

November 22, 2021

Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	728		728	
Sales (Rs. m)	9,19,426	10,30,218	9,19,426	10,30,218
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,98,359	2,25,292	1,98,359	2,25,292
% Chng.	-	-	-	-
EPS (Rs.)	25.7	29.7	25.7	29.7
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	619	790	919	1,030
EBITDA (Rs. bn)	149	169	198	225
Margin (%)	24.0	21.4	21.6	21.9
PAT (Rs. bn)	108	124	145	168
EPS (Rs.)	19.1	21.9	25.7	29.7
Gr. (%)	14.7	14.4	17.5	15.4
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.2	0.2	0.2	0.2
RoE (%)	19.4	20.1	19.5	18.7
RoCE (%)	19.2	19.4	18.9	18.4
EV/Sales (x)	5.5	4.3	3.6	3.0
EV/EBITDA (x)	22.9	20.3	16.5	13.9
PE (x)	34.1	29.8	25.3	22.0
P/BV (x)	6.7	5.4	4.5	3.8

Key Data

WIPR.BO | WPRO IN

52-W High / Low	Rs.740 / Rs.342
Sensex / Nifty	59,636 / 17,765
Market Cap	Rs.3,570bn/ \$ 48,095m
Shares Outstanding	5,481m
3M Avg. Daily Value	Rs.9671.05m

Shareholding Pattern (%)

Promoter's	73.34
Foreign	9.69
Domestic Institution	2.05
Public & Others	14.92
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.2)	28.2	88.7
Relative	(4.9)	7.9	39.8

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Focused on value creation...

Quick Pointers:

- TTM large deal TCV grew 80% YoY. In H1FY22, ACV grew 28% YoY indicating strong growth in near term.
- Wipro aspires to sustain margins and invest back in growth.

Wipro is progressing well on their new strategic imperatives – 1) Bold (Capco, one of the biggest consulting acquisitions, is performing well with 22 joint deal wins and 45 deals in pipeline) 2) High performance driven culture (incentives for top performers increased by 2x) and 3) moving closer to clients (60% of leadership in local markets with increased proximity to clients, increased number of global account executives). New CEO's sharp focus on growth has led to large deal TCV growth of 80% over past four quarters. Management mentioned that demand pipeline is the highest in recent past.

Wipro aims to be an orchestrator i.e. deliver business outcomes integrating consulting, industry specific and cloud capabilities. Wipro is making strategic investments in cloud (\$1Bn in Wipro Full-stride cloud services), cybersecurity, data and engineering led solutions. Cloud ecosystem has been major contributor for growth with cloud revenues growing at 6.4% CQGR on TTM basis and cloud related pipeline at 1/3rd of total pipeline.

Wipro aims to sustain margins and invest in future technology capabilities and talent for growth. It is building talent at scale with improved fresher hiring engine (target to add 17.5K freshers in FY22 and 25-30K freshers in FY23) and improved performance based incentives. It is also utilizing Topcoder platform as talent cloud to de-risk from talent battle and help customers access talent at any time.

Our DCF based TP for Wipro is 728 (implied target multiple of 24.6x P/E on FY24 EPS). Wipro is currently trading at 25.3x/22x for FY23/24E earnings of INR25.7/29.7 respectively with Revenue/EPS CAGR of 12%/16.4% for FY22-24 respectively. Maintain BUY.

Five strategic priorities to achieve industry leading growth:

- **Client obsession:** Wipro's focus on strengthening global account executives have led to strong growth in strategic clients. Top 10 clients grew 33% YoY in Q2FY22. \$50 mn accounts have grown from 39 to 44 and \$100 mn accounts from 11 to 15 over last four quarters. 80% of \$30Mn+ deals were in strategic accounts.
- **Strategic Partnerships:** Wipro is co-investing and co-innovating with hyper-scalars (AWS, Azure, GCP) and platform players (SAP, ServiceNow, Salesforce) and seeing great traction in cloud, AI and data. It has hired senior leaders to strengthen partnership organizations. Wipro has now moved to be top 4 in number of certified SAP consultants. Wipro is also recognized as leader by ISG in Salesforce provider magic quadrant.

