



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Wipro Q2 FY23 consolidated revenues came in at ₹22540 Cr, up 14.6% YoY and up 4.7% QoQ.
- Op EBIT for Q2FY23 stood at ₹3145 Cr, down 7.5% YoY and up 1.9% QoQ.
- Op EBIT margins for Q2FY23 came at 17.28%, -333bps YoY and -39 bps QoQ.
- PAT for Q2FY23 stood at ₹2659 Cr, down 9.3% YoY and up 3.7% QoQ.

2. MANAGEMENT COMMENTARY:

- The management has guided 0.5-2% revenue growth for Q3FY23 considering macroeconomic uncertainties and seasonality.
- Management also expects double digit growth over FY23.
- The management expects to gain market share in the coming quarters.
- Management also mentioned that they may face some margin headwinds in Q3FY23 also.

3. SEGMENTAL ANALYSIS:

- Q2FY23 Vertical Revenue Breakup: Banking, Financial Services and Insurance (35.2%), Consumer (18.8%), Health (11.4%), Energy, Natural Resources and Utilities (11.2%), Technology (11.6%), Manufacturing (6.9%), Communications (4.9%).
- Q2FY23 Geographical Revenue Breakup: Americas1 (29.2%), Americas2 (31.3%), Europe (28.1%), APMEA (11.4%).
- Q2FY23 Services Revenue Breakup: iDEAS (62.3%), iCORE (37.7%)

4. CONCALL SUMMARY

- All markets grew in double digits YoY, in constant currency terms. Americas 1 led the growth at 15.3% YoY
- Top 5 clients grew 19% YoY CC and Top 10 clients grew 17% YoY CC
- Large deal bookings grew by 42% YoY in H1FY23. Overall order book in TCV terms grew 24% YoY in Q2FY23
- TTM Voluntary Attrition for the quarter was at 23.0%, a moderation of 30 bps from the previous quarter
- BFSI will continue to do well in H2FY23 also while manufacturing vertical may be impacted in H2FY23.
- Gross utilization in Q2FY23 stands at 72.3% while net utilization stands at 86.8%.
- Customer Concentration in Q2FY23: Top Customer (3.2%), Top 5 (13.1%), Top 10 (21.0%)

5. VALUATION AND OUTLOOK:

Robust demand environment and healthy deal pipeline would drive Wipro's next phase of growth. We believe company will perform well over next few quarters due to strong deal win momentum. Also the confident commentary from management, moderating attrition rate and supply side challenges are positive triggers in the stock.

We initiate a "BUY" rating on the stock and value the stock at 15.4x FY24E earnings to arrive at the target of ₹467.

RECOMMENDATION - BUY

CMP – 406
TARGET – 467 (15%)

Industry	IT - Software
NSE CODE	WIPRO
BSE CODE	507685
Market Cap (₹ Cr)	225599.49
Shares Outstanding (in Cr)	548.55
52 wk High/Low (₹)	726.8 / 372.4
P/E	20.00
P/BV	3.16
Face Value (₹)	2.00
Book Value (₹)	129.98
EPS (FY22) (₹)	22.31
Dividend Yield (%)	1.01
Debt / Equity	0.23
Interest Coverage	29.42

