

# Wipro Limited



**Wipro Limited.**
**Weak revenue growth across geographies hampered by BFSI downturn**

CMP <b>INR 385</b>	Target <b>INR 479</b>	Potential Upside <b>24.4%</b>	Market Cap (INR Mn) <b>INR 21,13,460</b>	Recommendation <b>BUY</b>	Sector <b>Internet Software &amp; Services</b>
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**Synopsis:**

Wipro Ltd's (WPRO) Q4FY23 performance was lower than our estimate. During the quarter, Gross Revenue reached INR 231.90 billion (USD 2.8 billion), with a sequential decline of 0.2% and an 11.2% YoY increase. IT Services Segment Revenue increased to USD 2,823.0 million, an increase of 0.7% QoQ and 3.7% YoY; while Non-GAAP constant currency IT Services segment revenue decreased 0.6% sequentially and increased 6.5% on a YoY basis with offshore revenue comprising 59.7% of the revenue mix. Quarterly revenue growth was led by improvement in cloud infrastructure and Digital operations. IT Services Operating Margin for the quarter was at 16.3%, recording a flat sequential growth. Net Income for the quarter was at INR 30.7 billion (USD 374.1 million), an increase of 0.7% QoQ and a decrease of 0.4% on a YoY basis. Operating Cash Flows at 120.6% of Net Income for the quarter was at INR 37.3 billion (\$453.8 million), an increase of 60.0% YoY. The EPS has improved to INR 5.61 in Q4 FY23 from INR 5.57 in Q3 FY23 and decreased from INR 5.64 in Q4 FY22

**MARKET DATA**

Shares outs (Mn)	5480
Mkt Cap (INR Mn)	21,13,460
52 Wk H/L (INR)	538/352
Volume Avg (3m K)	8166.9
Face Value (INR)	2
Bloomberg Code	WPRO: IN

**KEY FINANCIALS**

(INR Mn)	Q4FY23	Q3FY23	Q4FY22	QoQ	YoY	KRChoksey Est.	Variance (%)
USD Revenue	2,823	2,804	2,722	0.6%	3.7%	2,870	-1.6%
Revenue	2,31,903	2,32,290	2,08,600	-0.2%	11.2%	2,36,847	-2.0%
EBIT	36,587	36,245	34,013	0.9%	7.5%	35,763	2.3%
PAT	30,935	30,650	30,925	0.9%	0.0%	30,790	0.5%
OPM (%)	15.7%	15.6%	16.3%	10 bps	-60 bps	15.1%	60 bps
NPM(%)	13.3%	13.2%	14.8%	10 bps	-150 bps	13.0%	30 bps

Source: Company, KRChoksey Research

**Muted revenue growth in BFSI, technology and Communication segment:**

Dollar Revenue was marginally up 0.7% QoQ and 3.7% YoY in CC term to USD 2,823 Mn (KRChoksey est. USD 2,870 Mn). Rupee revenue grew by 11.2% YoY and declined 0.2% sequentially to INR 231,903Mn (KRChoksey est. INR 236,847Mn). Sequential growth performance was led by Energy, natural resources, and utilities (+5.9% QoQ CC) & Health verticals (+2.0% QoQ CC), which grew above the company average, while technology, BFSI, and Communications declined sequentially. Delay in discretionary spending by clients due to macro environment challenges which are expected to stay for the near term. iCORE witnessed muted growth while Digital engineering and application declined on a sequential basis. Geographical revenue growth dragged due to marginal decline in both the Americas and Europe strategic markets sequentially.

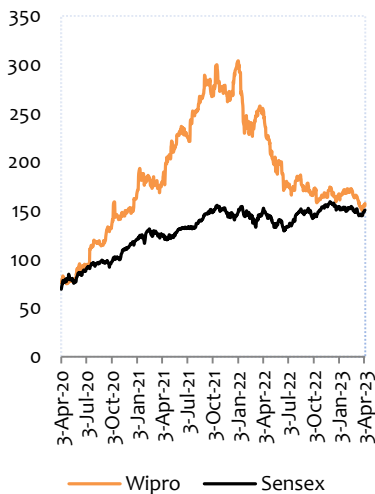
Gross Revenue for FY23 reached INR 904.9 billion (USD 11.0 billion), an increase of 14.4% YoY; while IT Services Segment Revenue increased to USD 11,159.7 million, an improvement of 7.8% on a YoY basis. Non-GAAP constant currency IT Services segment revenue witnessed an 11.5% YoY growth in FY23. Strong FY23 performance was mainly supported by growth in consulting, integrated digital and engineering services.

