

HOLD

CMP (Rs)	396
Target Price (Rs)	432
Potential Upside	9.1%
Sensex	65,394
Nifty	19,384

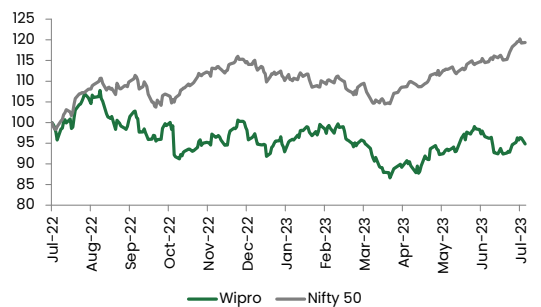
Key Stock data

BSE Code	507685
NSE Code	WIPRO
Bloomberg	WPRO:IN
Shares o/s, Cr (FV 2)	548.8
Market Cap (Rs Cr)	216,423
3M Avg Volume	4,866,729
52 week H/L	445/352

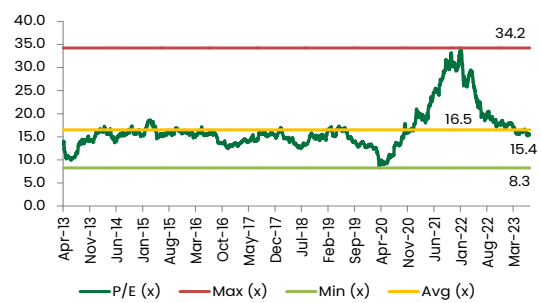
Shareholding Pattern

(%)	Sep-22	Dec-22	Mar-23
Promoter	73.0	72.9	72.9
FII	6.6	6.3	6.4
DII	10.3	10.2	10.4
Others	10.1	10.6	10.3

1 Year relative price performance



PE Forward (x)



Research Analyst

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Room for improvement going ahead, Maintain Hold

Q1FY24 Result Update | Sector: IT | July 14, 2023

Revenue below our expectations: Wipro posted rupee revenue of Rs 22,831cr, down by 1.5% QoQ and a growth of 6% YoY. Revenue for IT service business in USD came in at USD 2,779mn, a de-growth of 2.1% QoQ and flat growth of 0.8% YoY. Amongst geographies, US and Europe both witnessed slowdown and that is reflected in the sequential trend wherein the American region (~60% of revenue) de-growth of 2.7% QoQ while Europe (~29-30% of revenue) de-grew by 0.9% QoQ. Amongst industry verticals banking, consumer, health and energy reported de-growth in the range of 1.5-4% QoQ, while technology and manufacturing saw some recovery and grew by 1.1% and 2.7% QoQ. Further, in the near term management is seeing softness in demand and believes that banking demand has yet to pick up.

Steady margins: Wipro's EBIT stood at Rs 3,658cr, a de-growth of 2.9% QoQ while a growth of 14.3% YoY. The company maintained its EBIT margin at 16% as recommended but it saw a decrease by 22bps QoQ and improved by 116bps YoY. We believe EBIT margin was maintained at 16% but the de-growth in EBIT was because of lower revenue growth.

Attrition continued to moderate: Wipro's attrition too moderated like other peers. Attrition came in at 17.3% in Q1FY24 as compared to 19.2% in Q4FY23 (a decline of 190bps QoQ) and 23.3% in Q1FY23 (a decline of 600bps YoY).

Steady Order Book: Wipro won total deals worth USD 3.7bn and its large deals momentum remains strong as it won deals of USD 1.2bn, higher by 9% CC. Going ahead management plans is to win more deals as client focus is on optimizing cost and faster returns.

Management Guidance: For Q2FY24 as well management has guided muted growth for IT services wherein revenue is expected to be in the range of USD 2.72bn-USD 2.8bn and growth between -2% to +1%. Muted projection of growth is due to softness in demand and prevailing uncertainty and challenges that still persist for the IT sector. Further, margins are expected to be in the similar line of 15-16% as the company's plan is to keep constant focus on margin improvement led by improving utilization and managing cost.

Key highlights: 1) Management is seeing some softness in demand. 2) Plan is to further improve margins by managing fixed cost, improving utilization and cost optimization measures. 3) Artificial Intelligence is in great demand and is useful in many ways so Wipro has invested USD 1bn for the technology and it would be largely organic. 4) Plan is to train its employees for the newer technologies specially AI 5) Clients are demanding cost optimization and vendor consolidation on deals as well as strong demand for Cloud transformation.