Wipro is also investing on future technologies such as connected devices, personalized services, AI, mixed reality, blockchain and tokenization.

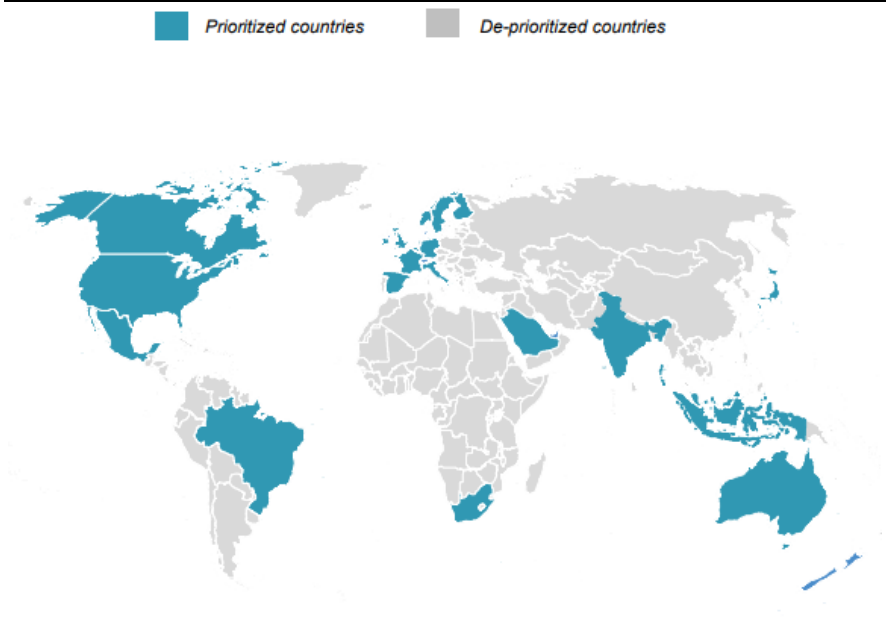
Wipro's cloud related revenue has grown 2 times that of company average growth rate in past 24 months.

- **Large deals acceleration:** Large deal TCV growth of 80% over past four quarters. Demand pipeline is the highest in recent past. Wipro signed one mega deal each in both America and Europe with potential to reach \$1Bn revenue in each of the accounts. TCV growth of 19% YoY; lower than ACV growth of 28% YoY in H1FY22 indicates higher share of small and medium duration deals.
- **Strategic M&A:** Wipro's acquisition of Capco has improved their capability to participate in larger transformation deals in Financial services industry. Acquisition of Ampion has significantly strengthened cybersecurity capabilities and expanded presence in APAC market. Wipro will continue to look for strategic M&A opportunities with focus on cloud, cybersecurity, engineering in priority sectors and geos
- **Focus on winning in priority Markets and sectors:** Wipro's investments in priority markets and sectors are showing results with 4 out of 7 sectors in Americas growing at 5%+ CQGR and while certain European markets - Switzerland, Benelux, Germany have grown at 8%+ CQGR over last four quarters. APAC, Middle-East and Africa which was de-growing market in the past have now started growing.
- **Wipro aims to be an orchestrator delivering business outcomes:** Wipro aims to deliver business solutions integrating consulting, industry specific and cloud capabilities. Wipro is making strategic investments in data, cybersecurity and engineering led solutions. Next-gen services (cloud transformation, cloud security, data experience etc.) contributed 20% of total revenue growing 10.1% CQGR over last four quarters.
- **Realizing combined power of Wipro and Capco:** Wipro is bringing together combined strengths of Wipro and Capco to build highly responsive client centric financial services organization. In last six months, they have jointly won 22 deals across 15 clients and currently 45 strategic deals across 20 clients are in pipeline.
- **Investing in Wipro full-stride cloud services:** In Jul 21, Wipro announced its plan to invest \$1Bn in Wipro full-stride cloud services which integrates consulting, industry specific and cloud capabilities. Cloud ecosystem revenues grew at 6.4% CQGR over last four quarters and cloud related pipeline is 1/3rd of total pipeline.
- **Cybersecurity:** With new technologies emerging every day, threat landscape has increased multi-fold. Wipro believes that cybersecurity will be key growth area and is investing in advanced cyber-security skill development. It is not only building technical skills but also bringing talent from Big 4 firms, industry experts to build holistic, industry and business specific cyber-security practice. Currently it is 7.5K+ active cyber-security professionals.
- **Demand outlook:** Pandemic has accelerated adoption of digital technologies such as AI, cloud, data analytics, cybersecurity and engineering etc. Customers are now using technology for increasing their revenue rather than just for reducing costs to increase efficiency. Demand remains strong and broad-based.

