

Results Beat; Commentary now in sync with peers

- Wipro reported 2.0% QoQ CC revenue growth (DART estm: 1.3% growth) led by demand led broad-based growth across verticals. OPM improved by 20bps QoQ for IT services at 19.2% (DART estm: 18.9%) led by improved utilization (80 bps gain) and continued cost control but negated by Fx impact (60bps). Announced Buyback of Rs.95Bn at Rs.400/share (buying 4.2% equity at 6.6% Premium to CMP).
- Wipro re-introduced quarterly outlook with a growth guidance of 1.5% to 3.5% QoQ for Q3FY20 (partially led by continued momentum in volumes). Commentary turned positive (demand-led) with a robust pipeline and additional lever of supply side gains for coming quarters.
- New CEO & MD, Thierry Delaporte shared his strategic roadmap with 5 priorities (Exhibit 7) which shows focus on growth (stable margins) and transforming Wipro to a more client-focus operating structure.
- Factoring in positive commentary (demand-led), reintroduction of guidance with healthy traction and industry tailwinds provides near term comfort, driving up our revenue estimates by ~2% over FY20-22E and given sustained underperformance we maintain our Sell rating with TP of Rs.320 (valued at 16x FY23E EPS of Rs.20).

CEO Strategizes to make organization more lean to chase growth

Mr. Delaporte highlighted the 5 key priorities of his New Strategy: 1) Absolute growth focus, 2) Focus and Skill, 3) Expanding beyond IT office, 4) Investing in talent, and 5) Simplification of operating model. On a broader basis, the strategy highlights the strong focus on growth which is led by prioritizing key markets (highlighted US market and focusing on German market where it is already strong) and verticals (Ex: BFSI) coupled with simplifying the operating model to make it more client focused. Simplifying the operating model implies a change in operating structure with lesser departments, lesser P&L and more authority and more power to make decisions which are client led. Strategy is more on focusing on investing in key areas rather than investing in all areas. More color on the strategy will be shared in upcoming Analyst event in Nov'20. Mr. Thierry highlighted that he had met over 100 clients and 20 partners over the quarter (atleast 1 client a day) and had also conducted many virtual meetings and town halls to engage with its workforce base.

Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	151,305	151,897	(0.4)	150,433	0.6
Total Expense	123,170	125,162	(1.6)	123,493	(0.3)
EBITDA	34,715	31,549	10.0	33,092	4.9
Depreciation	6,580	4,814	36.7	6,152	7.0
EBIT	28,135	26,735	5.2	26,940	4.4
Other Income	5,203	6,855	(24.1)	5,312	(2.1)
Interest	1,267	2,247	(43.6)	1,299	(2.5)
EBT	32,071	31,343	2.3	30,953	3.6
Tax	7,229	5,731	26.1	6,838	5.7
RPAT	24,655	25,526	(3.4)	23,904	3.1
APAT	24,655	25,526	(3.4)	23,904	3.1
			(bps)		(bps)
Gross Margin (%)	30.3	28.9	145	31.1	(72)
EBITDA Margin (%)	22.9	20.8	217	22.0	95
NPM (%)	16.3	16.8	(51)	15.9	40
Tax Rate (%)	22.5	18.3	426	22.1	45
EBIT Margin (%)	18.6	17.6	99	17.9	69

CMP	Rs 376
Target / Downside	Rs 320 / 15%
NIFTY	11,935

Scrip Details

Equity / FV	Rs 10,948mn / Rs 2		
Market Cap	Rs 2,058bn		
	USD 28bn		
52-week High/Low	Rs 382/ 159		
Avg. Volume (no)	21,114,400		
Bloom Code	WPRO IN		
Price Performance	1M	3M	12M
Absolute (%)	28	65	57
Rel to NIFTY (%)	24	55	50

Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	74.0	74.0	74.0
MF/Banks/FIs	7.0	7.6	7.6
FIIIs	10.9	10.3	10.3
Public / Others	8.0	8.1	8.1

Valuation (x)

	FY21E	FY22E	FY23E
P/E	20.8	20.0	18.8
EV/EBITDA	12.9	12.0	10.9
ROE (%)	17.8	17.3	16.3
RoACE (%)	16.6	16.3	15.6

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	615,408	660,021	711,101
EBITDA	140,099	143,311	151,005
PAT	99,033	102,825	109,405
EPS (Rs.)	18.1	18.8	20.0

VP - Research: Rahul Jain

Tel: +9122 40969771

E-mail: rahulj@dolatcapital.com

Associate: Divyesh Mehta

Tel: +91 22 40969768

E-mail: divyesh.mehta@dolatcapital.com

Exhibit 1: Quarterly performance versus estimates

(Rs mn)	Estimates			% Variation		Comment
	Actual	Dolat	Consensus	Dolat	Consensus	
Revenues (in US\$ mn)	1,992	1,975	2,055	0.9	(3.0)	Revenue above estm led by broad based growth across.
Sales	151,305	151,720	151,176	(0.3)	0.1	
EBIT	28,135	27,790	27,146	1.2	3.6	OPM beat led by improved utilization and cost control.
EBIT, margin	18.6	18.3	18.0	30 bps	60 bps	
PAT	24,655	24,410	23,803	1.0	3.6	PAT beat extended by higher than expected Other Income

Source: DART, Company

Change in Estimates

Given strong Q2 performance, positive commentary and re-introduced guidance, we have upgraded our top-line (IT Services in USD terms) estimates by 1.7% / 1.7% for FY21/FY22. We have increased our margin estimates by ~130bps/123bps for FY21/FY22. We introduce FY23 numbers with 6.7% growth in topline.

