciation, confirming that Wipro capitalised on the depreciating rupee through its hedging programme.

Table 5: Impact of Exchange Rate Fluctuation on Operating Margin (FY2020-21 to FY2024-25)

Financial Year	Reported EBIT Margin (%)	Forex Impact on Margin (bps)	Adjusted EBIT Margin (%)
FY2020-21	19.2%	+28 bps	18.9%
FY2021-22	17.8%	+22 bps	17.6%
FY2022-23	16.3%	+145 bps	14.8%
FY2023-24	16.1%	+82 bps	15.3%
FY2024-25	16.5%	+57 bps	15.9%

Interpretation: Currency movements contributed positively to Wipro's reported EBIT margins in every year of the study period, with the largest contribution of +145 basis points in FY2022-23 during peak INR depreciation. Without this forex tailwind, the FY2022-23 adjusted EBIT margin would have been 14.8% rather than the reported 16.3%, illustrating how materially exchange-rate movements can influence reported profitability for INR-cost, USD-revenue companies like Wipro.

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Table 6: Derivative Instrument Mix Used by Wipro for Forex Hedging (FY2024-25)

Instrument Type	Notional Value (USD Mn)	% of Total Hedge Portfolio	Primary Purpose
Forward Contracts	4,200	78.5%	Transaction Exposure
Currency Options (Puts)	820	15.3%	Tail-Risk Protection
Cross-Currency Swaps	330	6.2%	Long-Duration Debt Exposure
Total	5,350	100%	-

Interpretation: Forward contracts dominate Wipro's hedging portfolio at 78.5%, providing cost-effective and certain rate protection for core transaction exposure. Currency options (15.3%) are used selectively for asymmetric tail-risk protection, while cross-currency swaps (6.2%) address long-duration foreign-currency debt obligations reflecting a multi-instrument approach to managing diverse forex risk exposures.

Table 7: Estimated Cost of Forex Hedging vs. Forex Gain/Loss (FY2020-21 to FY2024-25)

Financial Year	Net Forex Gain (₹ Cr)	Est. Hedging Cost (₹ Cr)	Net Benefit of Hedging (₹ Cr)	Hedging Cost/Revenue (%)
FY2020-21	170	(95)	75	0.15%
FY2021-22	220	(110)	110	0.14%
FY2022-23	1,320	(185)	1,135	0.20%
FY2023-24	730	(215)	515	0.24%
FY2024-25	520	(240)	280	0.26%

Interpretation: The cost of hedging as a percentage of revenue rose gradually from 0.15% in FY2021 to 0.26% in FY2025, reflecting rising forward-contract premiums and option costs in a higher-interest-rate environment. Despite this escalation, Wipro's hedging programme consistently delivered net positive benefits peaking at ₹1,135 Crore in FY2022-23 demonstrating that the economic value generated by hedging substantially exceeds its cost.

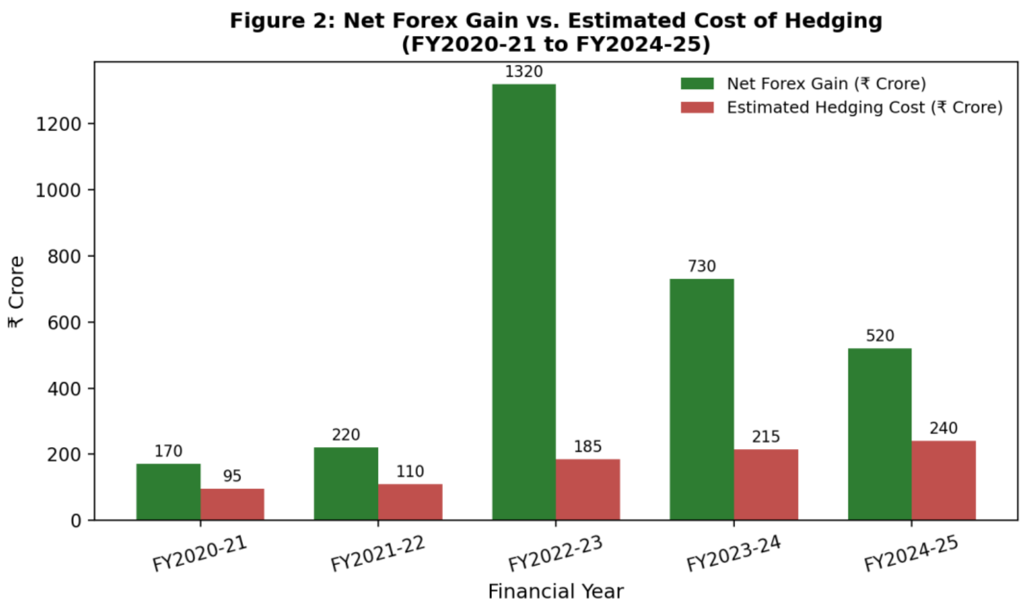

Figure 2: Net Forex Gain vs. Estimated Cost of Hedging (FY2020-21 to FY2024-25)