Wipro aims to utilize Topcoder platform to de-risk from talent battle and help customers access talent at any time. It is evolving Top coder platform in to talent cloud.

- **Talent Strategy:**
 - **Leadership team is now global, diverse and closer to customers:** Wipro has moved leadership team closer to clients with 60% of leadership in local markets with increased proximity to clients. Wipro has recruited 50 new senior leaders and about 80% of them are in market facing roles.
 - **Building Talent at scale:** Wipro plans to hire 17.5K+ freshers in FY22 and 25-30K+ freshers in FY23. Wipro continues to invest in building world-class talent in growth hotspots. It has 80K cloud professionals, more than 10K colleagues are certified in various cloud, more than 40K+ trained professionals in AI, 75K professional in cybersecurity. It has 1.6mn+ data science experts accessible through Top coder.
 - **Wipro is building high performance culture:** Wipro is creating high performance culture by introducing sharp differentiation in rewarding top talent. They have increased performance based increments by 2x for top talent, and increased more promotion and bonus intensity for top talent.
 - **Hybrid work model:** Leadership team and fully vaccinated employees are coming to office twice a week as the company is opening up facilities in phased manner. Flexible remote work will continue with Wipro employees following client’s hybrid model on client sites and one team approach for offshore employees. (entire team of a particular project will work from office on designated days and work from home for rest of the days).
- **Sustaining margins:** Wipro aims to sustain margins and invest in growth, i.e. in strengthening technology capabilities and building talent at scale.