Exhibit 2: Change in estimates

(Rs mn)	FY20A		FY21E		FY22E			FY23E
	Actual	Old	New	% change	Old	New	% Change	Introduced
IT Services Revenue(\$ mn)	8,256	7,927	8,059	1.7	8,439	8,584	1.7	9,157
\$ Revenue growth YoY, %	0.8	(4.0)	(2.4)		6.5	6.5		6.7
Company Wide INR Revenue	614,545	611,147	615,408	0.7	650,439	660,021	1.5	711,101
EBIT - IT Services	107,685	105,178	113,895	8.3	106,833	116,587	9.1	124,138
EBIT Margin (%) - IT Services	18.1	17.7	19.0	129.1	16.9	18.1	122.9	17.8
EBIT	105,673	104,283	112,711	8.1	106,487	115,923	8.9	123,272
EBIT Margin (%)	17.2	17.1	18.3	125.1	16.4	17.6	119.2	17.3
Net profits	97,161	93,243	99,033	6.2	96,288	102,825	6.8	109,405
EPS	16.6	16.3	18.1	10.7	16.9	18.8	11.3	20.0

Source: Company, DART

Exhibit 3: Key Assumptions in our estimates

Key Assumptions	FY20A	FY21E	FY22E	FY23E
\$Revenue (Mn) (IT Services)	8,256	8,059	8,584	9,157
\$Revenue growth (%) (IT Ser)	0.8	(2.4)	6.5	6.7
USD/INR	72.1	74.2	75.0	76.0
INR Revenue growth (%)	4.1	0.1	7.2	7.7
EBIT Margins (%)	17.2	18.3	17.6	17.3
EPS growth (%)	14.7	6.2	3.8	6.4

Source: DART, Company

Exhibit 4: Key Revenue Growth Matrix for IT Services Segment

YoY Growth	FY20	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
CC Growth	3.9	5.9	3.8	3.3	2.6	(4.4)	(3.4)
USD Growth	0.8	0.6	0.4	2.4	(0.1)	(5.7)	(2.8)
INR Growth	4.5	7.3	3.7	3.0	4.0	1.3	0.6

Source: DART, Company

Exhibit 5: Quarterly and YTD Trend

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	QoQ (%)	YTD FY20	YTD FY21	YoY (%)
\$Revenue (IT Services)	2,039	2,049	2,095	2,074	1,922	1,992	(2.8)	3.7	4,088	3,914	(4.2)
Revenue	148,718	151,897	155,432	158,498	150,433	151,305	(0.4)	0.6	300,615	301,738	0.4
Operating Expenditure	123,402	125,162	128,199	132,109	123,493	123,170	(1.6)	(0.3)	248,564	246,663	(0.8)
Cost of revenue	104,273	108,006	109,673	114,133	103,700	105,387	(2.4)	1.6	212,279	209,087	(1.5)
as % of sales	70.1	71.1	70.6	72.0	68.9	69.7			70.6	69.3	
SG&A expenses	19,129	17,156	18,526	17,976	19,793	17,783	3.7	(10.2)	36,285	37,576	3.6
as % of sales	12.9	11.3	11.9	11.3	13.2	11.8			12.1	12.5	
EBITDA	30,271	31,549	32,527	32,185	33,092	34,715	10.0	4.9	61,820	67,807	9.7
Depreciation	4,955	4,814	5,294	5,796	6,152	6,580	36.7	7.0	9,769	12,732	30.3
EBIT	25,316	26,735	27,233	26,389	26,940	28,135	5.2	4.4	52,051	55,075	5.8
Other Income	6,947	6,857	5,370	4,907	5,281	5,209	(24.0)	(1.4)	13,804	10,490	(24.0)
Finance Cost	1,584	2,247	1,844	1,653	1,299	1,267	(43.6)	(2.5)	3,831	2,566	(33.0)
Associates	(16)	(2)	34	13	31	(6)	200.0	(119.4)	(18)	25	(238.9)
PBT	30,663	31,343	30,793	29,656	30,953	32,071	2.3	3.6	62,006	63,024	1.6
Tax	6,699	5,731	6,164	6,205	6,838	7,229	26.1	5.7	12,430	14,067	13.2
PAT	23,964	25,612	24,629	23,451	24,115	24,842	(3.0)	3.0	49,576	48,957	(1.2)
NI	147	86	71	191	211	187	117.4	(11.4)	233	398	70.8
PAT after MI	23,817	25,526	24,558	23,260	23,904	24,655	(3.4)	3.1	49,343	48,559	(1.6)
Reported EPS	4.0	4.3	4.3	4.1	4.2	4.3	0.7	3.1	8.2	8.5	3.2
Margins (%)							(bps)	(bps)			(bps)
EBITDA	20.4	20.8	20.9	20.3	22.0	22.9	217	95	20.6	22.5	191
EBIT	17.0	17.6	17.5	16.6	17.9	18.6	99	69	17.3	18.3	94
EBT	20.6	20.6	19.8	18.7	20.6	21.2	56	62	20.6	20.9	26
PAT	16.0	16.8	15.8	14.7	15.9	16.3	(51)	40	16.4	16.1	(32)
Effective Tax rate	21.8	18.3	20.0	20.9	22.1	22.5	426	45	20.0	22.3	227

