

## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Wipro Q1 FY24 consolidated revenues came in at ₹22831 Cr, up 6.0% YoY and down -1.5% QoQ.
- Op EBIT for Q1FY24 stood at ₹3457.8 Cr, up 12.1% YoY and down -5.5% QoQ.
- Op EBIT margins for Q1FY24 came at 15.15%, +81 bps YoY and -64 bps QoQ.
- PAT for Q1FY24 stood at ₹2870.1 Cr, up 12.0% YoY and down -6.6% QoQ.

### 2. MANAGEMENT COMMENTARY:

- Management guided sequential guidance of -2.0% to +1.0% in CC terms.
- The management is confident that momentum would be back in H2FY24
- TCV stood strong and Co has a healthy deal pipeline.

### 3. SEGMENTAL ANALYSIS:

- Q1FY24 Vertical Revenue Breakup: Banking, Financial Services and Insurance (33.9%), Consumer (18.7%), Health (12.2%), Energy, Natural Resources and Utilities (12%), Technology (11.3%), Manufacturing (7.3%), Communications (4.6%).
- Q1FY24 Geographical Revenue Breakup: Americas1 (28.8%), Americas2 (30.0%), Europe (29.5%), APMEA (11.7%).

### 4. CONCALL SUMMARY

- Revenue for Q1FY24 came in at US\$2,779mn, down by 2.1% on QoQ basis but up by 0.8% on YoY basis
- Growth was led by healthcare medical devices (+9%) followed by consumer goods & life science (+7% each).
- On the geographical front, while America 1 declined by 1.0% QoQ, America 2 declined by 3.7%, Europe de-grew by 1.5% QoQ, and APMEA business de-grew by 2.5% QoQ.
- Large TCV deals grew 9% YoY to \$1.2bn (highest in last few quarters).
- Co closed 10 deals with >US\$30mn TCV in Q1FY24.
- Company announced \$1bn investment in AI. Investment will be done over a period of 3-4 years
- Total headcount stood 2,49,758 reporting a QoQ decline of 8,812. Attrition came at 17.3%, moderating from past few quarters. Net utilisation came at 83.7%, higher than Q4FY23.

### 5. VALUATION AND OUTLOOK:

Robust demand environment and healthy deal pipeline would drive Wipro's next phase of growth. We believe company may have challenges in the near future but will perform well over medium to long term 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 maintain "BUY" rating on the stock and value the stock at 19.7x FY25E earnings to arrive at the target of ₹474.

## RECOMMENDATION - BUY

**CMP – 412**  
**TARGET – 474 (15%)**

Industry	IT - Software
NSE CODE	WIPRO
BSE CODE	507685
Market Cap (₹ Cr)	218393.22
Shares Outstanding (in Cr)	548.88
52 wk High/Low (₹)	444.9 / 352
P/E	18.74
P/BV	3.21
Face Value (₹)	2.00
Book Value (₹)	130.24
EPS (FY23) (₹)	20.68
Dividend Yield (%)	0.27
Debt / Equity	0.19
Interest Coverage	15.65

## SHAREHOLDING PATTERN

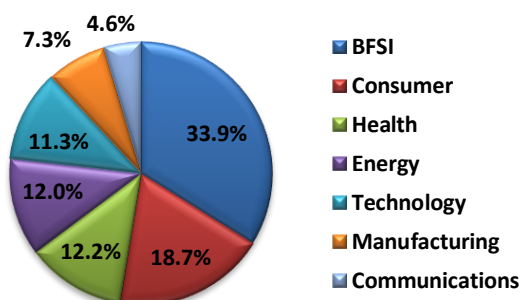
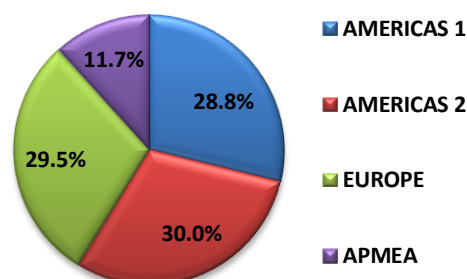
	Jun 23	Mar 23	Dec 22
Promoters	72.91	72.92	72.94
MF/ DII	2.29	2.79	2.75
FII/FPI	6.32	6.39	6.30
Retail & Others	10.93	10.30	10.55
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023A	2024E	2025E
<b>Creole</b>			
Sales	90487.6	95011.9	104513.2
Sales Gr. (%)	14.09	5.00	10.00
EBITDA	16353.9	17577.22	19857.5
EBITDA %	18.7	18.5	19.0
PAT	11350.0	11660.6	13183.3
EPS (₹)	20.68	21.24	24.01
EPS Gr. (%)	-7.29	2.71	13.06
<b>Ratios</b>			
RoE (%)	16.01	13.99	14.65
RoCE (%)	18.21	13.03	13.72
<b>Valuation</b>			
P/E (x)	17.66	19.53	17.28