Outlook & Valuation: In the short term, the whole IT may continue to feel pressure due to softness in demand and ongoing macro challenges. In the case of Wipro, long term is expected to improve as demand is set to get back on track as well as investment in Automation and Gen AI based products & solutions will aid growth. However, in the short term, it is still struggling for a stable revenue growth trend and also management remains cautious and has projected soft revenue for Q2FY24 as clients discretionary spending to be delayed. So, these concerns are still hovering around and thus we maintain a Hold rating with a target price of Rs 432.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	79,312	90,488	95,917	106,468
EBIT	13,606	13,513	15,218	16,785
EBITM (%)	17.2	14.9	15.9	15.8
APAT	12,238	11,373	12,641	13,951
APATM (%)	15.4	12.6	13.2	13.1
EPS (Rs)	22.3	20.7	23.0	25.4
PE (x)	17.7	19.1	17.2	15.6
RoE (%)	18.7	14.6	14.5	14.2

Source : RBL Research

Sales impacted QoQ due to soft demand

P&L Account Quarterly – consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Revenue in \$	2,779	2,756	0.8	2,840	(2.1)
Revenue in INR	22,831	21,529	6.0	23,190	(1.5)
Purchase of Finished Goods	98	249	(60.7)	36	170.9
(Increase) / Decrease In	(18)	(35)	(47.4)	84	(121.8)
Total Raw material cost	80	214	(62.8)	120	(33.4)
Gross Profit	22,751	21,315	6.7	23,071	(1.4)
Gross Margins %	99.7	99.0	65bps	99.5	17bps
Employee Cost	14,028	12,613	11.2	13,808	1.6
Other Expense	4,328	4,728	(8.5)	4,650	(6.9)
Total Expenditure	18,435	17,555	5.0	18,577	(0.8)
EBITDA	4,396	3,973	10.6	4,613	(4.7)
EBITDA Margins (%)	19.3	18.5	80bps	19.9	-64bps
Depreciation	738	774	(4.6)	847	(12.8)
EBIT	3,658	3,200	14.3	3,767	(2.9)
EBIT Margins (%)	16.0	14.9	116bps	16.2	-22bps
Other Income	648	472	37.2	645	0.4
Interest	309	205	50.9	286	7.9
PBT	3,997	3,467	15.3	4,126	(3.1)
Tax	912	793	14.9	925	(1.4)
PAT	3,086	2,674	15.4	3,202	(3.6)
PAT Margin (%)	13.5	12.4	110bps	13.8	-29bps
EPS	2.8	2.4	15.4	2.9	(3.6)

Source : RBL Research

Revenue Distribution by Geography

Particulars	Q1FY24	Q1FY23	Y-o-Y	Q4FY23	Q-o-Q
America 1	6,575	6,265	5.0	6,679	(1.5)
% of revenue	28.8	29.1	-30bps	28.8	0bps
America 2	6,849	6,738	1.6	7,119	(3.8)
% of revenue	30.0	31.3	-130bps	30.7	-70bps
Europe	6,735	6,093	10.5	6,795	(0.9)
% of revenue	29.5	28.3	120bps	29.3	20bps
APMEA	2,671	2,433	9.8	2,597	2.8
% of revenue	11.7	11.3	40bps	11.2	50bps

Source : RBL Research

Sequentially, slowdown witnessed across all geographies

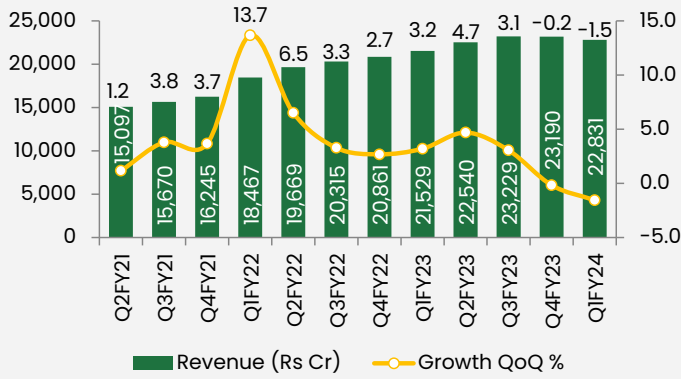
Particulars	Q1FY24	Q1FY23	Y-o-Y	Q4FY23	Q-o-Q
BFSI	7,740	7,621	1.6	7,931	(2.4)
Consumer	4,269	3,983	7.2	4,360	(2.1)
Health	2,785	2,476	12.5	2,829	(1.5)
Energy, Natural Resources	2,740	2,390	14.6	2,852	(4.0)
Technology	2,580	2,540	1.6	2,551	1.1
Manufacturing	1,667	1,442	15.5	1,623	2.7
Communications	1,050	1,076	(2.4)	1,044	0.6