SHAREHOLDING PATTERN

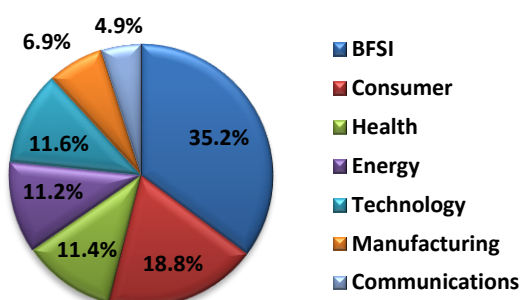
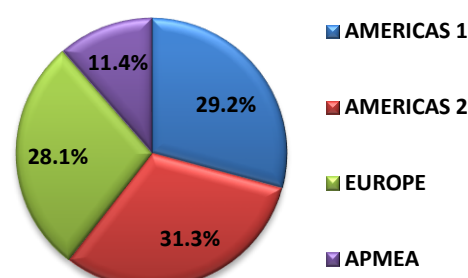
	Sep 22	Jun 22	Mar 22
Promoters	72.95	73.00	73.00
MF/ DII	2.87	3.30	3.13
FII/FPI	6.58	6.95	8.11
Retail & Others	10.21	14.32	13.18
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2022A	2023E	2024E
Core			
Sales	79312.00	91208.8	104890.1
Sales Gr. (%)	28.04	15.00	15.00
EBITDA	16604.50	19609.8	23075.8
EBITDA %	23.64	22.00	22.00
PAT	12229.60	14125.7	16618.5
EPS (₹)	22.31	25.71	30.26
EPS Gr. (%)	13.21	15.25	17.67
BV/Sh. (₹)	118.35	122.5	128.5
Ratios			
RoE (%)	20.49	20.8	21.2
RoCE (%)	21.79	21.5	21.8
Valuation			
P/E (x)	26.54	15.2	12.9
P/BV (x)	5.00	3.19	3.04

Historical & Industrial Val Ratios

Historical P/E	18.42
Industry P/E	30.30
Historical P/B	3.32
Industry P/B	8.92


REVENUE SPLIT (Q2 FY23)
Segmental Mix (Q2 FY23)

Geography Mix (Q2 FY23)

QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY21		FY22			FY23			FY22	FY23E*
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3E*		
Net sales	16,245	18,467	19,669	20,315	20,861	21,529	22,540	23667	79312	91209
YoY change (%)	3.14%	23.75%	30.29%	29.64%	28.41%	16.58%	14.60%	16.50%	28.06%	15%
Total Expenditures	12,218	14,272	15,500	16,134	16,724	17,671	18,605	19407	62628	71599
EBITDA	4,028	4,195	4,169	4,181	4,136	3,858	3,934	4260.06	16684	19610
Margins (%)	25%	23%	21%	21%	20%	18%	17%	18%	21%	22%
Other income	534	579	505	484	502	472	510	500	2067	2200
Interest	112	75	146	140	172	204	227	230	532	550
Depreciation	699	826	772	746	734	774	797	800	3078	3150
PBT	3,750	3,873	3,756	3,779	3,732	3,352	3,420	3730	15141	18110
Rate (%)	21%	16%	22%	21%	17%	24%	23%	23%	19%	22%
Adjusted PAT	2,974	3,248	2,931	2,972	3,092	2,559	2,649	2872	12243	14106
EPS in Rs	5.42	5.92	5.35	5.42	5.63	4.68	4.85	5.24	22.31	25.71

Key Performance Indicators

Headcount	197712	209890	221365	231671	243128	258574	259179		
Attrition Rate	12.1	15.5	20.5	22.7	23.8	23.3	23.0		
Gross Utilization	76.7	77.7	78.1	75.6	75.8	72.7	72.3		
Onsite/Offshore Mix	45/55	46/54	44/56	44/56	42/58	41/59	41/59		
Active Clients	1120	1229	1284	1315	1369	1433	1471		