Source: DART, Company

What to expect Next Quarter

We expect growth of 3.0 % CC QoQ in US\$ revenues (inline with its guided growth band of US\$1.5%-3.5% in CC terms) lead by broad-based traction across verticals. OPM margins should decline by 17bps.

Exhibit 6: What to expect Next Quarter

(Rs Mn)	Q3FY21E	Q2FY21	Q3FY20	QoQ (%)	YoY (%)
Sales (US\$ mn)	2,052	1,992	2,095	3.0	(2.0)
Sales (Rs mn)	155,230	151,305	155,432	2.6	(0.1)
EBIT (IT Services)	28,734	28,351	27,732	1.3	3.6
PAT	25,229	24,655	24,558	2.3	2.7
EPS (Rs)	4.6	4.3	4.3	6.7	7.0
EBIT Margin (%)	19.0	19.2	18.4	-17 bps	68 bps

Source: DART, Company

Key Highlights from the earnings call

- **Revenue:** IT Services Revenue grew 2.0% QoQ on CC basis with favorable cross currency impact of 1.7%. INR Revenue grew by only 0.6% on QoQ basis due to INR depreciation of 2.6% on QoQ basis. The revenue growth was driven by ramp-up in some of the new and existing customers. It was a demand led growth and not resumption of supply side benefit. This implies supply side benefit maybe visible gradually over few quarters.
- **OPM:** IT Services OPM increased by 20bps to 19.20% on account of operational improvement of 80bps led by improve utilization (140bps QoQ) and lower sub-contracting expenses (decline of 4.6% QoQ, ~15% of Expenses), lower attrition (11.0%) and continued cost control which was offset due to impact of appreciating rupee and higher offshore mix (60bps).
- **Outlook:** Wipro highlighted that demand environment has improved from Q1 and pipeline is robust. The re-introduced guidance for Q3 (1.5% to 3.5% QoQ growth) in revenues is reflection of the continued momentum in volume (this also bakes in the inorganic contribution for the quarter).
- **New CEO Commentary:** CEO has met 100 customers and 20 partners in last quarter. Thierry highlighted that customers were happy with Wipro's technical expertise, work ethic, etc. He also highlighted that Next big wave is next – gen services - IOT, Digital, Cloud, 5G. Large part of client feel the need to push the transformation. Also, customers are becoming increasingly comfortable with virtual but they need someone to be nearby for local-led ideas.

Exhibit 7: New Strategy (5 Priorities)

Priorities	Details
Absolute Growth Focus	<ul style="list-style-type: none"> ▪ Continue to invest in existing accounts ▪ Target Large deals ▪ Leverage Partnership with Large Technologies
Focus and Skill	<ul style="list-style-type: none"> ▪ Prioritize Markets and Sectors that are relevant and ensure leadership position in those areas
Expand beyond IT Office	<ul style="list-style-type: none"> ▪ Continue to expand presence beyond IT Office ▪ Leverage the ecosystem of partners (Large Tech and Startups)
Invest in Talent	<ul style="list-style-type: none"> ▪ Invest in specific domain expertise, business understanding, technology skills ▪ Reinforce High-Performance Culture
Simplification of Operating Model	<ul style="list-style-type: none"> ▪ Become more lean centered around clients