Source : RBL Research

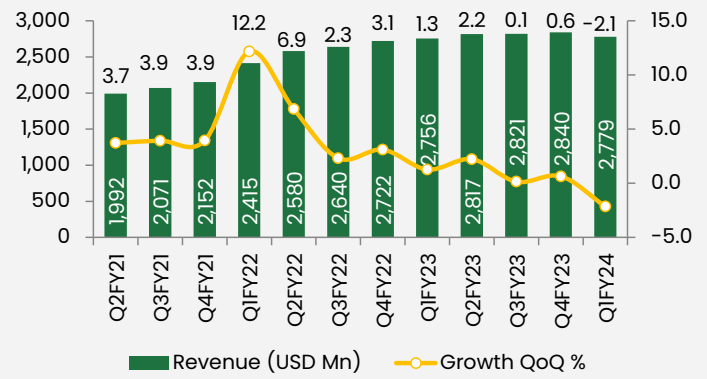
Sequentially, Banking, Consumer & Health segments impacted growth

Story in charts

Revenue in rupee de-grew by 1.5% QoQ but grew by 6% YoY

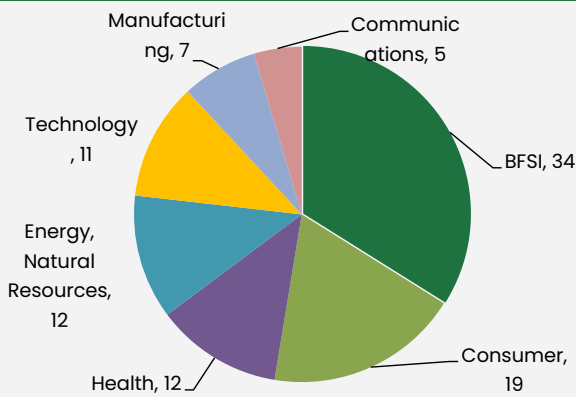


Revenue in USD de-grew by 2.1% QoQ but grew by 0.8% YoY

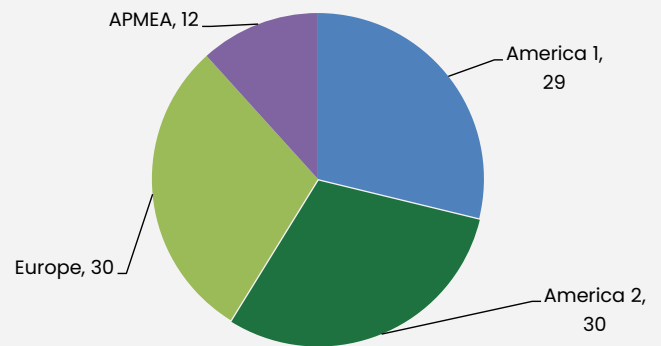


Source : RBL Research

Revenue share across industry in Q1FY24 (%)

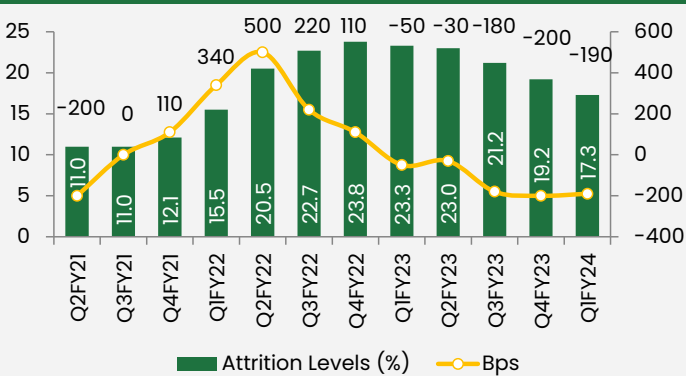


Revenue share across geographies in Q1FY24 (%)