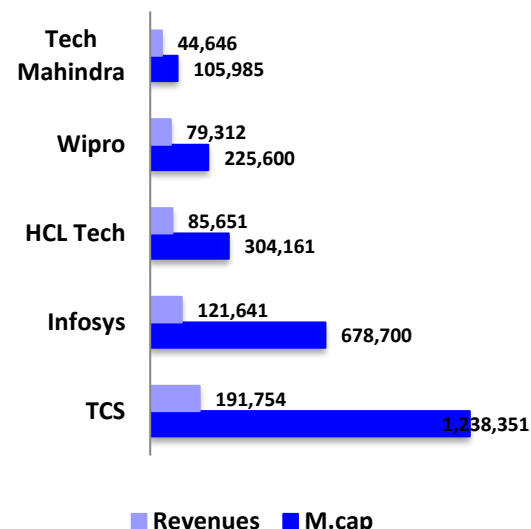
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- India is the world's largest sourcing destination with largest qualified talent pool of technical graduates in the world.
- The IT sector is the largest employer within the private sector.
- The Indian IT industry accounted for 19.2% of the total global IT spend in FY21.
- Indian technology industry contributes ~8% share to the national GDP, with a 52% share of services exports, and a 50% share in total FDI.
- The priority tech spending areas are expected to be augmented reality and virtual reality (AR/VR), mixed reality, Internet of Things (IoT), artificial intelligence (AI), robotics and cloud.
- This push towards cloud services has boosted hyper-scale data centre investments, with global investments estimated to exceed ~US\$ 200 billion annually by 2025.
- The digital transformation deals have seen a 30% jump since the pandemic.
- In Budget 2022-23, the government has allocated Rs. 88,568 crore (US\$ 11.58 billion) to the IT and telecom sector.
- Leading players in Indian IT Industry (Large Cap Space) includes TCS, Infosys, HCL Tech, Tech Mahindra, Wipro etc.

KEY PLAYERS in Large Cap IT Space



PEER PERFORMANCE

(₹ Cr)

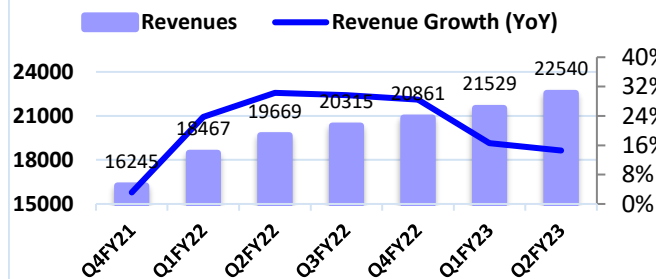
Particulars	Wipro Ltd.	Tata Consultancy Services Ltd.	Infosys Ltd.	HCL Technologies Ltd.	Tech Mahindra Ltd.
Market Cap	2,25,599.5	12,38,351.1	6,78,700.3	3,04,161.2	1,05,985.4
Net Sales	79,312.0	1,91,754.0	1,21,641.0	85,651.0	44,646.0
EBITDA	16,604.5	53,048.0	31,491.0	20,526.0	7,990.3
PAT	12,229.6	38,327.0	22,110.0	13,499.0	5,566.1
EPS(₹)	22.3	104.7	52.7	49.7	63.4
EBITDA MARGIN %	23.6	29.8	27.8	25.2	20.5
PAT MARGIN %	15.4	20.1	18.2	15.8	12.6
ROCE %	21.8	60.2	40.0	26.6	26.5
ROE %	20.5	44.1	29.4	22.2	22.1
P/E TTM	20.0	31.3	29.7	22.0	20.0
P/B TTM	3.2	12.8	8.5	5.0	3.9
EV/EBITDA	12.60	20.04	18.21	12.72	11.47
Dividend Yield %	1.5	1.3	2.0	4.0	4.2
MCap/ Sales TTM	2.5	5.7	4.9	3.1	2.1

Source: Company, Hem Securities Research.