## Historical & Industrial Val Ratios

Historical P/E	18.77
Industry P/E	29.57
Historical P/B	3.31
Industry P/B	8.65

**REVENUE SPLIT (Q1 FY24)**
**Segmental Mix (Q1 FY24)**

**Geography Mix (Q1 FY24)**

**QUARTERLY PERFORMANCE (CONSOLIDATED)**

(₹ Cr)

Y/E March	FY22		FY23			FY24		FY23	FY24E*	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1			Q2E*
<b>Net sales</b>	<b>20,315</b>	<b>20,861</b>	<b>21,529</b>	<b>22,540</b>	<b>23,229</b>	<b>23,190</b>	<b>22,831</b>	<b>23059</b>	<b>90,488</b>	<b>95,012</b>
YoY change (%)	29.64%	28.41%	16.58%	14.60%	14.34%	11.17%	6.05%	2.30%	14.09%	5.00%
<b>Total Expenditures</b>	<b>16,134</b>	<b>16,724</b>	<b>17,671</b>	<b>18,605</b>	<b>18,682</b>	<b>18,685</b>	<b>18,635</b>	<b>18793</b>	<b>73,640</b>	<b>77,434</b>
<b>EBITDA</b>	<b>4,181</b>	<b>4,136</b>	<b>3,858</b>	<b>3,934</b>	<b>4,547</b>	<b>4,505</b>	<b>4,196</b>	<b>4266</b>	<b>16,848</b>	<b>17,577</b>
Margins (%)	21%	20%	18%	17%	20%	19%	18%	18.50%	19%	18.5%
Other income	484	502	472	510	641	646	648	648	2,266	2500
Interest	140	172	204	227	290	286	309	320	1,008	1,008
Depreciation	746	734	774	797	923	847	738	750	3,340	3,500
<b>PBT</b>	<b>3,779</b>	<b>3,732</b>	<b>3,352</b>	<b>3,420</b>	<b>3,975</b>	<b>4,018</b>	<b>3,798</b>	<b>3844</b>	<b>14,766</b>	<b>15,570</b>
Rate (%)	21%	17%	24%	23%	23%	23%	24%	24%	26%	25%
<b>Adjusted PAT</b>	<b>2,972</b>	<b>3,092</b>	<b>2,559</b>	<b>2,649</b>	<b>3,065</b>	<b>3,094</b>	<b>2,886</b>	<b>2921</b>	<b>11,366</b>	<b>11,661</b>
<b>EPS in Rs</b>	<b>5.42</b>	<b>5.63</b>	<b>4.68</b>	<b>4.85</b>	<b>5.56</b>	<b>5.6</b>	<b>5.23</b>	<b>5.32</b>	<b>20.68</b>	<b>21.24</b>

**Key Performance Indicators**

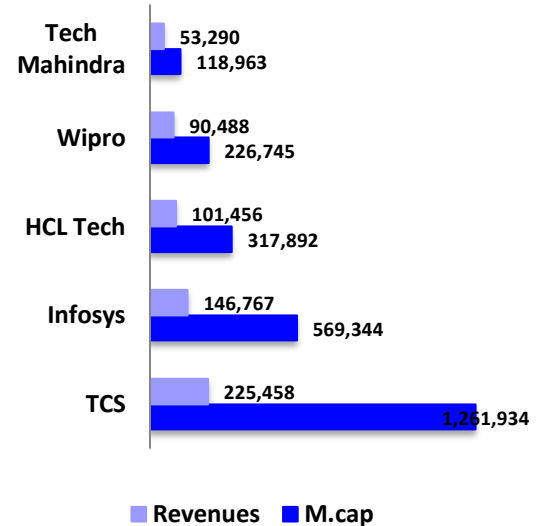
<b>Headcount</b>	231671	243128	258574	259179	258744	256921	249758		
<b>Attrition Rate</b>	22.7	23.8	23.3	23.0	21.2	19.2	17.3		
<b>Net Utilization</b>	85.8	85.2	83.8	79.8	79.7	81.7	83.7		
<b>Onsite/Offshore Mix</b>	44/56	42/58	41/59	41/59	41/59	40/60	41/59		
<b>Active Clients</b>	1315	1369	1433	1471	1484	1441	1444		