**Large Deal wins and steady decline in attrition rate:**

Wipro closed 15 large deals, resulting in a TCV of over USD 1.1bn in Q4FY23, an increase of 155% YoY CC. Total bookings of over \$4.1 billion in TCV terms, grew 29% YoY CC for the quarter, closing FY23 with the strongest-ever bookings recorded in a year. Continued investment in large deals has helped increase the deal TCV. Voluntary attrition decreased 330 bps from the previous quarter, landing at 14.1% on a quarterly annualized basis and at 19.2% on a TTM basis.

**Muted margin growth:**

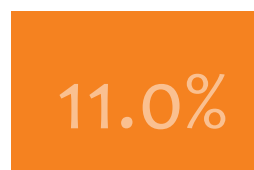
Net Income for the quarter was at INR 30.7 billion (\$374.1 million), an increase of 0.7% QoQ and a decrease of 0.4% on a YoY basis. Wipro continues to maintain its focus on operational improvements and productivity enhancements which led to the IT services margin exit at 16.3% in Q4 despite macro headwinds. PAT margins stood at 13.3% for the quarter with muted sequential improvement.

**SHARE PRICE PERFORMANCE**

**MARKET INFO**

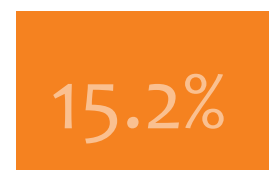
SENSEX	60,649.3
NIFTY	17,915.0

**SHARE HOLDING PATTERN (%)**

Particulars	Mar-23 (%)	Dec-22 (%)	Sep-22 (%)
Promoters	72.92	72.94	72.96
FIIIs	6.38	6.30	6.58
DIIIs	8.01	7.84	7.96
Others	12.69	12.92	12.5
Total	100.0	100.0	100.0



Revenue CAGR between FY23 and FY25E



PAT CAGR between FY23 and FY25E

## Wipro Limited.

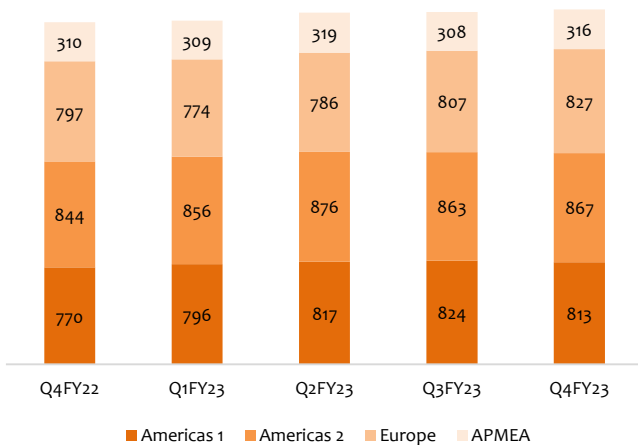
### Key Concall Highlights:

(i) BFSI vertical witnessed some softness during the quarter due to macro headwinds (ii) Wipro won 15 large deals in Q4FY23; delivering two consecutive quarters of total bookings of over \$4.1 billion (iii) Expanded their long-term relationship with a multi-national insurance company through a strategic transformation initiative. This is likely to enhance customer experience, simplify operations and lower the cost of service as part of a 10-year partnership. (iv) Significantly improved the quality of revenue over a couple of years in the India State Run Enterprise (ISRE) segment, and with that, they have decided to merge it with the IT Services segment starting Q1FY24 (v) The Board declared an interim dividend of INR 1, which will be the final dividend for FY 2022-23 (vi) Board approves buyback for the value of INR 120 billion (USD 1.5 billion) at the buyback price of INR 445 per equity share (vii) Wipro's total headcount stood at 2,56,921 as on March 31, 2023, onboarding over 22,000 Next Gen Associates in FY23 with a gross utilization rate of 74.0% and Net Utilization rate (excluding trainees) of 81.7% for the quarter (viii) The management guided the revenue to be in the range of USD 2,753 million to USD 2,811 million for Q1FY24. This translates to sequential decline in revenue of 1.0%-3% in constant currency terms.