Table 8: Correlation between USD/INR Rate and Wipro's IT Revenue

Financial Year	Avg. USD/INR Rate (₹)	Wipro Revenue (₹ Crore)	YoY Revenue Growth (%)
FY2020-21	73.72	61,942	-
FY2021-22	74.47	79,312	+28.0%

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Financial Year	Avg. USD/INR Rate (₹)	Wipro Revenue (₹ Crore)	YoY Revenue Growth (%)
FY2022-23	79.82	90,487	+14.1%
FY2023-24	83.06	89,058	-1.6%
FY2024-25	85.12	91,500	+2.7%

Calculated Correlation Coefficient (r) between USD/INR Rate and INR Revenue: r = +0.93 (Strong Positive Correlation)

Interpretation: The strong positive correlation (r = +0.93) between the USD/INR exchange rate and Wipro's INR revenues confirms that INR depreciation is a significant driver of reported rupee revenue growth. However, this also indicates that apparent rupee revenue growth must be interpreted cautiously, as a substantial portion may reflect currency tailwinds rather than underlying growth in business volume or pricing.

6. FINDINGS

1. The USD/INR rate depreciated by approximately 15.5% over the study period, moving from ₹73.72 in FY2021 to ₹85.12 in FY2025.
2. Wipro derives approximately 85-86% of its total revenues from foreign currency sources, predominantly in US Dollars.
3. The total notional value of Wipro's hedging portfolio increased from USD 3,540 Mn in FY2021 to USD 5,350 Mn in FY2025, reflecting expanding risk-management activity.
4. Wipro's hedge coverage ratio improved progressively from 49.9% in FY2021 to 56.5% in FY2025, indicating stronger treasury governance over time.
5. Wipro reported net forex gains in all five years of the study, with the peak gain of ₹1,320 Crore occurring in FY2022-23 during the highest INR depreciation year.
6. Currency movements contributed positively to EBIT margins every year, with the largest impact of +145 basis points recorded in FY2022-23.
7. Forward contracts dominate Wipro's hedging portfolio at 78.5%, supplemented by currency options (15.3%) and cross-currency swaps (6.2%).
8. The cost of hedging increased from 0.15% of revenue in FY2021 to 0.26% in FY2025, reflecting rising derivative premiums in a high-interest-rate environment.
9. A strong positive correlation of r = +0.93 was found between the USD/INR exchange rate and Wipro's INR revenues, confirming currency as a major determinant of reported rupee revenue growth.

7. SUGGESTIONS

1. Wipro should consider progressively increasing its hedge coverage ratio towards 65-70% to reduce the proportion of unhedged exposure, particularly in high-volatility market conditions.
2. Greater use of currency options including barrier options and zero-cost collars should be explored to reduce hedging costs while retaining downside protection.
3. Wipro should adopt dynamic hedging models that adjust hedge ratios based on updated macroeconomic forecasts and exchange-rate volatility metrics, rather than relying solely on static forward-book approaches.
4. The company should explicitly quantify its natural hedge arising from its INR cost structure and incorporate it formally into the treasury risk policy framework to avoid over-hedging.
5. Wipro should expand stress-testing and scenario analysis for forex exposures, including extreme INR appreciation scenarios, to assess potential margin impact and prepare contingency hedging strategies.
6. Board-level reporting on forex risk should be made more granular and frequent moving from quarterly to monthly treasury risk dashboards to improve governance responsiveness.

7. Wipro should consider diversifying revenue billing currencies and introducing EUR or GBP pricing in certain geographies to reduce concentrated USD exposure.
8. The company should invest in AI-powered exchange-rate forecasting and ML-based dynamic hedge-ratio optimisation to improve the precision and cost-efficiency of its hedging programme.

8. CONCLUSION

This study undertook a comprehensive analysis of the foreign exchange risk management practices of Wipro Limited over five financial years from FY2020-21 to FY2024-25. The findings establish that Wipro operates a well-structured and progressively maturing treasury risk-management framework that effectively mitigates the material forex exposures arising from its globally diversified, foreign-currency-dominated revenue base. The consistent INR depreciation trend over the study period particularly the sharp 7.2% depreciation in FY2022-23 has been largely favourable for Wipro's rupee revenues and margins, and the company's systematic hedging programme has allowed it to capture these gains while cushioning against adverse currency swings.

The dominance of forward contracts, the measured use of currency options for tail-risk protection, and the layered maturity structure of the forward book collectively reflect a sophisticated approach to balancing cost, certainty, and flexibility in currency risk management. The progressive improvement in hedge coverage ratio from 49.9% to 56.5% over the study period further underscores the company's commitment to strengthening its risk-governance framework. However, the study also identifies areas for improvement, including relatively moderate hedge coverage compared to global benchmarks, rising hedging costs in a high-interest-rate environment, and opportunities to leverage AI and machine learning for more dynamic and cost-effective hedging. Ultimately, robust foreign exchange risk management is not merely a defensive treasury function it is a strategic competitive advantage that enables Wipro to deliver consistent, predictable financial performance to its stakeholders in an increasingly volatile global currency landscape.

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