Exhibit 1: Focus on winning in priority markets and sectors



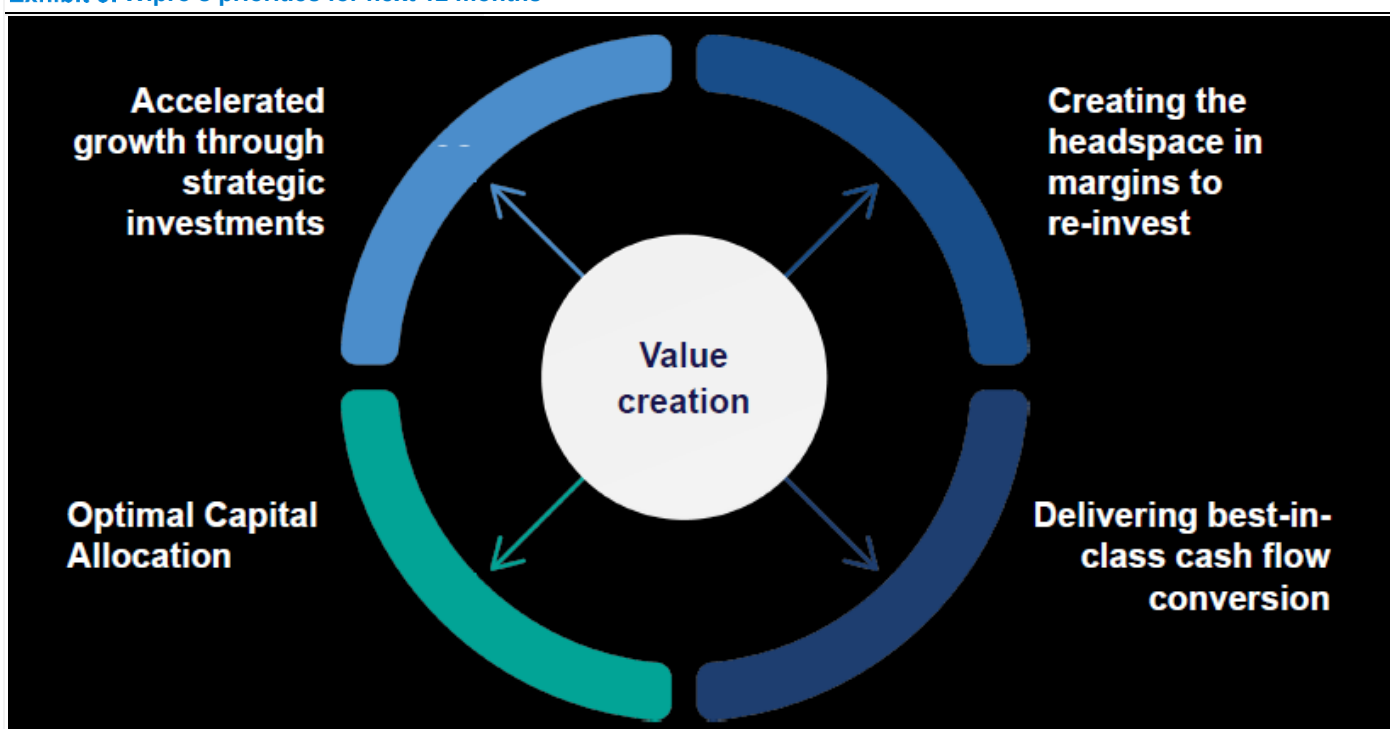
Source: Company, PL

Exhibit 2: Key external hires under new CEO

Period	Name	Designation	Previous Role
Jun-21	Anup Purohit	CIO	CIO, Yes Bank
Apr-21	Subha Tatavarti	CTO	Senior Director, Technology Commercialization, Walmart
Apr - 21	Suzzane Dann	Senior Vice president and Sector head for Capital markets & Insurance, North America	Corporate vice President and GM at Avande (Accenture & Microsoft JV)
Apr - 21	Sarah Adam Gedge	MD – Australia and New Zealand	Worked in project and service-based consultancies for more than 25 years across ANZ, APMEA and LATM
Mar - 21	Subha Tatavarti	CTO	Lead Walmart's product and technology transformation
Mar-21	Philippe Dintrans	Head, Domain & consulting, iDEAS	Global consulting leader, BFS, Cognizant
Feb-21	Stephanie Trautman	Chief Growth Officer	MD, Global Strategic Account Lead, NE Leadership Team, Accenture
Feb-21	Pierre Bruno	CEO, Europe	VP & MD, South Europe, DXC
Feb-21	Graziella Neuvéglise	Regional head, MD, Southern Europe	VP, Manufacturing, France, CGI
Feb-21	Tomoaki Takeuchi	MD, Head, Japan	President, Cognizant Japan
Feb-21	René Mulder	MD, Head, Switzerland	MD, Chairman, DXC Technology Switzerland
Jan-21	Douglas Silva	MD, Head, Brazil	Sales Director, Brazil, AWS
Dec-20	Tony Buffomante	SVP, Head, Cybersecurity & Risk services	Principal, Head, US, Cyber Security Services, KPMG
Nov-20	Michael Seiger	MD, Head, Germany and Austria	Global head, Application management, Atos