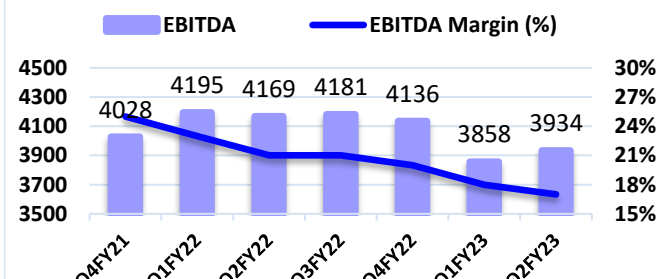


STORY IN CHARTS

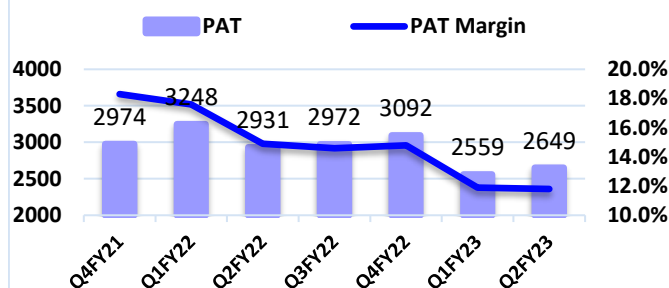
Revenue



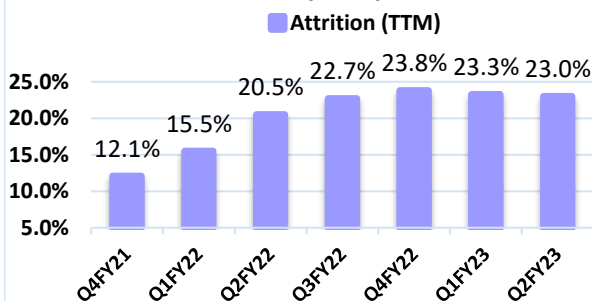
EBITDA & EBITDA Margin



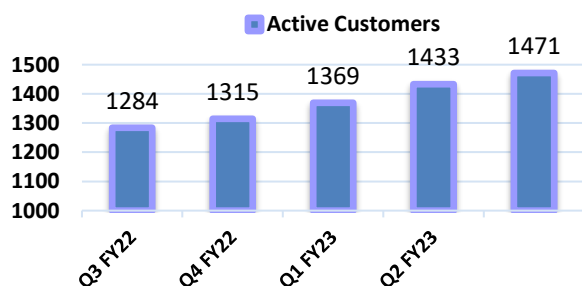
PAT & PAT Margin



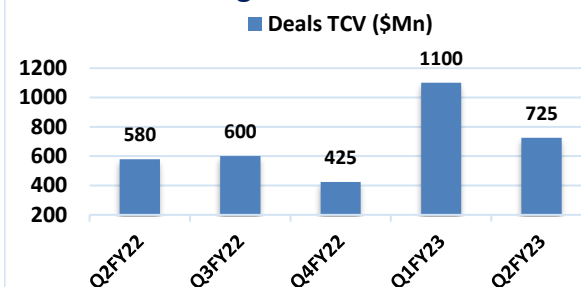
Attrition (TTM)



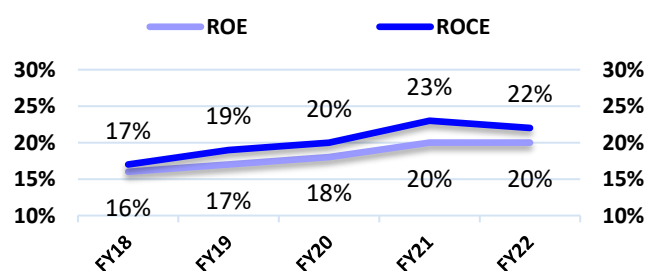
Total Active Customers



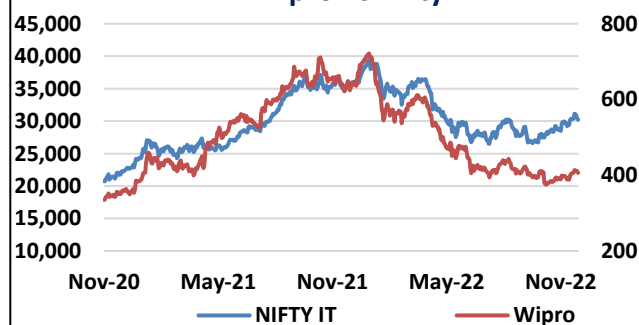
Large Deals TCV



ROE and ROCE



Wipro Vs Nifty IT





INVESTMENT RATIONALE:

- Company reported 4.1% QoQ CC growth which is in line with their guidance of 3-5% for Q2FY23.
- Management is optimistic on demand environment and gave Q3FY23 revenue guidance of 0.5-2% from IT services business.
- Management is confident on deal wins and mentioned that the pipeline is healthy.
- Management also mentioned that there are no signs of slowdown visible in client interactions.
- The company indicated that 15% margins is the floor for them and margins are expected to improve in the coming quarters.
- Wipro's Capco unit is driving cross sell synergies for other units.
- Company made strategic choices such as acquisitions, investments in improving operational efficiencies, marketing and fresher hiring.
- Large deal bookings grew by 42% YoY in H1FY23 and overall order book in TCV terms grew 24% YoY in Q2FY23.
- Attrition declined by 30bps QoQ to 23%, which is expected to further moderate in H2FY23.

RISK / NEGATIVE FACTORS:

- Geographical Concentration Risk: Around 90% of revenues comes from America and Europe. So any political risk related to America or Europe and slowdown in their economic growth is a key concern.
- INR appreciating against USD, pricing pressure and retention of the skilled employees are other concerns. So any loss of clients can negatively impact their business.
- The Indian IT service industry is facing high attrition rates at this point of time, if attrition continues to increase for next few more quarters it may negatively impact company's business.
- Lower-than-expected large deal wins
- Substantial cut in technology spends by various industries.

COMPANY RECAP

- Wipro is one of the leading global IT, consulting and business process services companies. It is the fourth largest Indian player in the global IT services industry, in terms of revenue, after TCS, Infosys and HCL.
- Wipro was incorporated in 1945 as Western India Vegetables Product Limited and was predominantly a consumer care product manufacturer till 1980, after which it diversified into the IT services business.
- Its key IT service offerings, which contributed 98% to its revenues in FY2022, include digital strategy advisory, customer-centric design, technology consulting, IT consulting, custom application design, development, re-engineering and maintenance, systems integration, package implementation, cloud infrastructure services, analytics services, business process services, research and development, and hardware and software design to leading enterprises worldwide.
- The various industries that company provides IT services include BFSI, Communications, Consumer, Healthcare, Manufacturing, Technology etc.
- The major geographical revenue segments of company are America, APMEA and Europe.
- The company has 259,179 employees as of Sep, 2022 and company is aggressively hiring every quarter given robust demand environment.
- Company has very experienced and skilled leadership team including Thierry Delaporte (CEO & MD), Jatin Dalal (CFO), Amit Choudhry (COO), Anis Chenchah (CEO APMEA), Pierre Bruno (CEO Europe), Sridhar Palli (CEO America) etc.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Revenue from operations	54,487.10	59,018.90	61,137.60	61,943.00	79,312.00	91208.8	104890.12
Growth YoY (%)	-1.73	8.32	3.59	1.32	28.04	15%	15%
Total Expenditure	44,110.70	47,402.00	48,795.30	47,310.40	62,707.50	71598.908	81814.294
(%) of sales	80.96	80.32	79.81	76.38	79.06	79%	78%
EBITDA	10,376.40	11,616.90	12,342.30	14,632.60	16,604.50	19609.892	23075.826
EBITDA Growth (%)	-7.23	10.01	5.88	13.90	9.23	18.10%	17.67%
EBITDA Margin (%)	23.74	24.11	24.64	27.71	23.64	22%	22.00%
Depreciation	2,111.70	1,946.70	2,085.50	2,763.40	3,077.80	3150	3400
EBIT	10,824.10	12,284.00	12,981.80	14,398.70	15,667.60	16459.892	19675.826
EBIT Growth (%)	-6.96	13.49	5.68	10.91	8.81	5.06%	19.54%
Net Interest Expenses	583.00	737.50	732.80	508.80	532.50	550	570
Other Income	2,559.40	2,613.80	2,725.00	2,529.50	2,140.90	2200	2200
Earnings before Taxes	10,241.10	11,546.50	12,249.00	13,889.90	15,135.10	18109.892	21305.826
EBT Margin (%)	18.80	19.56	20.04	22.42	19.08	19.86%	20.31%
Tax-Total	2,239.10	2,524.30	2,480.10	3,034.90	2,897.40	3984.18	4687.28
Rate of tax (%)	21.86	21.86	20.25	21.85	19.14	22%	22%
Net Profit	8,002.00	9,022.20	9,768.90	10,855.00	12,237.70	14125.72	16618.54
PAT Growth (%)	-6.06	12.75	8.28	11.12	12.74	15.4%	17.6%
PAT Margin (%)	14.69	15.29	15.98	17.52	15.43	15.49%	15.84%
Minority Interest	-0.30	-14.20	-49.50	-71.60	-13.80	-20	-20
Adjusted PAT	8,002.80	9,003.70	9,722.30	10,796.40	12,229.60	14105.72	16598.54
EPS	13.27	14.92	17.02	19.71	22.31	25.71	30.26
EPS Growth (%)	1.25	12.47	14.04	15.80	13.21	15.25%	17.67%