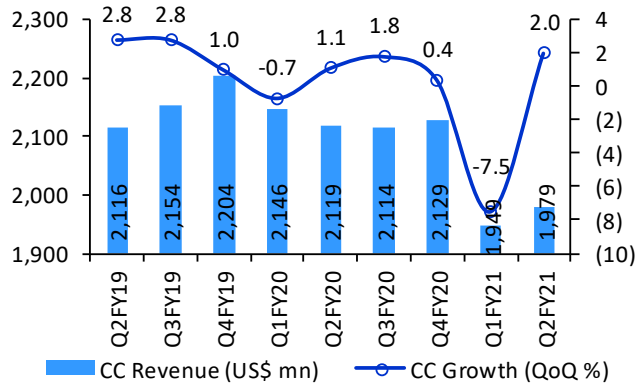
Source: DART, Company

- **Vertical Commentary:** BFSI Vertical (31% of Rev) grew 3.7% QoQ in CC terms where Wipro remains optimistic on BFSI but has highlighted seasonal furlough impact for Q3. Consumer business (16% of Rev) grew 4.5% QoQ in CC terms where Wipro expects it to grow faster. Healthcare business (14% of Rev) grew by 4.1% QoQ in CC terms and will continue to grow. Energy, Natural Resources and Utilities (13% of Rev) de-grew 2.4% QoQ in CC terms but Wipro expects this sector to return to growth and Technology (12.5% of Rev) de-grew 4.7% QoQ in CC Terms is also expected to come back to growth in Q3FY21.
- **Geographic Commentary:** Wipro in its strategic roadmap highlighted that it plans to increase its focus on US markets and Germany where it is already strong and it will try to become stronger. US grew by 2.2% QoQ in CC terms at \$1,164mn. Europe grew 0.1% QoQ in CC terms at \$474mn. ROW grew by 3.7% QoQ in CC terms at \$355mn.
- **Buyback:** Announced Buyback of Rs. 95Bn (111.6Bn – including tax impact) at Rs 400 per share (up to 237.5 million shares representing 4.16% of equity capital).

- **Acquisition:** Wipro announced Acquisition of Eximius Design, an engineering services company with strong expertise in semiconductor & systems design, for \$80Mn. This implies a revenue multiple of 2.3 times on trailing revenues (CY19 Revenue of \$35.2Mn, 59% YoY growth). Eximius Design has their client segment around some F100 corporations, new age companies, consumer electronics and automotive segments and has around 1,100 employees. Wipro highlighted that the acquisition will strengthen its' position in Semiconductor space and it will be a part of Wipro's EngineeringNXT framework. The transaction is expected to close during Q3.
- **Client Metrics:** Active clients increased by 85 to 1,089. The number of New Clients stood at 97 (v/s 42 last quarter). The overall growth in both metrics was on account of recent two acquisition which brought in new clients. Wipro's \$100mn+ revenues clients decreased to 11 from 13 on QoQ basis. On Revenue Client Metrics, top 2-5 clients had decline of 0.3% QoQ, top 6-10 declined by 1.5% QoQ and top client grew 3.7%. Non-top 10 client's revenue increased by 4.6% QoQ.
- **Employees:** Wipro hired over 13,000 people during the quarter which included 3,000 freshers. Wipro has also planned wage hikes in Q3 with 80% of employees eligible for hikes (effective 1st December 20).

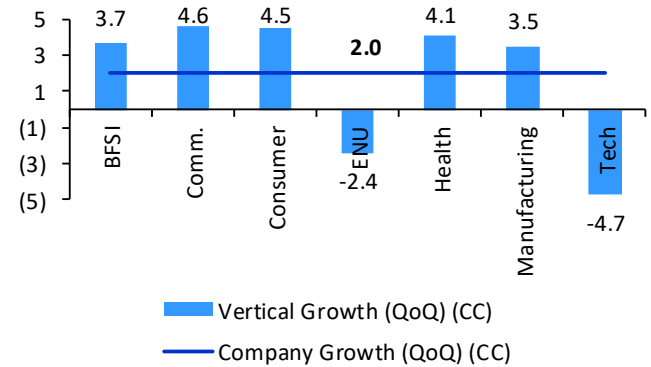
Story in Charts

Exhibit 8: CC Revenue grew by 2.0% QoQ led by ...