### Valuation and view

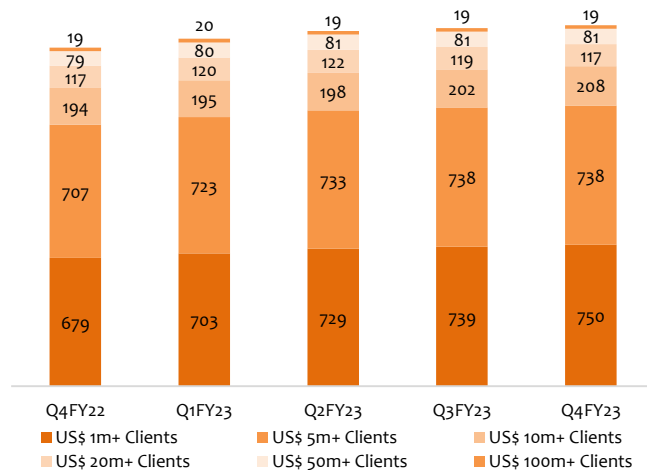
Wipro is currently trading at a valuation with a P/E multiple of 16.1x/14.5x on FY24E/FY25E earnings. Wipro is winning large transformation deals, benefitting from a consolidating market, and deepening relationships with existing clients. Hence we are assigning a P/E multiple of 18x to the FY25 estimated EPS of INR ~26.6 to arrive at a revised target price of INR 479 (Earlier Target price INR 471) per share, an upside of 24.4% over the CMP. Accordingly, we revise our view to a "BUY" rating for the stock.

Revenue by Geography (USD Mn)



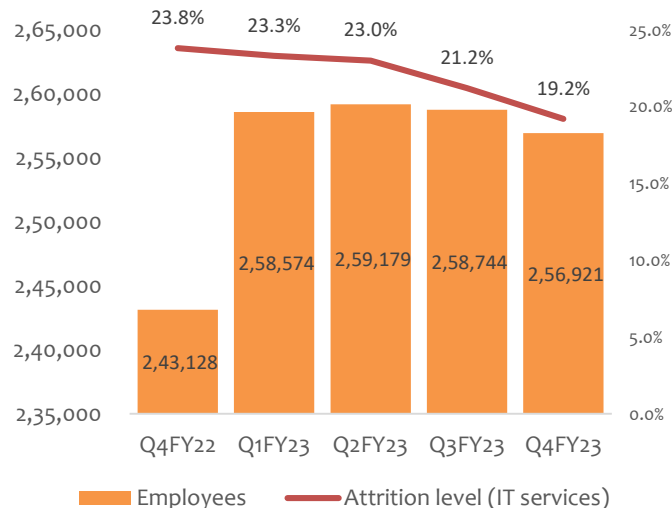
Source: Company, KRChoksey Research

Client Contribution



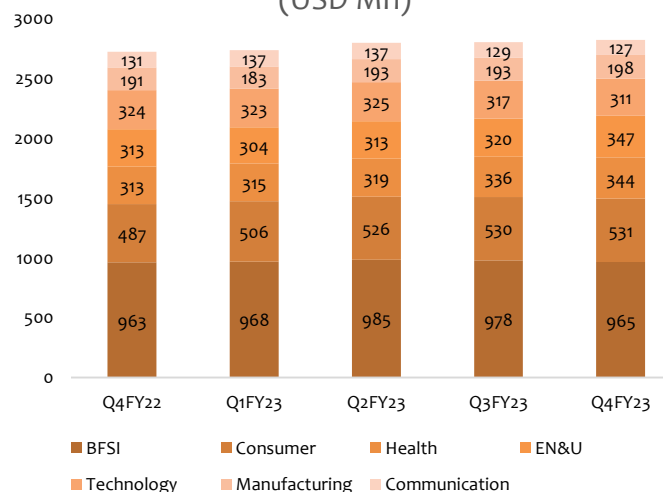
Source: Company, KRChoksey Research

Total Employee Base & Attrition



Source: Company, KRChoksey Research

Vertical-wise Revenue Contribution (USD Mn)



