

Bane turning to boon; BUY

Wipro's 3QFY24 performance suggests inflection. Revenues (-1.7% cc QoQ) came towards the upper end of the guided band, a first in past four quarters. Next quarter's guide is incrementally better (-1.5% to + 0.5%) after three quarters of sequentially lower bands. CAPCO, its consulting business, saw double digit booking growth. That, we believe, is a first quantitative sign of rebound in discretionary spend. CAPCO's exposure to discretionary budget plagued WPRO's recent performance. Now as environment turns, that could lead its rebound. 5x consulting-to-downstream services revenue equation could drive growth convergence with peers, validating WPRO's, and Thierry's, initial strategy. Moreover, WPRO's margin resilience means incremental revenues could percolate down, supporting earnings trajectory. Our FY24-26E EPS CAGR for WPRO is 16%, highest among top-4. PER, on the other hand, is the least. WPRO's PER discount to INFO has widened to 26%, vs past-5 year average discount of 19%. 4Q guided growth band for both have converged, which should narrow the valuation gap, in our view. We raise our target multiple for WPRO to 20x (from 18x). Changes to our EPS are limited. But our FY25/FY26E EPS are 3%/8% above Street's, implying upgrade potential. We retain BUY with a revised TP of INR 550 (from INR 500).

- 3QFY24 – beats expectations:** IT Services revenues declined by 1.7% QoQ in cc terms, towards the upper end of (3.5%)-(-1.5%) guided band. Americas 1 grew by 2% QoQ cc, led by Healthcare. Americas 2 was soft (-1%), due to North America's BFSI weakness (-4%). Europe declined by 4%, likely due to full quarter impact of large program completion last quarter. The company maintained margins at 16%, ahead of JMFe: 15.6%, despite weak top-line and wage hike, reflecting benefits from on-going efficiency programs. PAT at INR 26.9bn, was broadly in-line.
- Guidance and Outlook:** WPRO guided for (1.5%)-0.5% cc QoQ growth. This is the first guidance in the past four quarters where upper-end implies growth, indicating some trend inversion. Though the market has not changed fundamentally over the past three months, there are green shoots, per the management. Double digit booking growth QoQ in CAPCO is an early sign of discretionary spend picking up. Even as discretionary bottoms out, WPRO's order booking sustains. Deal wins were healthy at USD 3.9bn despite shorter quarter. LTM deal TCv of USD 15bn has come at a book-to-bill of 1.4x, highest among peers. WPRO's work on delivery/operational excellence, pruning low margin businesses and structural cost reduction (pyramid/lower discretionary spend) has helped protect margins despite c.USD 180mn revenue erosion over 9MFY24. Now, as growth returns, margins could trend up. Absence of recent restructuring cost is a near-term lever.
- Upgrade + re-rating potential:** We have tweaked our FY24-26E estimates to build 3Q actuals. We are building 160bps expansion of IT Services EBIT margin over FY24-26E. That largely explains our 3%/8% higher EPS over consensus for FY25/26E. We therefore see earning upgrade potential. Also, as WPRO's growth inflects, its PER discount to INFO (26% vs. 5-year avg of 19%) could narrow. We raise our target multiple to 20x (at historical average discount of 20% to INFO's target multiple). Maintain BUY.

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	550
Upside/(Downside)	18.2%
Previous Price Target	500
Change	10.0%

Key Data – WPRO IN

Current Market Price	INR465
Market cap (bn)	INR2,431.7/US\$29.3
Free Float	22%
Shares in issue (mn)	5,480.1
Diluted share (mn)	5,230.9
3-mon avg daily val (mn)	INR3,015.4/US\$36.4
52-week range	484/352
Sensex/Nifty	72,568/21,895
INR/US\$	82.9