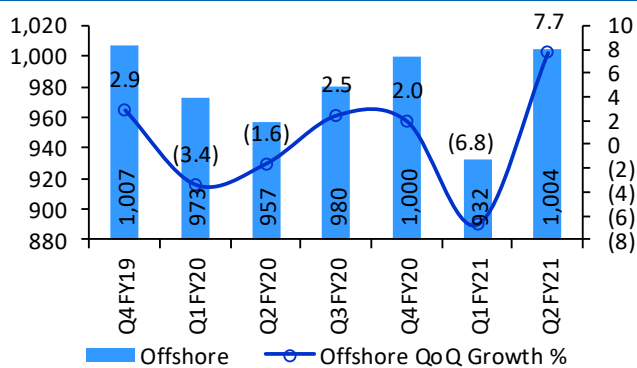
Source: DART, Company

Exhibit 9: Broad-based growth across most verticals



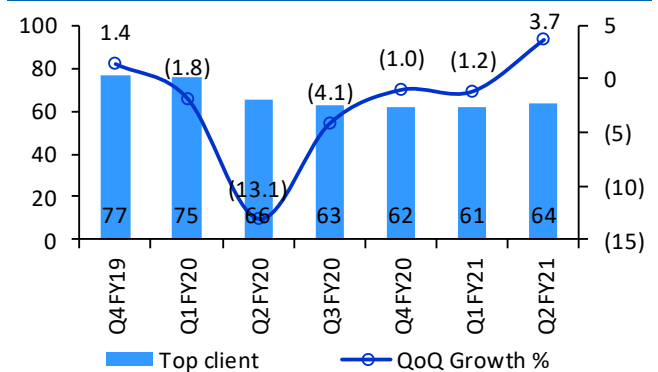
Source: DART, Company

Exhibit 10: Off-Shore Revenue grew by 7.7% QoQ



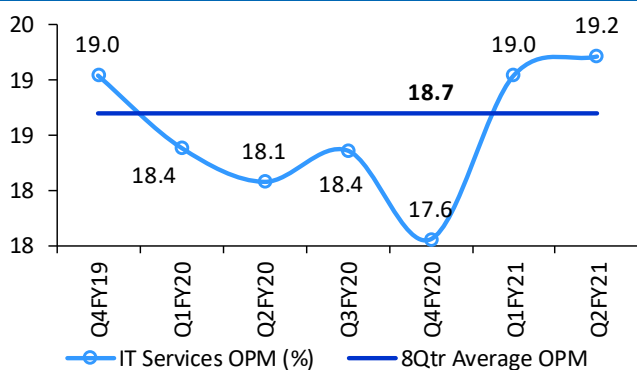
Source: DART, Company

Exhibit 11: Top Client (\$mn) revives with 3.7% growth



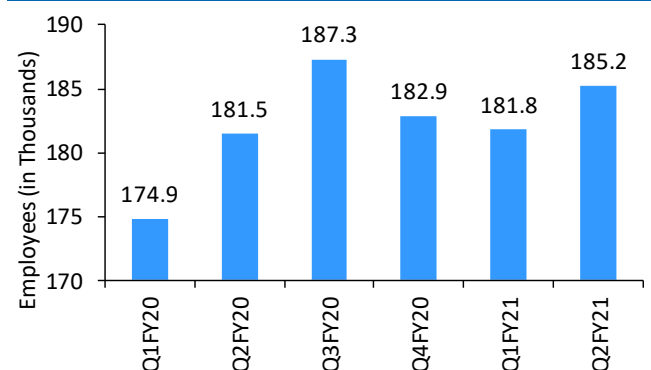
Source: DART, Company

Exhibit 12: IT Services EBIT Margin stood at 19.2% led by improved utilization and cost control