Source: Company, KRChoksey Research

**Wipro Limited.**
**KEY FINANCIALS**
**Exhibit 1: Balance Sheet**

Particulars (INR Mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Property, Plant and Equipment	70,601	81,120	85,192	90,898	88,659	91,417	94,461
Right-of-use Asset	0	16,748	16,420	18,870	18,702	19,637	20,619
Deferred Tax Asset/(Liability)	5,604	6,005	1,664	2,298	2,100	2,247	2,404
Goodwill	1,16,980	1,31,012	1,39,127	2,46,989	3,07,970	3,12,538	3,17,510
Intangible Assets	13,762	16,362	13,085	43,555	43,045	45,197	47,457
Investments	8,151	10,685	12,040	19,883	21,500	21,930	22,369
Other non-current tax assets	20,603	11,414	14,323	10,256	11,922	12,518	13,144
Other non current assets	25,564	23,865	26,397	25,681	20,828	21,871	22,966
<b>Total non current assets</b>	<b>2,61,265</b>	<b>2,97,211</b>	<b>3,08,248</b>	<b>4,58,430</b>	<b>5,14,726</b>	<b>5,27,355</b>	<b>5,40,930</b>
Cash & equivalent	158529	144499	169793	103836	91880	110631	136569
Inventories	3,951	1,865	1,064	1,334	1,188	1,550	1,725
Trade Receivables	1,00,489	1,04,474	94,298	1,15,219	1,26,350	1,45,419	1,67,942
Unbilled Revenues	22,880	25,209	27,124	60,809	60,515	76,825	85,498
Available for Sale Investment	2,20,716	1,89,635	1,75,707	2,41,655	3,09,232	3,30,878	3,54,040
Current Tax Assets	7,435	2,882	2,461	2,373	5,091	5,600	6,160
Derivatives Assets	4,931	3,025	4,064	3,032	1,844	2,028	2,231
Other Current Assets	52,975	48,262	48,675	92,494	64,996	68,246	71,658
<b>Total current assets</b>	<b>5,71,906</b>	<b>5,19,851</b>	<b>5,23,186</b>	<b>6,20,752</b>	<b>6,61,096</b>	<b>7,41,178</b>	<b>8,25,823</b>
<b>Total Assets</b>	<b>8,33,171</b>	<b>8,17,062</b>	<b>8,31,434</b>	<b>10,79,182</b>	<b>11,75,822</b>	<b>12,68,533</b>	<b>13,66,753</b>
Equity Share Capital	12,068	11,427	10,958	10,984	10,976	10,976	10,976
Other Equity	5,56,048	5,46,031	5,42,137	6,47,194	7,70,188	8,29,218	8,94,821
Equity Attributable to Owners of the Company	<b>5,68,116</b>	<b>5,57,458</b>	<b>5,53,095</b>	<b>6,58,178</b>	<b>7,81,164</b>	<b>8,40,194</b>	<b>9,05,797</b>
Non controlling Interest	2,637	1,875	1,498	515	589	618	649
<b>Total Equity</b>	<b>5,70,753</b>	<b>5,59,333</b>	<b>5,54,593</b>	<b>6,58,693</b>	<b>7,81,753</b>	<b>8,40,813</b>	<b>9,06,446</b>
Long term Debts	28,368	4,840	7,458	56,463	61,272	64,948	68,845
Other Financial Liabilities	0	12,638	13,513	15,177	16,132	16,469	16,814
Non-Current Tax Liabilities	11,023	13,205	11,069	17,818	21,777	23,955	26,350
DTL	3,417	2,825	4,633	12,141	15,153	16,668	18,335
Other Non-Current Liabilities	5,260	7,828	10,128	10,561	11,982	12,222	12,466
<b>Total non current liabilities</b>	<b>6,18,821</b>	<b>6,00,669</b>	<b>6,01,394</b>	<b>7,70,853</b>	<b>9,08,069</b>	<b>9,75,075</b>	<b>10,49,257</b>
Other Liabilities	18,690	20,153	26,022	60,504	34,356	37,792	41,571
ST-Term Borrowings	71,099	73,202	75,874	95,233	88,821	95,927	1,03,601
Trade Payables	88,304	78,129	78,870	99,034	89,054	99,335	1,07,702
Unearned Revenue	24,768	18,775	22,535	27,915	22,682	25,103	27,937
Current Liabilities	9,541	11,731	17,324	13,231	18,846	20,153	20,244
Derivative Liabilities	1,310	7,231	1,070	585	2,825	3,051	3,295
Lease Liabilities	0	6,560	7,669	9,056	8,620	9,310	10,054
Provision	638	612	676	2,771	2,549	2,789	3,093
<b>Total Current Liabilities</b>	<b>2,14,350</b>	<b>2,16,393</b>	<b>2,30,040</b>	<b>3,08,329</b>	<b>2,67,753</b>	<b>2,93,459</b>	<b>3,17,497</b>
<b>Total liabilities</b>	<b>8,33,171</b>	<b>8,17,062</b>	<b>8,31,434</b>	<b>10,79,182</b>	<b>11,75,822</b>	<b>12,68,533</b>	<b>13,66,753</b>