Price Performance

%	1M	6M	12M
Absolute	10.2	18.8	18.0
Relative*	5.7	7.0	-2.5

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	7,90,934	9,04,876	8,97,139	9,46,864	10,43,049
Sales Growth (%)	27.7	14.4	-0.9	5.5	10.2
EBITDA	1,66,841	1,67,261	1,67,718	1,87,704	2,14,834
EBITDA Margin (%)	21.0	18.5	18.7	19.8	20.6
Adjusted Net Profit	1,22,189	1,12,225	1,10,537	1,27,541	1,48,906
Diluted EPS (INR)	22.3	20.5	21.1	24.4	28.5
Diluted EPS Growth (%)	17.1	-8.2	3.3	15.4	16.8
ROIC (%)	30.3	21.5	20.6	24.2	27.8
ROE (%)	20.2	15.6	14.4	16.4	17.9
P/E (x)	20.9	22.7	22.0	19.1	16.3
P/B (x)	3.9	3.3	3.2	3.0	2.8
EV/EBITDA (x)	14.1	13.7	13.6	11.9	10.2
Dividend Yield (%)	1.3	0.2	0.2	0.2	0.2

Source: Company data, JM Financial. Note: Valuations as of 12/Jan/2024

Key Highlights from the call

- **Demand:** The overall demand environment is marked by cautious client behaviour and conservative investments. Clients are emphasizing efficiency, returns on investment, and optimization of existing investments. Despite the cautious approach, there are positive indicators suggesting potential growth. The consulting business, which is often an early indicator of market trends, showed resilience. Capco reported a noteworthy double-digit sequential growth in order bookings.
- **Outlook:** Management is cautious optimistic about the demand environment, waiting for more clarity in January and February. **Some green shoots observed, indicating stabilization and some pickup in discretionary spending.** In last few quarters, sales performance and deal closure was good. Challenge in growth was associated with discretionary spend on smaller projects, which, in large volume, contributed to revenue growth. **Possible end of slowdown in discretionary spending could lead to an inversion of the trend and potentially contribute to growth.**
- **Key Markets:** Strong quarter in the America 1, booking half of the 14 large deals. Revenue growth in the America 1 driven by healthcare (+9% QoQ). Softness in Americas 2 was primarily due to BFSI and Energy and Utilities, resulting in a 1.3% QoQ revenue decline. In Europe, despite economic weakness, won four large transformative deals totaling \$300 mn. Sequential revenue decreased 4.3% in Europe. In APMEA revenue declined by 5.4% as company is strategically moving away from low margin accounts.
- **Segments:** Management is optimistic about Energy and Utility as there is investments in initiatives like cloud business and automation.
- **Margin:** Operating margin stood at 16%, despite seasonal furloughs and annual salary increases.
- **Supply side:** Net headcount reduced by 4.5k during the quarter. TTM attrition reduced to 14.2% and utilization was at 84%. Per management there's still headroom for utilization. Company suggests that it has the flexibility to hire for specific skills as needed, and if demand increases in the coming quarters, they express the intention to consider hiring in larger numbers.
- **Deal Wins:** Company booked 14 deals in \$30 mn+ TCV range (vs 11 in Q3FY23).
- **Others:** Notable contributions from acquired businesses such as Capco, Rising, and DesignIt during the quarter.

Exhibit 1. 3QFY24 result summary – IT Services

	3Q24 A	2Q24 A	Change (QoQ)	Estimate (JMFe)	Variance (vs. JMFe)	Estimate (Consensus)	Variance (vs. consensus)	QoQ estimate	
								JMFe	Consensus
USD-INR	83.40	82.54	1.0%	83.28	0.1%	83.52	-0.1%	0.9%	1.2%
CC Revenue Growth (QoQ)	-1.7%	-2.0%		-2.4%		-2.7%		-2.4%	-2.7%
Revenue (USD mn)	2,656	2,713	-2.1%	2,647	0.3%	2,633	0.9%	-2.4%	-3.0%
Revenue (INR mn)	2,21,508	2,23,958	-1.1%	2,20,441	0.5%	2,19,895	0.7%	-1.6%	-1.8%
EBIT (INR mn)	35,426	36,058	-1.8%	34,298	3.3%	34,304	3.3%	-4.9%	-4.9%
EBIT margin	16.0%	16.1%	-11bp	15.6%	43bp	15.6%	39bp	-54bp	-50bp