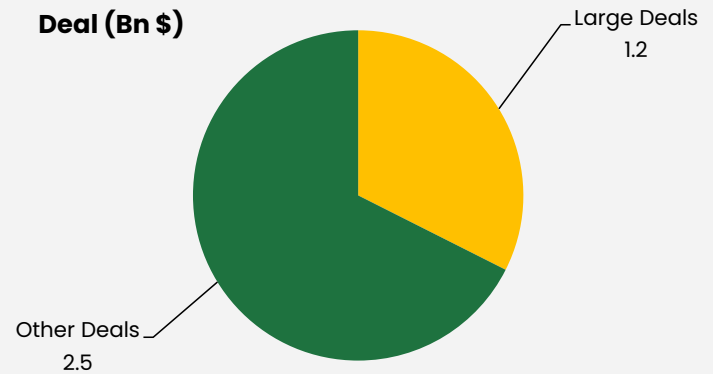


Source : RBL Research

Attrition moderated to 17.3% in Q1FY24 (%)

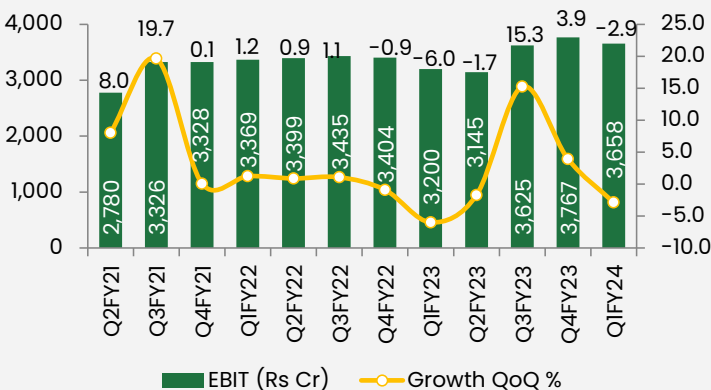


Deals win for Q1FY24 stood at USD 3.7bn

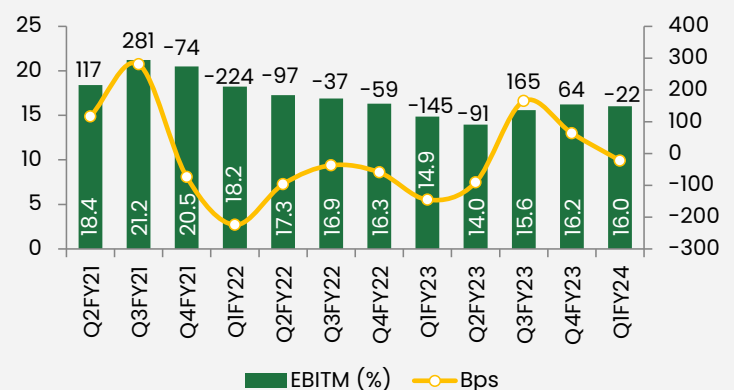


Source : RBL Research

EBIT de-grew by 2.9% QoQ



EBIT margin down by 22bps QoQ in Q1FY24



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net sales	79,312	90,488	95,917	106,468
Expenditure				
Purchase of stock in trade	674	649	688	764
(Increase) / Decrease In Stocks	(37)	15	16	18
Total raw materials	637	664	704	782
Gross Profit	78,675	89,823	95,213	105,686
Employee cost	45,008	53,764	56,687	62,816
Other expenses	16,984	19,205	20,238	22,358
Total expenditure	62,628	73,634	77,630	85,956
EBITDA	16,684	16,854	18,287	20,512
EBITDAM (%)	21.0	18.6	19.1	19.3
Depreciation	3,078	3,340	3,069	3,726
EBIT	13,606	13,513	15,218	16,785
EBIT Margins (%)	17.2	14.9	15.9	15.8
Other income	2,061	2,266	2,402	2,666
Interest expenses	533	1,008	986	1,095
PBT	15,135	14,771	16,634	18,357
Tax	2,897	3,399	3,992	4,406
Reported PAT	12,238	11,372	12,641	13,951
Exceptional Income / Expenses	0.0	0.4	0.0	0.0
PAT (after Exceptional)	12,238	11,373	12,641	13,951
PAT Margin %	15.4	12.6	13.2	13.1
EPS	22.3	20.7	23.0	25.4