Source: Company, PL

Exhibit 3: Wipro's priorities for next 12 months



Source: Company, PL

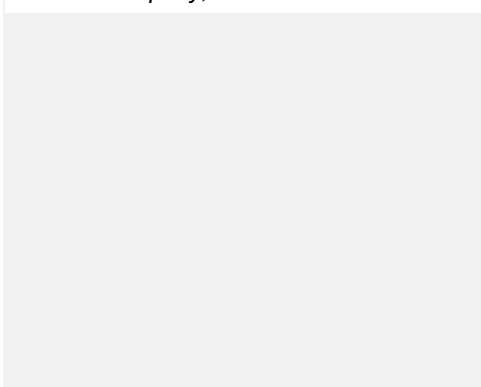


Exhibit 4: Wipro's unified and integrated approach to cloud



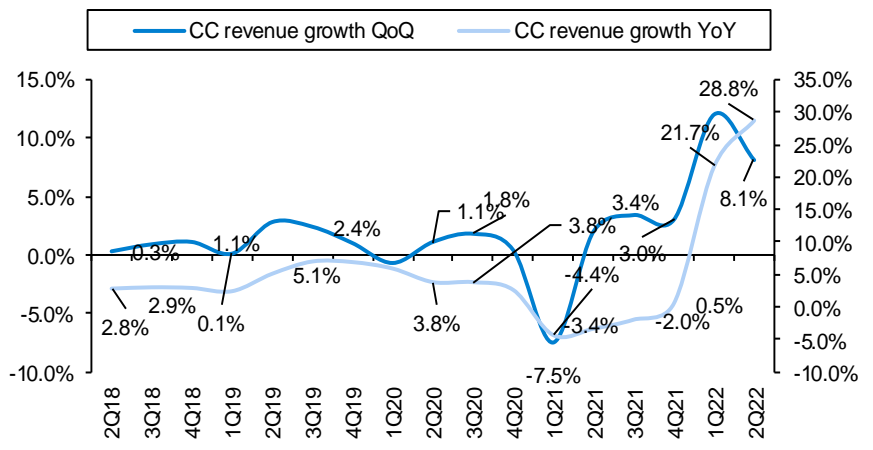
Source: Company, PL

Exhibit 5: Revenue growth

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Strategic Business Units \$ QoQ growth										
BFSI	-1.5%	-0.5%	0.9%	-2.6%	-6.4%	5.4%	1.6%	3.9%	22.8%	11.3%
Communications	1.7%	-2.9%	2.2%	-1.0%	-17.1%	7.8%	2.0%	-0.1%	14.4%	4.8%
Consumer Business Unit	-5.4%	3.1%	8.0%	-1.6%	-12.3%	5.6%	5.2%	7.7%	14.2%	6.9%
Energy, Natural Resources and Utilities	-1.8%	1.3%	2.2%	-1.8%	-4.4%	1.3%	5.6%	4.7%	11.3%	0.3%
Health Business Unit	-1.8%	-1.0%	3.0%	2.0%	-7.3%	5.2%	5.5%	-2.8%	2.7%	5.1%
Manufacturing & Technology	-0.3%	1.5%	-0.7%	1.4%	-4.7%	-0.6%	4.9%	5.9%	1%	5.2%
Strategic Business Units \$ YoY growth										
BFSI	8.7%	4.6%	0.7%	-3.6%	-8.4%	-3.1%	-2.4%	4.1%	36.7%	44.4%
Communications	6.1%	0.2%	0.6%	-0.1%	-18.5%	-9.6%	-9.8%	-9.0%	25.7%	22.2%
Consumer Business Unit	4.5%	3.9%	10.9%	3.6%	-3.9%	-1.5%	-4.1%	5.0%	36.7%	38.3%
Energy, Natural Resources and Utilities	3.3%	2.8%	1.6%	-0.1%	-2.8%	-2.8%	0.4%	7.0%	24.7%	23.5%
Health Business Unit	-0.5%	2.0%	2.4%	2.2%	-3.6%	2.5%	4.9%	0.0%	10.8%	10.6%
Manufacturing & Technology	-4.8%	-1.8%	-0.6%	1.9%	-2.6%	-4.6%	0.8%	5.3%	8.6%	18.2%