Source: Company, KRChoksey Research

## Wipro Limited.

### KEY FINANCIALS

#### Exhibit 2: Profit & Loss Statement

Particulars (INR Mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	5,85,845	6,10,232	6,19,430	7,90,934	9,04,876	10,01,471	11,14,525
Total operating Expenses	4,74,020	4,87,960	4,71,657	6,26,354	7,36,397	8,05,715	8,93,434
<b>EBITDA</b>	<b>1,11,825</b>	<b>1,22,272</b>	<b>1,47,773</b>	<b>1,64,580</b>	<b>1,68,479</b>	<b>1,95,756</b>	<b>2,21,091</b>
Depreciation	19,474	20,855	27,634	30,778	33,402	37,301	41,536
<b>EBIT</b>	<b>92,351</b>	<b>1,01,417</b>	<b>1,20,139</b>	<b>1,33,802</b>	<b>1,35,077</b>	<b>1,58,455</b>	<b>1,79,555</b>
Other income, net	27,267	25,225	20,831	18,443	18,185	20,654	21,001
Forex Gains/(Losses)	3,215	3,169	2,995	4,355	4,472	4,696	4,930
Finance costs	7,375	7,328	5,088	5,325	10,077	8,204	9,490
<b>Pre-tax Income</b>	<b>1,15,458</b>	<b>1,22,483</b>	<b>1,38,877</b>	<b>1,51,275</b>	<b>1,47,657</b>	<b>1,75,601</b>	<b>1,95,996</b>
Income tax expense	25,242	24,799	30,345	28,946	33,992	40,388	45,079
<b>Net profit Before MI</b>	<b>90,216</b>	<b>97,684</b>	<b>1,08,532</b>	<b>1,22,329</b>	<b>1,13,665</b>	<b>1,35,213</b>	<b>1,50,917</b>
Minority Interest	-185	-466	-586	-138	-165	-196	-219
<b>Net profit After MI</b>	<b>90,031</b>	<b>97,218</b>	<b>1,07,946</b>	<b>1,22,191</b>	<b>1,13,500</b>	<b>1,35,016</b>	<b>1,50,698</b>
Diluted EPS (INR)	15.90	17.17	19.07	21.58	20.05	23.85	26.62
Shares in Million	6,022	5,848	5,662	5,662	5,662	5,662	5,662

Source: Company, KRChoksey Research

#### Exhibit 3: Free Cash Flow Analysis

Particulars (INR Mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Cash Generated From Operations	1,54,911	1,62,680	1,90,715	1,62,138	1,55,014	1,98,178	2,25,281
Net Cash Flow from/(used in) Investing Activities	-27,930	-1,36,511	-1,50,227	-2,04,693	-2,00,832	-1,83,103	-2,03,240
Net Cash Flow from Financing Activities	-13,377	-40,199	-15,194	-23,403	33,862	3,676	3,897
Net Inc/Dec in cash equivalents	1,13,604	-14,030	25,294	6,477	-10,956	18,751	25,937
Opening Balance	44,925	1,58,529	1,44,499	1,69,793	1,03,836	91,880	1,10,631
Closing Balance Cash and Cash Equivalents	1,58,529	1,44,499	1,69,793	1,76,270	92,880	1,10,631	1,36,569

Source: Company, KRChoksey Research

#### Exhibit 4: Ratio Analysis

Key Ratio	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
EBIT Margin (%)	15.8%	16.6%	19.4%	16.9%	14.9%	15.8%	16.1%
Tax rate (%)	21.9%	20.2%	21.9%	19.1%	23.0%	23.0%	23.0%
Net Profit Margin (%)	15.4%	15.9%	17.4%	15.4%	12.5%	13.5%	13.5%
RoE (%)	17.1%	17.3%	19.4%	20.2%	15.8%	16.7%	17.3%
RoCE (%)	11.2%	12.4%	14.8%	15.0%	11.9%	12.6%	13.3%
EV/EBITDA	32.9	30.3	25.0	22.9	22.0	18.8	16.5
EPS (INR per share)	15.9	17.2	19.1	21.6	20.0	23.8	26.6

Source: Company, KRChoksey Research

**Wipro Limited.**

Wipro Limited				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
28-Apr-23	385	479	BUY	Buy	More than 15%
21-Jul-22	413	471	ACCUMULATE	Accumulate	5% – 15%
30-Apr-22	509	602	BUY	Hold	0 – 5%
14-Jan-21	640	794	BUY	Reduce	-5% – 0
				Sell	Less than – 5%

**ANALYST CERTIFICATION:**

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