Source: DART, Company

Exhibit 13: Wipro hired 12K people to its headcount (in thousands) in Q2



Source: DART, Company

Exhibit 14: Operating Metrics 1

Operating Metrics	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Revenue Growth in CC (QoQ)	0.1	2.8	2.8	1.0	(0.7)	1.1	1.8	0.4	(7.5)	2.0
Revenue Growth in CC (YoY)	2.4	5.1	7.0	6.9	5.9	3.8	3.3	2.6	(4.4)	(3.4)
OPM Margin (%)	16.4	14.2	18.9	18.0	17.0	17.6	17.5	16.6	17.9	18.6
OPM Margin (%) - IT Services	14.0	13.0	19.8	19.0	18.4	18.1	18.4	17.6	19.0	19.2
Vertical Amount (INR mn)										
BFSI	608	627	643	654	644	641	647	630	590	622
Communications	113	116	119	118	120	117	119	114	98	106
Consumer Business Unit	324	333	319	336	318	328	354	348	306	323
ENU	253	257	266	266	261	264	270	265	254	257
Health Business Unit	272	261	268	274	269	266	274	280	259	273
Manufacturing	170	169	166	166	161	166	172	170	156	163
Technology	294	284	266	262	265	266	258	265	259	249
Vertical Growth (YoY) (CC)										
BFSI	14.4	16.0	17.5	15.9	11.2	5.9	1.0	(1.3)	(6.9)	(3.3)
Communications	(13.6)	(6.7)	(3.2)	3.2	8.8	2.4	1.3	2.0	(16.9)	(10.3)
Consumer Business Unit	4.8	7.7	10.0	14.8	7.7	6.1	12.1	6.4	(2.5)	(2.1)
ENU	(4.3)	0.0	9.8	9.4	7.8	6.3	2.6	4.9	(1.7)	(5.4)
Health Business Unit	(7.7)	(4.4)	(4.1)	(2.3)	0.4	3.0	4.2	3.6	(2.1)	2.3
Manufacturing	(6.0)	(1.6)	(0.2)	(3.2)	(0.1)	0.9	4.9	4.2	(2.0)	(1.5)
Technology	7.2	4.6	0.1	(5.3)	(1.6)	(2.5)	(1.7)	3.5	(1.4)	(7.1)
Segmental EBIT Margin (%)										
BFSI	18.1	18.2	19.8	21.0	20.6	18.4	17.7	17.4	19.0	20.0
Health BU	11.4	14.4	10.3	10.1	15.5	15.1	16.1	14.8	13.8	19.7
CBU	12.7	19.0	23.1	19.9	15.7	16.8	18.6	17.7	19.1	23.0
ENU	16.0	(11.3)	19.0	15.0	11.9	16.3	16.0	19.2	18.5	17.5
TECH	20.8	23.7	21.9	16.5	18.9	18.9	17.5	20.0	21.2	14.2
MFG	12.4	19.4	20.0	19.6	18.5	20.5	19.2	18.7	18.8	19.5
COMM	9.8	13.1	18.6	11.9	18.0	12.5	16.9	15.7	12.0	16.9
IT Product	(21.0)	(14.8)	6.7	(3.4)	(16.9)	4.6	(5.4)	4.2	5.5	(17.7)
ISRE	(4.2)	(10.7)	(40.0)	(43.4)	(29.7)	(8.6)	(28.6)	(20.5)	(4.7)	5.4
Geography Amount (INR mn)										
US	1,135	1,145	1,169	1,208	1,197	1,221	1,240	1,226	1,134	1,164
Europe	529	525	522	511	502	481	496	500	455	474
Rest of World	363	371	356	357	340	346	358	348	332	355
Geography Growth (YoY) (CC)										
US	3.7	7.9	12.7	14.2	11.2	9.4	7.2	2.3	(4.4)	(4.0)
Europe	5.8	5.0	2.9	(2.6)	0.0	(2.7)	(4.3)	(2.2)	(7.7)	(5.7)
Rest of World	0.0	0.0	(3.2)	0.2	(1.8)	(4.1)	2.0	(2.6)	0.5	2.0
Client Revenue (\$mn)										
Top client	75	73	76	77	75	66	63	62	61	64
Top 2-5 client	162	174	190	208	206	197	195	191	175	175
Top 5 client	237	247	266	284	281	262	258	253	236	239
Top 6-10 client	134	137	137	139	141	143	145	147	154	151
Top 10 client	371	384	403	423	422	406	402	400	390	391
Non Top 10 client	1,656	1,657	1,643	1,652	1,617	1,643	1,693	1,673	1,532	1,602
Client Growth (YoY)										
Top client	31.1	17.7	21.3	6.4	0.6	(10.8)	(17.0)	(19.0)	(18.5)	(2.8)
Top 2-5 client	11.1	9.1	15.3	19.8	27.0	13.4	2.4	(8.1)	(15.1)	(10.9)
Top 5 client	16.7	11.5	17.0	15.9	18.7	6.2	(3.2)	(11.0)	(16.0)	(8.8)
Top 6-10 client	(5.8)	(3.0)	4.8	3.8	5.2	4.9	5.4	5.9	9.3	5.6
Top 10 client	7.5	5.9	12.5	11.6	13.8	5.7	(0.2)	(5.5)	(7.6)	(3.7)
Non Top 10 client	1.8	0.4	(0.7)	(1.8)	(2.3)	(0.9)	3.0	1.3	(5.3)	(2.5)