Source: Company, JM Financial, For IT services business

3QFY24 result review

Exhibit 2. Key financials

(INR mn)	2Q23	3Q23	4Q23	FY23	1Q24	2Q24	3Q24
WIPRO LTD.							
Consolidated revenues	2,25,397	2,32,290	2,31,903	9,04,876	2,28,310	2,25,159	2,22,051
Change(YoY/QoQ)	4.7%	3.1%	-0.2%	14.4%	-1.5%	-1.4%	-1.4%
Cost of revenue	1,56,782	1,55,105	1,55,245	6,15,882	1,54,730	1,51,639	1,45,968
Gross profit	68,615	77,185	76,658	2,88,994	73,580	73,520	76,083
Gross margin	30.4%	33.2%	33.1%	31.9%	32.2%	32.7%	34.3%
Total operating expenses	29,200	31,711	31,605	1,20,458	31,605	31,473	34,164
EBITDA	39,415	45,474	45,053	1,68,536	41,975	42,047	41,919
EBITDA margin	17.5%	19.6%	19.4%	18.6%	18.4%	18.7%	18.9%
Depreciation & amortization	7,969	9,229	8,466	33,402	7,380	8,970	9,316
EBIT	31,446	36,245	36,587	1,35,134	34,595	33,077	32,603
EBIT margin	14.0%	15.6%	15.8%	14.9%	15.2%	14.7%	14.7%
Non-operating income (net)	2,827	3,481	3,593	12,580	3,394	2,045	2,922
Profit before tax	34,273	39,726	40,180	1,47,714	37,989	35,122	35,525
Income tax expense	7,710	9,102	9,249	33,992	9,115	8,419	8,515
Net income from ops	26,563	30,624	30,931	1,13,722	28,874	26,703	27,010
Change(YoY/QoQ)	3.7%	15.3%	-3.2%	-8.0%	-2.7%	-76.3%	-6.4%
Share in earnings of affiliates	-72	26	4	-57	3	-30	-4
Share of minority interest	-99	121	190	165	159	210	64
PAT	26,590	30,529	29,470	1,12,225	28,701	26,463	26,942
Change(YoY/QoQ)	3.7%	14.8%	-3.5%	-8.2%	-2.6%	-7.8%	1.8%
Adjusted basic EPS	4.9	5.6	5.4	20.5	5.2	5.1	5.2
Change(YoY/QoQ)	3.6%	14.7%	-3.5%	-8.3%	-2.7%	-75.3%	-1.3%
IT SERVICES							
Total revenues (USD mn)	2,798	2,804	2,840	11,176	2,779	2,713	2,656
Change (yoy/qoq)	2.3%	0.2%	1.3%	7.9%	-2.1%	-75.8%	-4.4%
Total Revenues (INR mn)	2,22,572	2,29,166	2,30,772	8,95,850	2,27,616	2,23,690	2,21,246
Change(YoY/QoQ)	4.3%	3.0%	0.7%	15.2%	-1.4%	-75.1%	-2.8%
Cost of revenue (INR mn)	1,53,192	1,51,941	1,54,098	6,04,704	1,52,456	1,48,902	1,43,685
Gross profit (INR mn)	69,380	77,225	76,674	2,91,146	75,160	74,788	77,561
Gross margin	31.2%	33.7%	33.2%	32.5%	33.0%	33.4%	35.1%
Total operating expenses (INR mn)	28,672	31,889	31,537	1,19,911	31,202	30,468	33,520
EBITDA (INR mn)	40,707	45,336	45,137	1,71,235	43,958	44,320	44,041
EBITDA margin	18.3%	19.8%	19.6%	19.1%	19.3%	19.8%	19.9%
EBIT (INR mn)	33,801	37,504	37,666	1,40,976	36,517	36,058	35,426
EBIT margin	15.1%	16.3%	16.3%	15.7%	16.0%	16.1%	16.0%

Source: Company, JM Financial

Discretionary spend on smaller projects impacting Wipro's revenue.

Exhibit 3. Comparison vs. other Tier 1 peers

YoY cc revenue growth	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
TCS	13.5%	10.7%	7.0%	2.8%	1.7%
Infosys	13.7%	8.8%	4.2%	2.5%	-1.0%
HCL Tech	13.1%	10.5%	6.3%	3.4%	4.3%
Wipro	10.4%	6.5%	1.1%	-4.8%	-6.9%
QoQ cc revenue growth	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
TCS	2.2%	0.6%	0.0%	0.1%	1.0%
Infosys	2.4%	-3.2%	1.0%	2.3%	-1.0%
HCL Tech	5.0%	-1.2%	-1.3%	1.0%	6.0%
Wipro	0.6%	-0.6%	-2.8%	-2.0%	-1.7%
EBIT margin	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
TCS	24.7%	24.5%	23.2%	24.3%	25.0%
Infosys	21.5%	21.0%	20.8%	21.2%	20.5%
HCL Tech	19.6%	18.2%	17.0%	18.5%	19.7%
Wipro	16.3%	16.3%	16.0%	16.1%	16.0%