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.
- According to NASSCOM, In FY2023, India's technology industry revenue is estimated to reach \$245 Bn, representing a YoY growth of 8.4%
- The growth areas of technology segments are expected to focus on digital CX, digitization, cloudification, building SaaS-enabled products, cybersecurity, and phantomization.
- The demand for digital technologies is anticipated to continue growing in 2023, and the industry is expected to focus on cloud-based initiatives for cost rationalization and business agility.
- The 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, Wipro, Tech Mahindra etc.

## KEY PLAYERS in Large Cap IT Space



## PEER PERFORMANCE

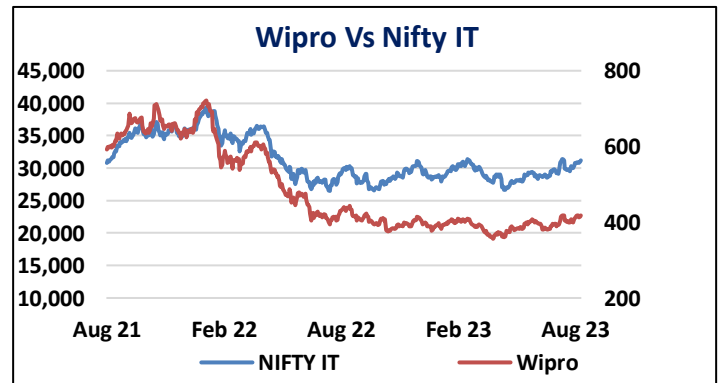
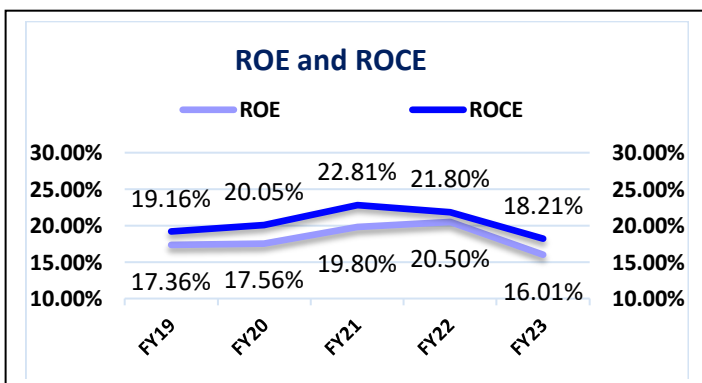
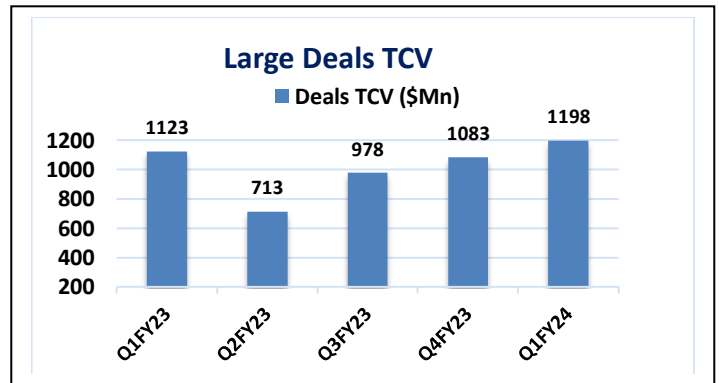
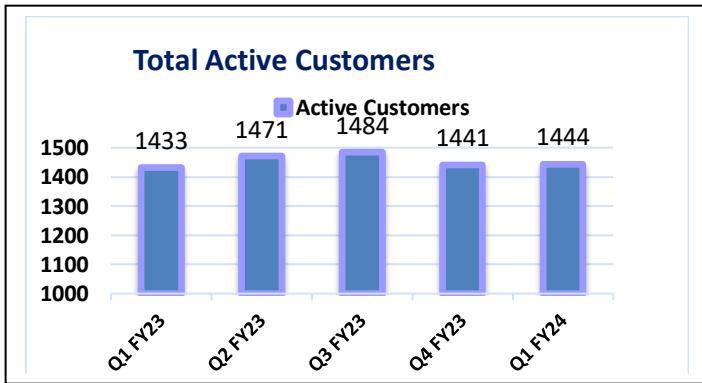
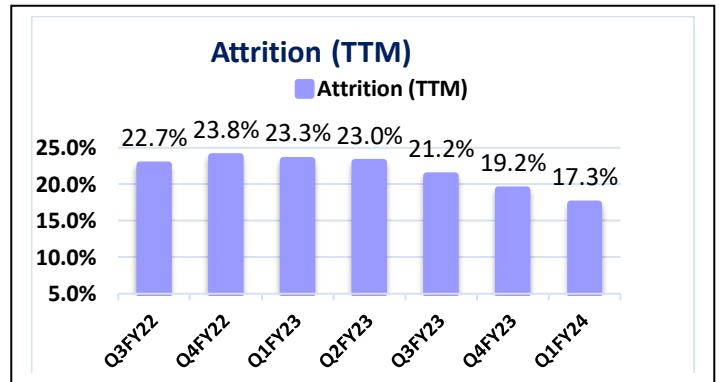
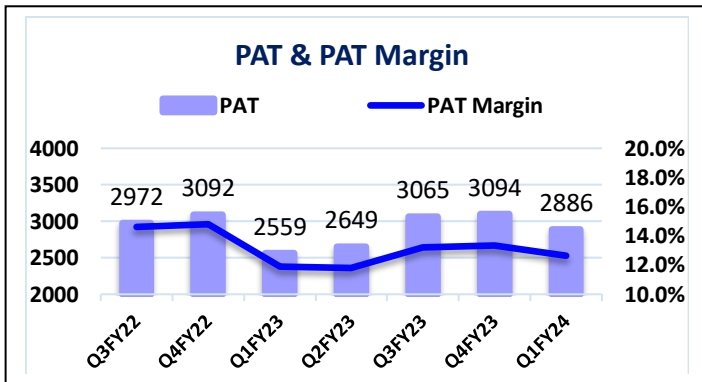
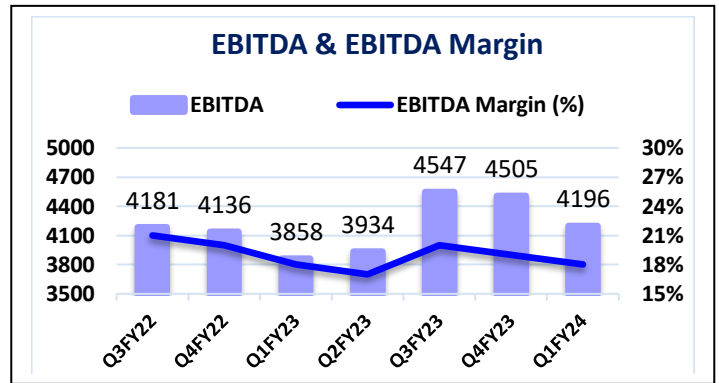
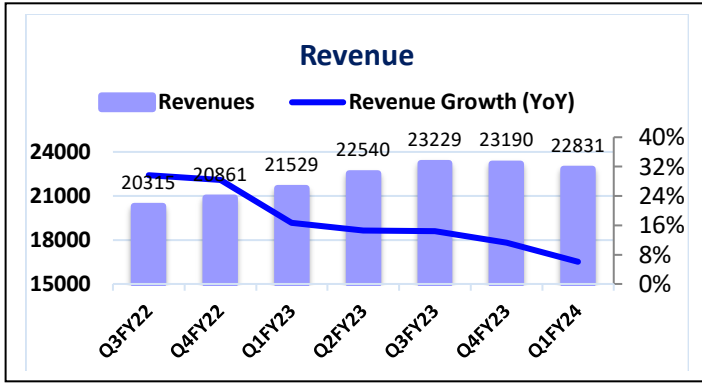
(₹ Cr)