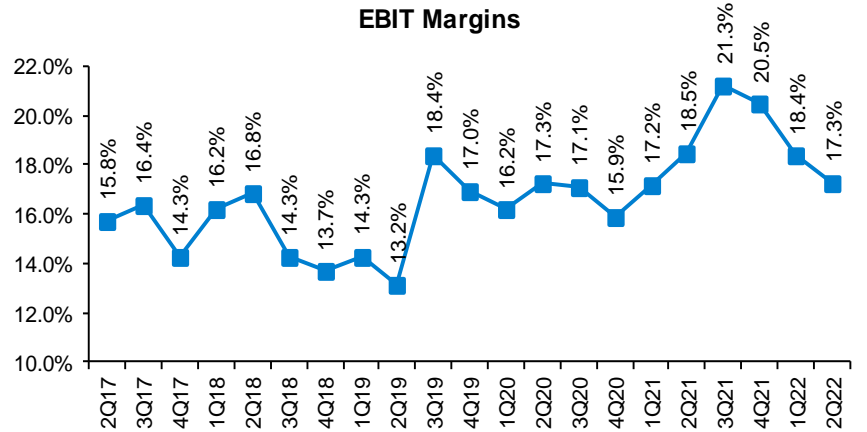
Source: Company, PL

Exhibit 6: Strong Revenue Performance



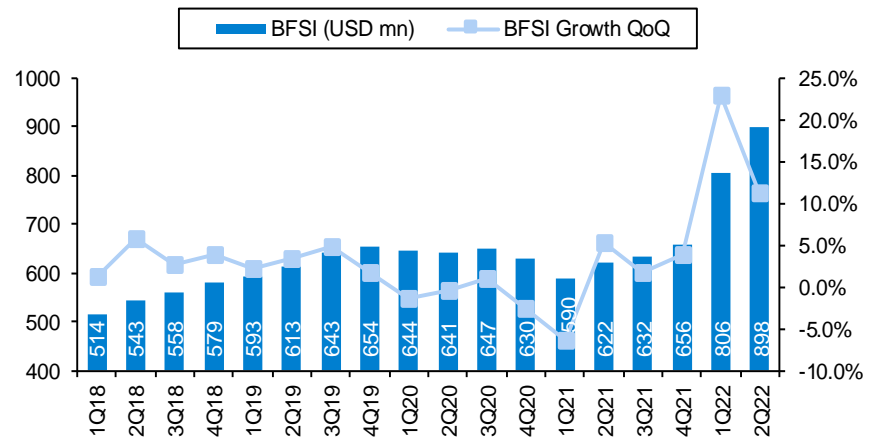
Source: Company, PL

Exhibit 7: Tight cost management supported margins



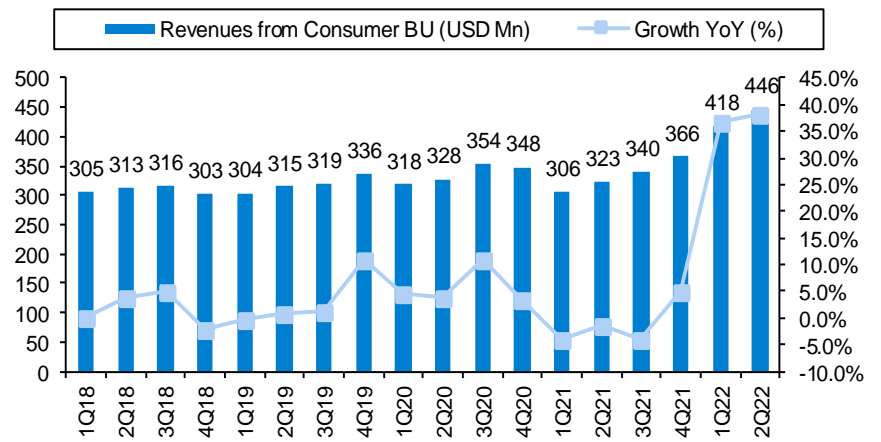
Source: Company, PL

Exhibit 8: Strong growth in BFSI aided by Capco



Source: Company, PL

Exhibit 9: Strong recovery in CBU



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	6,19,430	7,89,924	9,19,426	10,30,218
YoY gr. (%)	1.5	27.5	16.4	12.1
Employee Cost	3,94,555	5,21,055	6,01,542	6,70,998
Gross Profit	2,24,875	2,68,868	3,17,884	3,59,220
Margin (%)	36.3	34.0	34.6	34.9
SG&A Expenses	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	1,48,829	1,68,937	1,98,359	2,25,292
YoY gr. (%)	21.7	13.5	17.4	13.6
Margin (%)	24.0	21.4	21.6	21.9
Depreciation and Amortization	28,637	32,385	35,567	39,853
EBIT	1,20,192	1,36,551	1,62,792	1,85,439
Margin (%)	19.4	17.3	17.7	18.0
Net Interest	-	-	-	-
Other Income	18,856	18,067	21,628	27,284
Profit Before Tax	1,39,048	1,54,619	1,84,420	2,12,723
Margin (%)	22.4	19.6	20.1	20.6
Total Tax	30,341	31,002	39,176	45,184
Effective tax rate (%)	21.8	20.1	21.2	21.2
Profit after tax	1,08,707	1,23,617	1,45,244	1,67,539
Minority interest	716	54	-	-
Share Profit from Associate	0	0	0	0
Adjusted PAT	1,07,991	1,23,563	1,45,244	1,67,539
YoY gr. (%)	11.1	14.4	17.5	15.4
Margin (%)	17.4	15.6	15.8	16.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,07,991	1,23,563	1,45,244	1,67,539
YoY gr. (%)	11.1	14.4	17.5	15.4
Margin (%)	17.4	15.6	15.8	16.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,07,991	1,23,563	1,45,244	1,67,539
Equity Shares O/s (m)	5,649	5,649	5,649	5,649
EPS (Rs)	19.1	21.9	25.7	29.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	98,277	1,33,621	1,37,621	1,41,621
Tangibles	85,192	90,813	94,813	98,813
Intangibles	13,085	42,808	42,808	42,808
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	98,277	1,33,621	1,37,621	1,41,621
Tangibles	85,192	90,813	94,813	98,813
Intangibles	13,085	42,808	42,808	42,808
Capital Work In Progress	-	-	-	-