Source: DART, Company

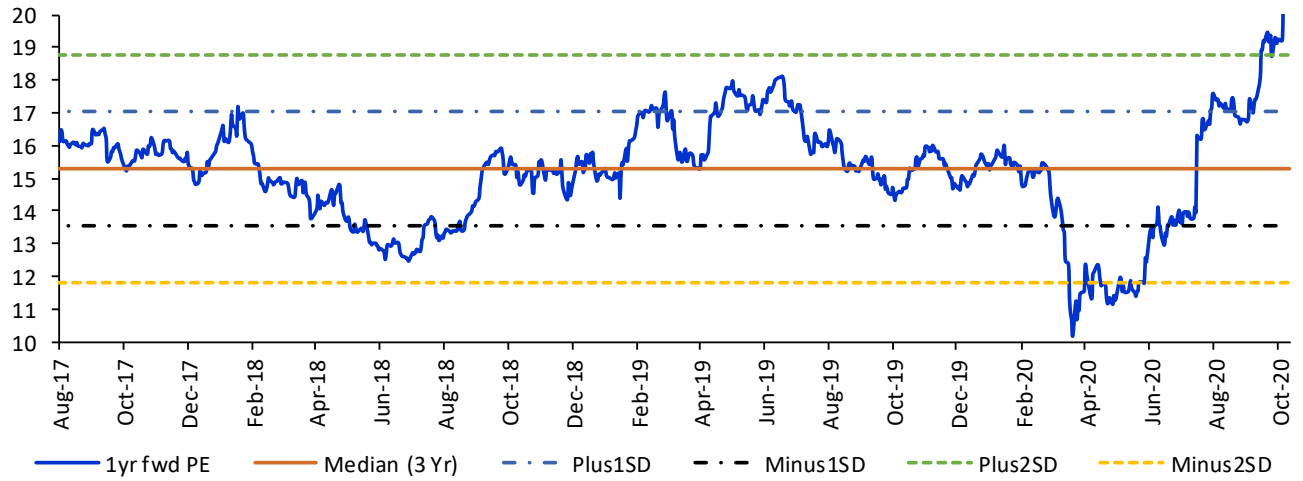
Exhibit 15: Operating Metrics 2

Operating Metrics	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Practice Area (\$ mn)										
Digital Operations and Platforms	245	259	301	309	300	301	321	303	284	309
Cloud and Infrastructure Services	555	523	512	523	524	527	540	535	498	510
Data, Analytics and AI	148	149	145	149	151	150	151	149	138	139
Modern Application Services	934	933	933	936	909	918	926	927	853	887
Industrial & Engineering Services	144	159	156	158	155	154	157	160	148	147
Practice Area (YoY) (CC)										
Digital Operations and Platforms	3.2	8.1	19.8	25.3	22.4	16.8	6.4	(1.5)	(4.6)	2.0
Cloud and Infrastructure Services	0.5	1.8	1.6	1.7	6.6	3.7	6.7	4.1	(3.1)	(3.8)
Data, Analytics and AI	1.8	14.0	12.6	13.2	11.5	1.1	1.9	1.5	(7.3)	(7.5)
Modern Application Services	2.7	4.5	5.6	4.9	1.0	1.4	0.8	3.2	(4.8)	(4.0)
Industrial & Engineering Services	7.0	7.9	6.3	0.6	1.4	(0.9)	3.1	3.6	(3.5)	(5.2)
Client Data										
>US\$1 million	595	584	578	571	564	569	572	574	577	573
>US\$3 million	359	348	339	339	340	341	344	341	348	342
>US\$5 million	268	265	269	262	259	261	260	260	258	257
>US\$10 million	171	177	171	172	166	165	169	166	163	166
>US\$20 million	91	92	99	96	92	92	96	96	97	100
>US\$50 million	40	39	41	41	41	41	41	40	39	39
>US\$100 million	8	9	10	10	13	13	14	15	13	11
Number of active clients	1,184	1,131	1,132	1,115	1,060	1,027	1,070	1,074	1,004	1,089
Number of New Customers	75	76	57	63	41	57	77	65	42	97
New Customers Business (\$mn)	10	29	43	50	12	33	50	62	6	28
Old Customers Business (\$mn)	2,016	2,013	2,004	2,026	2,027	2,016	2,045	2,011	1,916	1,965
Revenue Area (Mix)										
Onsite	52.9	52.8	52.2	51.5	52.3	53.3	53.2	51.8	51.5	49.6
Offshore	47.1	47.2	47.8	48.5	47.7	46.7	46.8	48.2	48.5	50.4
Service Type (Mix)										
FPP	58.9	58.9	59.8	60.0	61.6	61.9	62.6	63.2	61.7	60.3
TTM	41.1	41.1	40.2	40.0	38.4	38.1	37.4	36.8	38.3	39.7
Employee Data										
Total Employees	160,846	171,451	172,379	171,425	174,850	181,453	187,318	182,886	181,804	185,243
Net Addition	(18,196)	10,605	928	(954)	3,425	6,603	5,865	(4,432)	(1,082)	3,439
Breakup of Employees										
Core	145,770	156,589	157,804	157,065	160,734	166,463	172,086	167,978	167,237	170,437
Support and Sales	15,076	14,862	14,575	14,360	14,116	14,990	15,232	14,908	14,567	14,806
Other Employee Data										
Attrition (LTM) (%)	17.0	17.4	17.9	17.6	17.6	17.0	15.7	14.7	13.0	11.0
Gross Utilization	74.5	74.4	73.4	75.4	73.9	71.4	70.2	73.4	75.0	76.4
DOP - Quarterly Post Training	9.5	11.2	9.4	10.8	10.0	9.9	9.6	10.8	4.4	6.1

Source: Company, DART

PE Performance

Exhibit 16: WIPRO Valuations have crossed 2SD to its 3 Yr Median and may see some mean reversal hereon



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23A
Revenue	614,545	615,408	660,021	711,101
Total Expense	508,872	502,697	544,098	587,829
COGS	436,085	427,314	463,889	502,401
Employees Cost	0	0	0	0
Other expenses	72,787	75,383	80,209	85,429
EBIDTA	133,060	140,099	143,311	151,005
Depreciation	27,387	27,387	27,387	27,733
EBIT	105,673	112,711	115,923	123,272
Interest	7,328	5,062	4,905	4,903
Other Income	24,110	20,450	21,475	23,490
Exc. / E.O. items	0	0	0	0
EBT	122,455	128,099	132,493	141,858
Tax	24,799	28,384	29,148	31,918
RPAT	97,161	99,033	102,825	109,405
Minority Interest	495	683	520	535
Profit/Loss share of associates	0	0	0	0
APAT	97,161	99,033	102,825	109,405

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23A
Sources of Funds				
Equity Capital	11,427	10,948	10,948	10,948
Minority Interest	1,875	2,558	3,078	3,613
Reserves & Surplus	546,031	545,065	620,520	697,082
Net Worth	557,458	556,013	631,468	708,029
Total Debt	78,042	72,186	66,798	61,842
Net Deferred Tax Liability	(3,180)	(3,180)	(3,180)	(3,180)
Total Capital Employed	634,195	627,577	698,164	770,304