Particulars	Peer Companies				
	Wipro Ltd.	Tata Consultancy Services Ltd.	Infosys Ltd.	HCL Technologies Ltd.	Tech Mahindra Ltd.
Market Cap	2,15,600.3	12,62,134.9	5,69,429.1	3,17,865.2	1,18,947.8
Net Sales	90,487.6	2,25,458.0	1,46,767.0	1,01,456.0	53,290.2
EBITDA	16,353.9	59,098.0	34,483.0	22,624.0	7,791.8
PAT	11,350.0	42,147.0	24,095.0	14,851.0	4,831.3
EPS(₹)	20.7	115.2	58.2	54.7	54.9
EBITDA MARGIN %	21.1	27.8	25.8	23.6	16.4
PAT MARGIN %	12.6	18.8	16.4	14.6	9.1
ROCE %	18.2	64.4	44.6	29.7	22.4
ROE %	16.0	47.3	32.3	23.4	18.0
P/E TTM	18.5	28.9	23.1	21.0	27.1
P/B TTM	3.2	12.4	7.1	4.6	4.2
EV/EBITDA	12.0	19.4	14.4	12.7	14.2
Dividend Yield %	0.2	3.3	2.5	4.1	4.1
MCap/ Sales TTM	2.3	5.4	3.8	3.0	2.2

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Company has strong deal pipeline and good financial structure.
- Large deal momentum is quite healthy as Company closed 10 deals > \$30 Mn in Q1FY24
- Co is confident in improving operating margins going forward.
- Co is focused on improving utilization.
- Company is planning to invest \$ 1Bn in generative-AI over next 3 years. Co plans to train most of their employees on AI in next 12 months.
- Management is focused on reducing Co's low revenue contribution tail accounts and try to emphasize on scaling larger accounts.
- There are few short term challenges like supply side constraints, weak global macros but overall Co can give good return over medium to long term.
- Co is available at attractive valuation as compared to its peers.

## 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 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 249,758 employees as of June, 2023 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), Srinu Pallia (CEO America) etc.

## ANNUAL PERFORMANCE

### Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2019	2020	2021	2022	2023	2024E	2025E
<b>Revenue from operations</b>	<b>59,018.90</b>	<b>61,137.60</b>	<b>61,943.00</b>	<b>79,312.00</b>	<b>90,487.60</b>	<b>95011.98</b>	<b>104513.2</b>
Growth YoY (%)	8.32	3.59	1.32	28.04	14.09	5%	10%
<b>Total Expenditure</b>	<b>47,402.00</b>	<b>48,795.30</b>	<b>47,310.40</b>	<b>62,707.50</b>	<b>74,133.70</b>	<b>77434.76</b>	<b>84655.67</b>
(%) of sales	80.32	79.81	76.38	79.06	81.93	81.50%	81.00%
<b>EBITDA</b>	<b>11,616.90</b>	<b>12,342.30</b>	<b>14,632.60</b>	<b>16,604.50</b>	<b>16,353.90</b>	<b>17577.22</b>	<b>19857.5</b>
EBITDA Growth (%)	10.01	5.88	13.90	9.23	1.99	7.48%	12.97%
EBITDA Margin (%)	19.68%	20.19%	23.62%	20.94%	18.07%	18.50%	19%
Depreciation	1,946.70	2,085.50	2,763.40	3,077.80	3,340.20	3500	3750
<b>EBIT</b>	<b>12,284.00</b>	<b>12,981.80</b>	<b>14,398.70</b>	<b>15,667.60</b>	<b>15,773.40</b>	<b>14077.22</b>	<b>16107.5</b>
EBIT Growth (%)	13.49	5.68	10.91	8.81	0.64	-10.75%	14.42%
Net Interest Expenses	737.50	732.80	508.80	532.50	1,007.70	1,007.70	1,007.70
Other Income	2,613.80	2,725.00	2,529.50	2,140.90	2,765.40	2500	2500
<b>Earnings before Taxes</b>	<b>11,546.50</b>	<b>12,249.00</b>	<b>13,889.90</b>	<b>15,135.10</b>	<b>14,765.70</b>	<b>15569.52</b>	<b>17599.8</b>
EBT Margin (%)	19.56	20.04	22.42	19.08	16.32	16.39%	16.84%
Tax-Total	2,524.30	2,480.10	3,034.90	2,897.40	3,399.20	3892.38	4399.95
Rate of tax (%)	21.86	20.25	21.85	19.14	23.02	25%	25%
<b>Net Profit</b>	<b>9,022.20</b>	<b>9,768.90</b>	<b>10,855.00</b>	<b>12,237.70</b>	<b>11,366.50</b>	<b>11677.14</b>	<b>13199.85</b>
PAT Growth (%)	12.75	8.28	11.12	12.74	-7.16	2.73%	13.04%
PAT Margin (%)	15.29	15.98	17.52	15.43	12.56	12.29%	12.63%
Minority Interest	-14.20	-49.50	-71.60	-13.80	-16.50	-16.5	-16.5
<b>Adjusted PAT</b>	<b>9,003.70</b>	<b>9,722.30</b>	<b>10,796.40</b>	<b>12,229.60</b>	<b>11,350.00</b>	<b>11660.64</b>	<b>13183.35</b>
<b>EPS</b>	<b>14.92</b>	<b>17.02</b>	<b>19.71</b>	<b>22.31</b>	<b>20.68</b>	<b>21.24</b>	<b>24.01</b>
EPS Growth (%)	12.47	14.04	15.80	13.21	-7.29	2.71%	13.06%