Source: Company, JM Financial, Note Wipro numbers pertain to its IT services business

Exhibit 4. Deal Wins

(USD mn)	4Q23	1Q24	2Q24	3Q24
Total Bookings TCV	4,172	3,724	3,785	3,791
Large Deal TCV	1,083	1,198	1,275	909

Source: Company, JM Financial

Company booked 14 large deals in the quarter

Exhibit 5. Strategic markets unit mix

	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Distribution						
Americas 1	28.8%	29.1%	28.5%	28.8%	29.8%	31.0%
Americas 2	31.1%	30.6%	30.5%	30.0%	29.9%	30.0%
Europe	28.0%	28.8%	29.3%	29.5%	28.6%	27.7%
APMEA	12.1%	11.5%	11.7%	11.7%	11.7%	11.3%
Revenue (USD mn and QoQ growth)						
Americas 1	811	821	809	800	809	823
Change	2.6%	1.2%	-1.4%	-1.1%	1.0%	1.8%
Americas 2	876	863	866	834	811	797
Change	2.2%	-1.5%	0.3%	-3.8%	-2.7%	-1.8%
Europe	789	813	832	820	776	736
Change	1.5%	3.0%	2.4%	-1.5%	-5.3%	-5.2%
APMEA	341	324	332	325	317	300
Change	3.1%	-4.8%	2.4%	-2.1%	-2.3%	-5.5%

Source: Company, JM Financial

Growth in America 1 driven by healthcare. America 2 primarily impacted due to slowdown in BFS.

Exhibit 6. Vertical portfolio

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Distribution					
Communications	4.6%	4.5%	4.6%	4.3%	4.0%
Consumer Business unit	18.9%	18.8%	18.7%	18.7%	18.8%
Energy, Natural Resources & Utilities	11.4%	12.3%	12.0%	11.6%	11.8%
Banking, financial services and insurance	34.9%	34.2%	33.9%	33.6%	32.7%
Health Business Unit	12.0%	12.2%	12.2%	12.7%	13.9%
Manufacturing	6.9%	7.0%	7.3%	7.0%	6.7%
Technology	11.3%	11.0%	11.3%	12.1%	12.1%
Revenue (USD mn and QoQ growth)					
Communications	129	127	128	117	106
Change	-6%	-1%	1%	-9%	-9%
Consumer Business unit	530	531	520	507	499
Change	1%	0%	-3%	-2%	-2%
Energy, Natural Resources & Utilities	320	347	333	315	313
Change	2%	9%	-4%	-6%	0%
Banking, financial services and insurance	978	965	942	912	869
Change	-1%	-1%	-3%	-3%	-5%
Health Business Unit	336	344	339	345	369
Change	5%	2%	-1%	2%	7%
Manufacturing	193	198	203	190	178
Change	0%	2%	3%	-6%	-6%
Technology	317	311	314	328	321
Change	-2%	-2%	2%	5%	-2%

Source: Company, JM Financial

Exhibit 7. Key client metrics

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Client base					
Active clients	1,484	1,441	1,444	1,393	1,349
Net client addition	13	-43	3	-51	-44
Revenue per active client (USD mn)	1.89	1.96	1.92	1.95	1.97
Revenue concentration					
Top client	3.2%	3.3%	3.1%	3.0%	3.0%
Top 5 clients	13.3%	12.6%	12.5%	12.3%	12.1%
Top 10 clients	21.3%	20.3%	20.5%	20.6%	20.5%
Non-Top10 clients	78.7%	79.7%	79.5%	79.4%	79.5%
New business	86.9	98.8	11.1	24.4	31.9
Revenue growth					
Top client	0.2%	3.8%	-8.1%	-5.5%	-7.5%
Top-2 to 5 clients	2.2%	-7.3%	-1.1%	-3.4%	-7.5%
Top-5 clients	1.7%	-4.6%	-2.9%	-3.9%	-7.5%
Top-6 to 10 clients	1.5%	-3.1%	1.7%	1.3%	0.4%
Top-10 clients	1.6%	-4.0%	-1.2%	-1.9%	-4.4%
Non-top-10 clients	-0.2%	2.0%	-2.4%	-2.5%	-4.4%
Relationship distribution					
USD1M+ Clients	739	750	769	774	750
Change	10	11	19	5	-24
USD5M+ Clients	307	311	319	313	305
Change	-1	4	8	-6	-8
USD10M+ Clients	202	208	207	207	203
Change	4	6	-1	0	-4
USD50M+ Clients	52	53	51	51	46
Change	0	1	-2	0	-5
USD100M+ Clients	19	19	21	22	22
Change	0	0	2	1	0