Balance Sheet

Y/E March	2018	2019	2020	2021	2022
Share Capital	905	1,207	1,143	1,096	1,096
Reserves	47,022	55,216	54,179	53,805	64,307
Net Worth	47927	56423	55322	54901	65403
Borrowings	13,901	9,947	9,724	10,451	17,593
Other Liabilities	13,563	16,217	15,954	17,213	24,280
Total Liabilities & Equity	75,391	82,586	81,000	82,566	107,276
Fixed Assets	18,127	17,465	22,062	23,040	37,990
CWIP	1,378	2,142	1,881	1,853	1,602
Investments	25,797	22,887	20,032	18,775	26,154
Other Assets	30,090	40,093	37,024	38,898	41,531
Total Assets	75,391	82,586	81,000	82,566	107,276

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2018	2019	2020	2021	2022
Profitability and return ratios					
Net profit margin (%)	14.69	15.29	15.98	17.52	15.43
EBITDA margin (%)	23.74	24.11	24.64	27.71	23.64
EBIT margin (%)	19.87	20.81	21.23	23.25	19.75
ROE (%)	16.16	17.37	17.55	19.78	20.49
ROCE (%)	16.95	19.16	20.05	22.79	21.79
Working Capital & liquidity ratios					
Payables (Days)	962.43	1550.75	1941.09	2766.01	3277.8
Inventory (Days)	2.44	2.26	1.74	0.86	0.55
Receivables (Days)	65.59	62.30	61.18	58.56	48.21
Current Ratio (x)	2.37	2.67	2.40	2.27	2.01
Valuations Ratios					
EV/sales (x)	2.51	2.50	1.73	3.52	4.15
EV/EBITDA (x)	10.57	10.39	7.01	12.72	17.57
P/E (x)	15.91	17.07	11.55	21.02	26.54
P/BV (x)	2.67	2.74	2.04	4.16	5.00
Dividend Yield (%)	0.36	0.39	0.51	0.24	1.01
Leverage Ratio					
Debt/Equity (x)	0.29	0.18	0.14	0.15	0.23

Cash Flow Statement					
Y/E March	2018	2019	2020	2021	2022
CF from Operating activities (A)	8,423	11,632	10,064	14,755	11,080
CF from Investing Activities (B)	3,595	5,065	3,593	685	-22,321
CF from Financing Activities (C)	-12,998	-4,937	-15,100	-12,884	4,659
Net Cash Flow	-979	11760	-1442	2556	-6583
Add: Opening Bal.	5,072	4,093	15,853	14,410	16,966
Closing Balance	4,093	15,853	14,410	16,966	10,383

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	$\geq 15\%$
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	$< -5\%$

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
7 Dec 2022	Buy	467

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Name of the Research Analyst: ABHISHEK SHARDA

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3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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