Goodwill	1,39,127	2,28,763	2,28,763	2,28,763
Non-Current Investments	16,420	698	698	698
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	54,424	68,960	68,960	68,960
Current Assets				
Investments	1,75,707	1,75,223	1,75,223	1,75,223
Inventories	1,064	824	951	1,066
Trade receivables	94,298	1,20,907	1,39,577	1,56,398
Cash & Bank Balance	1,69,793	1,93,568	3,43,722	4,88,535
Other Current Assets	75,799	91,316	1,05,417	1,18,121
Total Assets	8,31,434	10,22,905	12,09,958	13,88,410
Equity				
Equity Share Capital	10,958	10,962	10,962	10,962
Other Equity	5,42,137	6,66,080	8,04,766	9,65,747
Total Network	5,53,095	6,77,042	8,15,728	9,76,709
Non-Current Liabilities				
Long Term borrowings	7,458	55,319	55,319	55,319
Provisions	-	-	-	-
Other non current liabilities	39,343	52,798	52,798	52,798
Current Liabilities				
ST Debt / Current of LT Debt	58,910	58,910	58,910	58,910
Trade payables	78,870	96,146	1,10,993	1,24,369
Other current liabilities	75,296	81,602	1,15,122	1,19,217
Total Equity & Liabilities	8,14,470	10,22,905	12,09,958	13,88,410

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	1,39,048	1,54,619	1,84,420	2,12,723
Add. Depreciation	28,637	32,385	35,567	39,853
Add. Interest	-	-	-	-
Less Financial Other Income	18,856	18,067	21,628	27,284
Add. Other	(15,742)	(14,131)	(17,936)	(23,592)
Op. profit before WC changes	1,51,943	1,72,873	2,02,051	2,28,984
Net Changes-WC	20,522	(19,948)	(18,052)	(16,264)
Direct tax	(24,915)	(31,002)	(39,176)	(45,184)
Net cash from Op. activities	1,47,550	1,21,923	1,44,823	1,67,536
Capital expenditures	(29,450)	(1,57,365)	(39,567)	(43,853)
Interest / Dividend Income	-	-	-	-
Others	37,189	15,557	17,936	23,592
Net Cash from Inv. activities	7,739	(1,41,808)	(21,631)	(20,261)
Issue of share cap. / premium	-	79,857	-	-
Debt changes	6,212	61,316	-	-
Dividend paid	(5,459)	(6,833)	(6,833)	(6,833)
Interest paid	(3,335)	-	-	1,000
Others	(1,26,258)	-	-	1,000
Net cash from Fin. activities	(1,28,840)	1,34,340	(6,833)	(4,833)
Net change in cash	26,449	1,14,455	1,16,359	1,42,442
Free Cash Flow	1,18,100	(35,442)	1,05,256	1,23,684