Source: Company, JM Financial

Exhibit 8. Key manpower metrics

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Total manpower – IT services	2,62,109	2,58,570	2,49,758	2,44,707	2,40,234
Net addition	-517	-3,539	-8,812	-5,051	-4,473
Attrition (TTM)	21.2%	19.4%	17.3%	15.5%	14.2%
Utilization - ex trainees	79.7%	81.7%	83.7%	84.5%	84.0%

Source: Company, JM Financial

Exhibit 9. Expense analysis

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Employee compensation	60.9%	58.6%	61.4%	61.5%	60.5%
Sub contractor/tech. fees	12.9%	12.3%	11.6%	11.8%	11.6%
Cost of hardware and software	0.6%	0.8%	0.4%	0.7%	0.4%
Travel	1.3%	1.6%	1.8%	1.8%	1.6%
Facility expenses	3.6%	3.5%	3.5%	3.8%	3.7%
Depreciation and amortization and impairment	3.5%	4.0%	3.2%	4.0%	4.2%
Communication	0.7%	0.6%	0.5%	0.6%	0.6%
Legal and professional fees	0.9%	0.9%	1.0%	1.1%	1.1%
Rates, taxes and insurance	0.5%	0.7%	0.6%	0.7%	0.7%
Marketing expenses	0.3%	0.3%	0.4%	0.4%	0.5%
Provision for doubtful debt	0.0%	0.0%	0.1%	0.1%	-0.1%
Miscellaneous expenses	0.8%	1.0%	0.2%	-1.1%	0.6%
Total	86.0%	84.4%	84.9%	85.3%	85.3%

Source: Company, JM Financial

Per management, there's still headroom for utilization.

Efforts on controlling discretionary spends helped Wipro protect margin despite wage hike

Retain BUY, TP revised to 550

We have tweaked our FY24-26E estimates to build 3Q actuals and 4Q guidance. We are now building 160bps expansion of IT Services EBIT margin over FY24-26E. That largely explains our 3%/8% higher EPS over consensus for FY25/26E. We therefore see earning upgrade potential. Also, as WPRO's growth inflects, its PER discount to INFO (26% vs. 5-year avg of 19%) could narrow. We raise our target multiple for Wipro to 20x from 18x earlier. We maintain BUY with a revised TP of INR 500.

Exhibit 10. What has changed

	Old			New			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Exchange rate (INR/USD)	82.71	83.00	83.00	82.74	83.20	83.20	0.0%	0.2%	0.2%
Consolidated revenue (USD mn)	10,806	11,379	12,661	10,811	11,347	12,506	0.0%	-0.3%	-1.2%
Growth in USD revenues (YoY)	-3.8%	5.3%	11.3%	-3.8%	5.0%	10.2%	4bp	-34bp	-104bp
Consolidated revenue (INR mn)	8,93,838	9,44,490	10,50,848	8,94,508	9,44,060	10,40,530	0.1%	0.0%	-1.0%
EBITDA margin	19.4%	20.4%	21.3%	19.7%	20.7%	21.4%	29bp	26bp	4bp
EBIT margin	15.7%	16.7%	17.7%	16.1%	16.9%	17.7%	35bp	19bp	0bp
PAT (INR mn)	1,09,535	1,27,647	1,53,062	1,10,537	1,27,541	1,48,906	0.9%	-0.1%	-2.7%
EPS	20.9	24.3	29.2	21.1	24.4	28.5	1.2%	0.2%	-2.4%