Applications of Funds

Net Block	245,242	239,022	232,135	225,302
CWIP	0	0	0	0
Investments	10,685	10,685	10,685	10,685
Current Assets, Loans & Advances	555,130	554,323	638,335	724,216
Inventories	1,865	1,842	1,994	2,154
Receivables	135,732	145,000	153,704	163,651
Cash and Bank Balances	144,499	133,112	204,436	276,110
Loans and Advances	0	0	0	0
Other Current Assets	83,399	82,933	84,766	86,865
Less: Current Liabilities & Provisions	176,862	176,453	182,991	189,899
Payables	78,129	77,181	83,537	90,252
Other Current Liabilities	98,733	99,272	99,453	99,647
<i>sub total</i>				
Net Current Assets	378,268	377,869	455,344	534,317
Total Assets	634,195	627,577	698,164	770,304

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23A
(A) Margins (%)				
Gross Profit Margin	29.0	30.6	29.7	29.3
EBIDTA Margin	21.7	22.8	21.7	21.2
EBIT Margin	17.2	18.3	17.6	17.3
Tax rate	20.3	22.2	22.0	22.5
Net Profit Margin	15.8	16.1	15.6	15.4
(B) As Percentage of Net Sales (%)				
COGS	71.0	69.4	70.3	70.7
Employee	0.0	0.0	0.0	0.0
Other	11.8	12.2	12.2	12.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage	14.4	22.3	23.6	25.1
Inventory days	1	1	1	1
Debtors days	81	86	85	84
Average Cost of Debt	8.3	6.7	7.1	7.6
Payable days	46	46	46	46
Working Capital days	225	224	252	274
FA T/O	2.5	2.6	2.8	3.2
(D) Measures of Investment				
AEPS (Rs)	17.0	18.1	18.8	20.0
CEPS (Rs)	21.8	23.1	23.8	25.1
DPS (Rs)	1.2	1.0	5.0	6.0
Dividend Payout (%)	7.2	5.5	26.6	30.0
BVPS (Rs)	97.7	101.6	115.4	129.3
RoANW (%)	17.3	17.8	17.3	16.3
RoACE (%)	16.1	16.6	16.3	15.6
RoAIC (%)	21.2	22.9	23.5	25.0
(E) Valuation Ratios				
CMP (Rs)	376	376	376	376
P/E	22.1	20.8	20.0	18.8
Mcap (Rs Mn)	2,057,913	2,057,913	2,057,913	2,057,913
MCap/ Sales	3.3	3.3	3.1	2.9
EV	1,801,821	1,805,551	1,726,840	1,648,209
EV/Sales	2.9	2.9	2.6	2.3
EV/EBITDA	13.5	12.9	12.0	10.9
P/BV	3.8	3.7	3.3	2.9
Dividend Yield (%)	0.3	0.3	1.3	1.6
(F) Growth Rate (%)				
Revenue	4.1	0.1	7.2	7.7
EBITDA	6.9	5.3	2.3	5.4
EBIT	8.8	6.7	2.8	6.3
PBT	8.7	4.6	3.4	7.1
APAT	11.4	1.9	3.8	6.4
EPS	17.6	6.2	3.8	6.4

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23A
CFO	100,643	101,420	110,081	113,828
CFI	34,012	(6,472)	(6,000)	(4,354)
CFF	(149,076)	(106,334)	(32,757)	(37,800)
FCFF	68,413	81,420	89,581	92,928
Opening Cash	158,525	144,104	132,717	204,041
Closing Cash	144,104	132,717	204,041	275,715

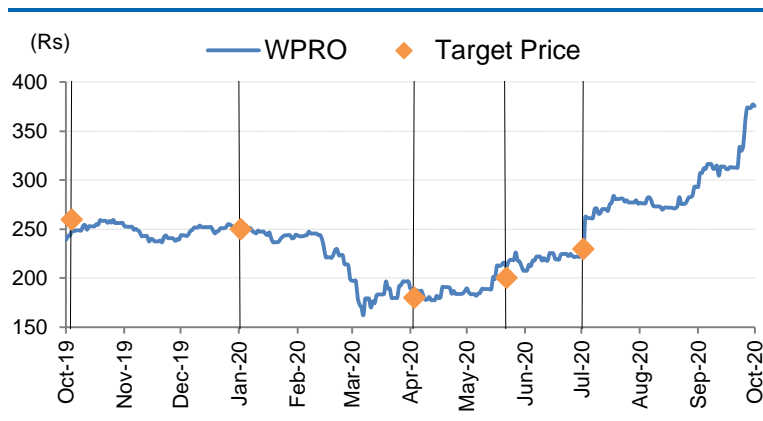
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-19	Reduce	260	249
Jan-20	Reduce	250	257
Apr-20	Reduce	180	187
Jun-20	Sell	200	211
Jul-20	Reduce	230	225

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
-------------	-------------------	-------------------------	-----------------

Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
-------------------	------------------	-----------------------	-----------------

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. Entity/ persons only: This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.



Dolat Capital Market Private Limited.

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