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	1,096	1,098	1,098	1,098
Share Warrants	526	563	563	563
Reserves & Surplus	63,781	76,456	85,816	96,485
Total Shareholder's Fund	65,403	78,116	87,476	98,146
Minority Interest	52	59	59	59
Long term borrowings	5,646	6,127	5,755	6,388
Short term borrowing	9,523	8,882	9,415	10,451
Total Debt	15,170	15,009	15,170	16,839
Deferred tax liabilities	984	1,305	1,384	1,536
Long term provision	2,054	2,178	2,398	2,662
Other long term liabilities	2,304	2,811	2,878	3,194
Total	5,342	6,294	6,659	7,392
Current Liabilities				
Trade payables	6,252	8,905	9,440	10,478
Short term provisions	3,131	2,140	2,302	2,555
Other current liabilities	11,926	6,848	7,290	8,092
Total	21,310	17,893	19,031	21,125
Total liabilities	107,276	117,372	128,396	143,560
Application of Assets				
Net Block	37,990	45,205	49,726	54,698
Current work in process	1,602	632	632	632
Non current investment	1,988	2,150	2,279	2,530
Long term loans and advances	2,144	1,941	2,057	2,283
Other non-current assets	1,477	1,334	1,414	1,570
Total	45,200	51,263	56,109	61,714
Current Assets				
Current investments	24,166	30,923	33,571	37,264
Inventories	133	119	126	140
Trade receivables	11,522	12,635	13,393	14,866
Cash balance	10,384	9,188	11,476	14,559
Short term loans and advances	10,465	10,434	10,743	11,711
Other current assets	5,406	2,810	2,979	3,307
Total	62,075	66,110	72,287	81,846
Total assets	107,276	117,372	128,396	143,560

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	15,141	14,766	16,634	18,357
Add: Depreciation	3,078	3,340	3,069	3,726
Less: Other Income /Interest Rec	(945)	(811)	(986)	(1,095)
Others	23	242	-	-
Operating profit before working capital changes	17,297	17,538	18,717	20,989
Changes in working capital	(3,649)	(1,455)	64	(339)
Cash from Operations	13,648	16,083	18,781	20,649
Less: Taxes	(2,569)	(3,022)	(3,992)	(4,406)
Cash flow from Operations	11,080	13,061	14,789	16,244
Net cash used in Investing				
Purchase of fixed assets	(2,015)	(1,483)	(7,590)	(8,699)
Purchase of investments	(114,533)	(85,220)	(2,777)	(3,943)
Sales of fixed assets	74	56	-	-
Sales of investments	95,539	74,089	-	-
Dividend & Other Income	1,228	1,412	986	1,095
Others	(2,741)	2,741	-	-
Cash flow from investing	(22,450)	(8,407)	(9,381)	(11,548)
Cash flow from Financing				
Proceeds from Equity shares	0.6	1.2	-	-
Proceeds of borrowings	6,831	(788)	161	1,669
Dividend (Incl dividend tax)	(547)	(3,281)	(3,281)	(3,281)
Interest cost	(509)	(871)	-	-
Others	(1,117)	(1,150)	-	-
Cash flow from Financing	4,659	(6,088)	(3,121)	(1,613)
Net cash Inflow/Outflow	(6,711)	(1,434)	2,288	3,083
Opening cash	16,966	10,383	9,187	11,474
Exchange gain/loss	128	237	-	-
Closing Cash & Bank	10,384	9,188	11,476	14,559

Source : RBL Research

Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
Per share Data				
EPS (Rs)	22.3	20.7	23.0	25.4
Book value per share (Rs)	119.3	142.3	159.4	178.8
Dividend per share (Rs)	1.0	6.0	6.0	6.0
Dividend Payout (%)	4.5	28.9	26.0	23.5
Dividend Yield (%)	0.3	1.5	1.5	1.5
Profitability Ratios				
EBITDAM(%)	21.0	18.6	19.1	19.3
PBTM (%)	19.1	16.3	17.3	17.2
NPM (%)	15.4	12.6	13.2	13.1
RoE (%)	18.7	14.6	14.5	14.2
RoCE (%)	16.9	14.5	14.8	14.6
Efficiency Data				
Debt-Equity Ratio	0.2	0.2	0.2	0.2
Interest Cover Ratio	25.6	13.4	15.4	15.3
Fixed Asset Ratio	0.5	0.5	0.5	0.5
Debtors (Days)	53.0	51.0	51.0	51.0
Inventory (Days)	0.6	0.5	0.5	0.5
Payable (Days)	28.8	35.9	35.9	35.9
WC (Days)	24.9	15.5	15.5	15.5
Valuation				
P/E (x)	17.7	19.1	17.2	15.6
P/BV	3.3	2.8	2.5	2.2
EV/EBITDA	13.3	13.2	12.1	10.7
EV/Sales	2.8	2.5	2.3	2.1

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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