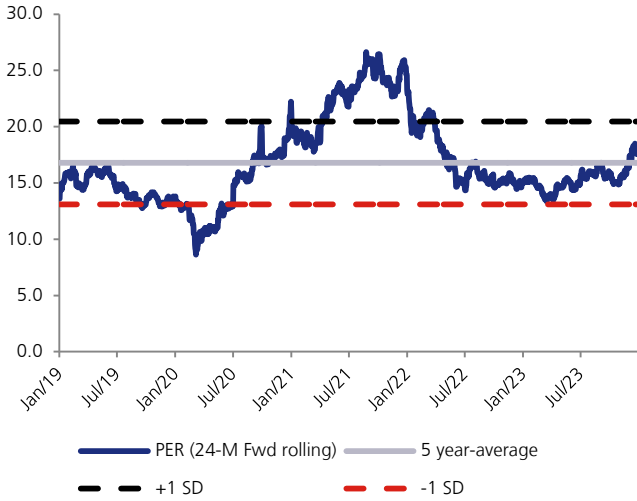
Source: JM Financial estimates

Exhibit 11. JMFe vs. Consensus estimates

	Consensus estimates			JMFe estimates			JMFe vs. Consensus		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Sales (Rsm)	9,00,777	9,59,545	10,28,801	8,97,139	9,46,864	10,43,049	-0.4%	-1.3%	1.4%
EBITDA (Rsm)	1,70,501	1,86,574	2,02,229	1,67,718	1,87,704	2,14,834	-1.6%	0.6%	6.2%
EBITDA margin	18.9%	19.4%	19.7%	18.7%	19.8%	20.6%	-23bp	38bp	94bp
EBIT (Rsm)	1,37,204	1,52,805	1,67,222	1,33,451	1,50,936	1,75,361	-2.7%	-1.2%	4.9%
EBIT margin	15.2%	15.9%	16.3%	14.9%	15.9%	16.8%	-36bp	2bp	56bp
Net Income (Rsm)	1,12,758	1,26,328	1,40,137	1,10,537	1,27,541	1,48,906	-2.0%	1.0%	6.3%
EPS (Rs)	21.04	23.75	26.39	21.1	24.4	28.5	0.4%	2.7%	7.9%

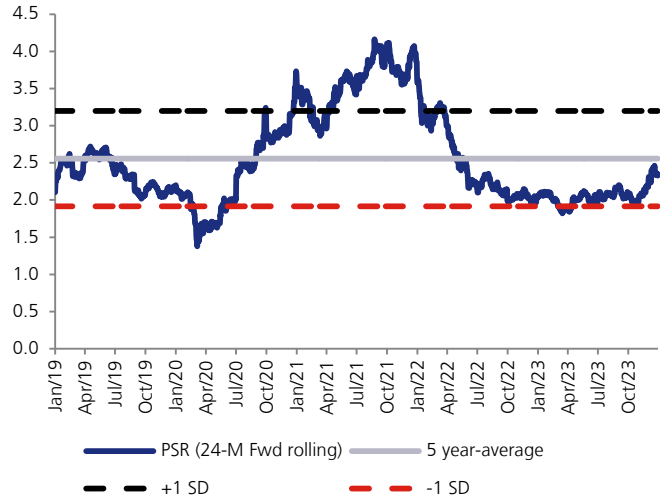
Source: Bloomberg, JM Financial

Exhibit 12. Price-to-earnings valuation chart, 5 years



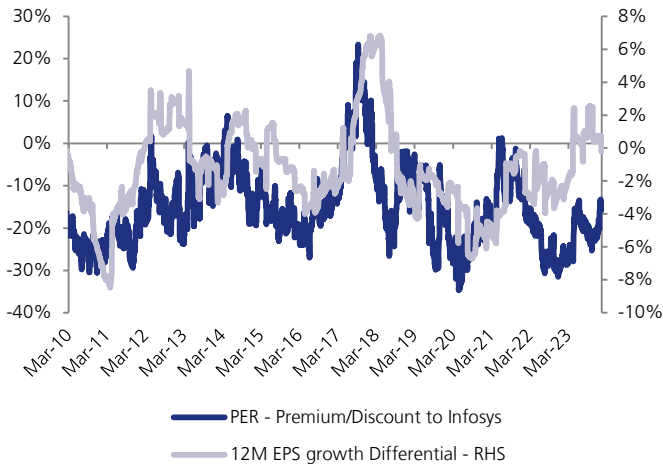
Source: Bloomberg, JM Financial estimates