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	1,56,700	1,62,454	1,82,524	1,96,674
YoY gr. (%)	1.3	3.4	22.4	30.1
Raw Material Expenses	96,374	1,01,828	1,19,310	1,29,845
Gross Profit	60,326	60,626	63,214	66,829
Margin (%)	38.5	37.3	34.6	34.0
EBITDA	41,226	41,258	41,817	41,689
YoY gr. (%)	29.6	34.0	31.5	20.6
Margin (%)	26.3	25.4	22.9	21.2
Depreciation / Depletion	7,926	7,977	8,257	7,717
EBIT	33,860	34,167	34,720	34,905
Margin (%)	21.6	21.0	19.0	17.7
Net Interest	-	-	-	-
Other Income	5,230	4,215	5,040	3,593
Profit before Tax	38,530	37,496	38,600	37,565
Margin (%)	24.6	23.1	21.1	19.1
Total Tax	8,520	7,755	6,225	8,259
Effective tax rate (%)	22.1	20.7	16.1	22.0
Profit after Tax	30,010	29,741	32,375	29,306
Minority interest	298	20	54	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	29,712	29,721	32,321	29,306
YoY gr. (%)	21.0	27.8	35.2	18.9
Margin (%)	19.0	18.3	17.7	14.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	29,712	29,721	32,321	29,306
YoY gr. (%)	21.0	27.8	35.2	18.9
Margin (%)	19.0	18.3	17.7	14.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	29,712	29,721	32,321	29,306
Avg. Shares O/s (m)	5,696	5,510	5,463	5,465
EPS (Rs)	5.2	5.4	5.9	5.4

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	19.1	21.9	25.7	29.7
CEPS	24.2	27.6	32.0	36.7
BVPS	97.9	119.8	144.4	172.9
FCF	20.9	(6.3)	18.6	21.9
DPS	1.0	1.0	1.0	1.0
Return Ratio(%)				
RoCE	19.2	19.4	18.9	18.4
ROIC	20.8	18.2	21.8	24.2
RoE	19.4	20.1	19.5	18.7
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.4)	(0.5)	(0.6)
Debtor (Days)	56	56	55	55
Valuation(x)				
PER	34.1	29.8	25.3	22.0
P/B	6.7	5.4	4.5	3.8
P/CEPS	26.9	23.6	20.4	17.7
EV/EBITDA	22.9	20.3	16.5	13.9
EV/Sales	5.5	4.3	3.6	3.0
Dividend Yield (%)	0.2	0.2	0.2	0.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	14-Oct-21	BUY	728	673
2	05-Oct-21	BUY	678	641
3	06-Aug-21	BUY	665	598
4	16-Jul-21	BUY	678	576
5	07-Jul-21	BUY	637	533
6	02-Jul-21	UR	-	540
7	16-Apr-21	BUY	500	431
8	05-Apr-21	BUY	476	417
9	05-Mar-21	BUY	474	439
10	14-Jan-21	BUY	493	459

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Affle (India)	BUY	1,496	1,169
2	Coforge	BUY	5,596	5,069
3	Cyient	BUY	1,315	1,160
4	HCL Technologies	BUY	1,386	1,251
5	Infosys	BUY	2,004	1,709
6	L&T Technology Services	BUY	5,621	5,132
7	Larsen & Toubro Infotech	BUY	6,710	5,906
8	Mindtree	BUY	4,804	4,364
9	Mphasis	BUY	3,674	3,396
10	Persistent Systems	BUY	4,641	4,060
11	Redington (India)	BUY	213	145
12	Sonata Software	BUY	994	918
13	Tata Consultancy Services	BUY	4,113	3,936
14	TeamLease Services	Reduce	4,259	4,668
15	Tech Mahindra	BUY	1,862	1,522
16	Wipro	BUY	728	673
17	Zensar Technologies	BUY	539	453

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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