### Balance Sheet

Y/E March	2019	2020	2021	2022	2023
Share Capital	1,207	1,143	1,096	1,096	1,098
Reserves	55,216	54,179	53,805	64,307	76,570
<b>Net Worth</b>	<b>56423</b>	<b>55322</b>	<b>54901</b>	<b>65403</b>	<b>77668</b>
Borrowings	9,947	9,724	10,451	17,593	17,467
Other Liabilities	16,217	15,954	17,213	24,280	21,789
<b>Total Liabilities &amp; Equity</b>	<b>82,586</b>	<b>81,000</b>	<b>82,566</b>	<b>107,276</b>	<b>116,924</b>
Fixed Assets	17,465	22,062	23,040	37,990	44,757
CWIP	2,142	1,881	1,853	1,602	617
Investments	22,887	20,032	18,775	26,154	33,073
Other Assets	40,093	37,024	38,898	41,531	38,477
<b>Total Assets</b>	<b>82,586</b>	<b>81,000</b>	<b>82,566</b>	<b>107,276</b>	<b>116,924</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	15.29	15.98	17.52	15.43	12.56
EBITDA margin (%)	24.11	24.64	27.71	23.64	21.13
EBIT margin (%)	20.81	21.23	23.25	19.75	17.43
ROE (%)	17.37	17.55	19.78	20.49	16.01
ROCE (%)	19.16	20.05	22.79	21.79	18.21
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)					
Inventory (Days)	2.26	1.74	0.86	0.55	0.51
Receivables (Days)	62.30	61.18	58.56	48.21	48.72
Current Ratio (x)	2.67	2.40	2.27	2.01	2.47
<b>Valuations Ratios</b>					
EV/sales (x)	2.50	1.73	3.52	4.15	2.28
EV/EBITDA (x)	10.39	7.01	12.72	17.57	10.79
P/E (x)	17.07	11.55	21.02	26.54	17.66
P/BV (x)	2.74	2.04	4.16	5.00	2.60
Dividend Yield (%)	0.39	0.51	0.24	1.01	0.27
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.18	0.14	0.15	0.23	0.19

<b>Cash Flow Statement</b>					
<b>Y/E March</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>CF from Operating activities (A)</b>	<b>11,632</b>	<b>10,064</b>	<b>14,755</b>	<b>11,080</b>	<b>13,060</b>
<b>CF from Investing Activities (B)</b>	<b>5,065</b>	<b>3,593</b>	<b>685</b>	<b>-22,321</b>	<b>-8,169</b>
<b>CF from Financing Activities (C)</b>	<b>-4,937</b>	<b>-15,100</b>	<b>-12,884</b>	<b>4,659</b>	<b>-6,088</b>
Net Cash Flow	11760	-1442	2556	-6583	-1,197
Add: Opening Bal.	4,093	15,853	14,410	16,966	10,383
<b>Closing Balance</b>	<b>15,853</b>	<b>14,410</b>	<b>16,966</b>	<b>10,383</b>	<b>9,186</b>

Source: Company, Hem Securities Research.

## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=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
18 Aug 2023	Buy	474

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