Exhibit 13. Price-to-sales valuation chart, 5 years



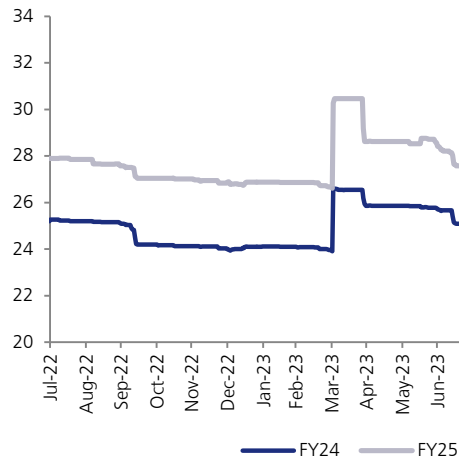
Source: Company, Bloomberg, JM Financial estimates

Exhibit 14. PER Premium/Discount to Infosys



Source: Bloomberg, JM Financial

Exhibit 15. Change in consensus EPS



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	7,90,934	9,04,876	8,97,139	9,46,864	10,43,049	
Sales Growth	27.7%	14.4%	-0.9%	5.5%	10.2%	
Other Operating Income	2,186	0	0	0	0	
Total Revenue	7,93,120	9,04,876	8,97,139	9,46,864	10,43,049	
Cost of Goods Sold/Op. Exp	5,55,872	6,46,721	6,28,093	6,55,085	7,15,918	
Personnel Cost	0	0	0	0	0	
Other Expenses	1,01,318	1,24,296	1,35,595	1,40,843	1,51,770	
EBITDA	1,66,841	1,67,261	1,67,718	1,87,704	2,14,834	
EBITDA Margin	21.0%	18.5%	18.7%	19.8%	20.6%	
EBITDA Growth	13.0%	0.3%	0.3%	11.9%	14.5%	
Depn. & Amort.	30,911	33,402	34,267	36,768	39,473	
EBIT	1,35,930	1,33,859	1,33,451	1,50,936	1,75,361	
Other Income	10,932	8,108	11,683	14,034	17,712	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	1,46,862	1,41,967	1,45,134	1,64,969	1,93,074	
Excep. & Forex Inc./Loss(-)	4,354	4,472	968	3,500	3,500	
PBT	1,51,216	1,46,439	1,46,102	1,68,469	1,96,574	
Taxes	28,946	33,992	35,033	40,397	47,136	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	-81	-222	-532	-532	-532	
Reported Net Profit	1,22,189	1,12,225	1,10,537	1,27,541	1,48,906	
Adjusted Net Profit	1,22,189	1,12,225	1,10,537	1,27,541	1,48,906	
Net Margin	15.4%	12.4%	12.3%	13.5%	14.3%	
Diluted Share Cap. (mn)	5,481.4	5,486.4	5,230.9	5,230.9	5,230.9	
Diluted EPS (INR)	22.3	20.5	21.1	24.4	28.5	
Diluted EPS Growth	17.1%	-8.2%	3.3%	15.4%	16.8%	
Total Dividend + Tax	39,584	6,603	6,296	6,296	6,296	
Dividend Per Share (INR)	6.0	1.0	1.0	1.0	1.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	6,58,206	7,81,343	7,58,742	8,01,064	8,64,751	
Share Capital	10,964	10,976	10,448	10,448	10,448	
Reserves & Surplus	6,47,242	7,70,367	7,48,294	7,90,616	8,54,303	
Preference Share Capital	0	0	0	0	0	
Minority Interest	515	589	887	1,384	1,881	
Total Loans	1,51,696	1,50,093	1,55,747	1,55,747	1,55,747	
Def. Tax Liab. / Assets (-)	-2,298	-2,100	-1,785	-1,785	-1,785	
Total - Equity & Liab.	8,08,119	9,29,925	9,13,591	9,56,410	10,20,594	
Net Fixed Assets	3,81,442	4,39,674	4,24,742	4,26,176	4,30,739	
Gross Fixed Assets	90,898	88,659	79,150	80,584	85,147	
Intangible Assets	2,90,544	3,51,015	3,45,592	3,45,592	3,45,592	
Less: Depn. & Amort.	0	0	0	0	0	
Capital WIP	0	0	0	0	0	
Investments	2,61,538	3,30,732	3,40,595	3,40,595	3,40,595	
Current Assets	4,33,904	4,03,316	3,85,338	4,32,897	5,04,460	
Inventories	1,334	1,188	1,054	1,112	1,225	
Sundry Debtors	2,01,440	2,10,729	1,99,694	1,96,858	2,16,855	
Cash & Bank Balances	1,03,836	91,880	98,427	1,46,763	1,94,349	
Loans & Advances	0	0	0	0	0	
Other Current Assets	1,27,294	99,519	86,163	88,163	92,031	
Current Liab. & Prov.	2,68,765	2,43,797	2,37,084	2,43,258	2,55,200	
Current Liabilities	1,54,703	1,53,919	1,55,241	1,59,710	1,68,357	
Provisions & Others	2,09,295	1,78,699	1,75,465	1,77,168	1,80,464	
Net Current Assets	1,65,139	1,59,519	1,48,254	1,89,639	2,49,261	
Total - Assets	8,08,119	9,29,925	9,13,591	9,56,410	10,20,594	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	1,22,329	1,13,665	1,11,069	1,28,073	1,49,438	
Depn. & Amort.	30,911	33,402	34,267	36,768	39,473	
Net Interest Exp. / Inc. (-)	-9,447	-8,108	0	0	0	
Inc (-) / Dec in WCap.	-36,488	-14,556	781	6,952	-12,036	
Others	13,522	36,359	39,002	44,366	51,105	
Taxes Paid	-25,686	-30,218	-35,033	-40,397	-47,136	
Operating Cash Flow	95,141	1,30,544	1,50,086	1,75,762	1,80,844	
Capex	-20,153	-14,834	-24,758	-38,203	-44,036	
Free Cash Flow	74,988	1,15,710	1,25,328	1,37,559	1,36,808	
Inc (-) / Dec in Investments	0	0	0	0	0	
Others	0	0	0	0	0	
Investing Cash Flow	-20,153	-14,834	-24,758	-38,203	-44,036	
Inc / Dec (-) in Capital	6	12	0	0	0	
Dividend + Tax thereon	-5,467	-32,814	0	0	0	
Inc / Dec (-) in Loans	68,310	-7,876	0	0	0	
Others	-5,398	-10,492	0	0	0	
Financing Cash Flow	57,451	-51,170	0	0	0	
Inc / Dec (-) in Cash	1,32,439	64,540	1,25,328	1,37,559	1,36,808	
Opening Cash Balance	1,69,793	1,03,836	91,880	98,427	1,46,763	
Closing Cash Balance	3,02,232	1,68,376	2,17,208	2,35,986	2,83,571	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin		15.4%	12.4%	12.3%	13.5%	14.3%
Asset Turnover (x)		1.0	1.0	0.9	0.9	1.0
Leverage Factor (x)		1.3	1.3	1.3	1.3	1.3
RoE		20.2%	15.6%	14.4%	16.4%	17.9%

Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)		120.1	142.4	145.0	153.1	165.3
ROIC		30.3%	21.5%	20.6%	24.2%	27.8%
ROE		20.2%	15.6%	14.4%	16.4%	17.9%
Net Debt/Equity (x)		-0.3	-0.3	-0.3	-0.4	-0.4
P/E (x)		20.9	22.7	22.0	19.1	16.3
P/B (x)		3.9	3.3	3.2	3.0	2.8
EV/EBITDA (x)		14.1	13.7	13.6	11.9	10.2
EV/Sales (x)		3.0	2.5	2.6	2.4	2.1
Debtor days		93	85	81	76	76
Inventory days		1	0	0	0	0
Creditor days		55	42	39	39	39

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
9-Dec-22	Buy	480	
13-Jan-23	Buy	480	0.0
28-Apr-23	Buy	450	-6.3
14-Jul-23	Buy	450	0.0
19-Oct-23	Buy	450	0.0
2-Jan-24	Buy	500	10.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

Research 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.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) 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 associates 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 JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, 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) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and their immediate relatives are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

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 JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities 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.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given 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 JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

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 JM Financial Institutional Securities 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.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1325 Avenue of the Americas, 28th Floor, Office No. 2821, New York, New York 10019. Telephone +1 (332) 900 4958 which is registered with the SEC and is a member of FINRA and SIPC.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions and a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.