

**Revival needs time meanwhile continue to Accumulate;**

Q4FY24 Result Update | Sector: IT | April 20, 2024

**BUY**

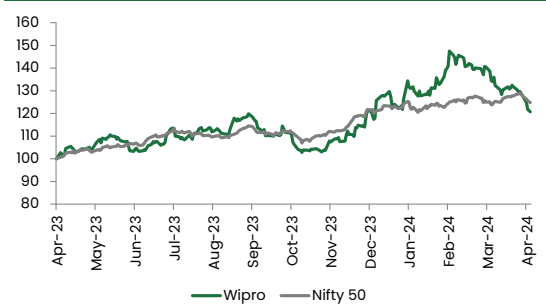
<b>CMP (Rs)</b>	<b>453</b>
<b>Target Price (Rs)</b>	<b>513</b>
<b>Potential Upside</b>	<b>13.3%</b>
<b>Sensex</b>	73,088
<b>Nifty</b>	22,147

**Key Stock data**

<b>BSE Code</b>	507685
<b>NSE Code</b>	WIPRO
<b>Bloomberg</b>	WPRO:IN
<b>Shares o/s, Cr (FV 2)</b>	522.0
<b>Market Cap (Rs Cr)</b>	236,934
<b>3M Avg Volume</b>	7,148,453
<b>52 week H/L</b>	546/349

**Shareholding Pattern**

(%)	Jun-23	Sep-23	Dec-23
<b>Promoter</b>	72.9	72.9	72.9
<b>FII</b>	6.3	6.5	6.7
<b>DII</b>	9.8	10.5	10.5
<b>Others</b>	11.0	10.1	9.9

**1 year relative price performance**

**1 year P/E Forward (x)**

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**Mixed growth for Revenue:** Wipro reported de-growth of revenue by 0.3% QoQ and 6.6% YoY in constant currency for Q4FY24. Revenue in rupee stood at Rs 22,208cr which was flat sequentially while it declined by 4.2% YoY. Besides, its dollar revenue grew marginally by 0.3% QoQ but de-grew by 6.1% YoY to USD 2,665mn. Further, the company's IT service revenue came in at USD 2,657.4cr flat QoQ but down by 6.4% YoY. Amongst geographies, mixed growth was seen wherein America 2 and Europe region witnessed positive growth as compared to last quarter while American 1 and other Asian & Middle-East countries saw a muted growth. Amongst segments, BFSI, health & energy drove growth as compared sequentially while technology, communications, manufacturing witnessed de-growth.

**Improving EBIT margin:** EBIT for Q4FY24 grew by 9% QoQ to Rs 3,560cr while it declined by 3.1% YoY. Its EBIT margin saw a healthy improvement of 132bps QoQ and 19bps YoY to 16%. Its IT service EBIT margin came in at 16.4%, an improvement of 40bps QoQ & 10bps YoY. For FY24, its EBIT de-grew by 2.1% YoY with margins at 14.9%. Going ahead, the management plan is to scale it further with improving efficiency, utilization, skilling employees and deployment of more products into newer technology.

**Attrition was flat:** Attrition for Q4FY24 continued to remain flat as compared to last quarter at 14.2% while it moderated from Q4FY23 by 500bps from 19.2%. For FY24, attrition came in at 14.2% an ease of 520bps from 19.4% YoY.

**Healthy Order book:** Order book for the quarter stood at USD 3.6bn and amongst it USD 1.2bn were the large deals which increased by 33.3% (USD 0.9bn) as compared to last quarter. For Q4FY24, TCV stood at USD 14.9bn, down by 5.5% in CC terms while amongst them large deals were USD 4.6bn which grew by 17.4% in CC terms.

**Cautious management guidance:** Management believed FY24 was a challenging year and in the near terms concerns are yet not over. However, from a medium to long term perspective, they are optimistic on the back of opportunities such as technological shift, availability of manpower, strong capability of the company along with its products as well as continuous investment towards it would aid in driving growth. For the next quarter, Q1FY25 they expect revenue from the IT Services business segment to be in the range of USD 2,617mn to USD 2,670mn which would translate to sequential guidance of -1.5% to +0.5% in CC terms.

**Outlook & Valuation:** Wipro reported mixed numbers for Q4FY24. We believe Wipro has strong capabilities, a decent client base and focus of management to build a healthy future. However, they would still need 1-2 quarters for noticeable revival. Further, with a management plan of focus on 5 areas along with training employees, healthy demand and improving utilization would drive growth ahead. On the financial front, we expect revenue/EBIT to grow by 6.2%/9.2% CAGR over FY24-26E and we maintain our Accumulate rating with a target price of **Rs 513**.

**Financial Summary - consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	90,488	89,760	94,248	101,317
EBIT	13,641	13,361	14,460	15,936
EBITM (%)	15.1	14.9	15.3	15.7
APAT	11,479	11,112	12,131	13,370
APATM (%)	12.7	12.4	12.9	13.2
EPS (Rs)	20.9	21.3	23.2	25.6
PE (x)	21.7	21.3	19.5	17.7
RoE (%)	14.8	14.9	14.3	13.9

Source : RBL Research

**Key highlights:** 1) Management immediate priority is to focus on growth in the 5 areas  
a) Accelerate large deal momentum by working closely with clients & partners.  
b) Strengthen relationship with clients & partners and drive business of clients to large clients.  
c) Focus on industry specific business solutions which would focus on AI and other technology.  
d) Continued to build talented skills.  
e) Continue to scale the operating model with focus on execution and speed.  
2) It continues to win strategic deals.  
3) Strong demand for AI amongst clients.  
4) Amongst Geographies, American 1 region (30.4% of revenue) grew by 1.1% YoY to Rs 6,751cr but declined by 1.9% QoQ. American 2 (30.7% of revenue) and Europe (27.8% of revenue) region grew by 2.3% QoQ to Rs 6,818cr and 0.4% QoQ to Rs 6,174cr, respectively while as compared last year they posted de-growth of 4.2% and 9.1%, respectively.  
5) Amongst Verticals, BFSI (33.5% of revenue) grew by 2.5% QoQ followed by health (14.1% of revenue) and Energy segment (11.9% of revenue) which grew by 1.5% QoQ and 0.9% QoQ. However, technology, consumer, manufacturing & communications growth was muted, down by 5.8% QoQ, 0.5% QoQ, 1.5% QoQ and 5% QoQ, respectively. All the verticals witnessed degrowth as compared to last year impacting growth of rupee revenue.

American 1 region along with consumer, technology & manufacturing segments witnessed de-growth and dragged the revenue down

EBIT margin improved to 16.0%

#### P&L Account Quarterly - consolidated

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
<b>Revenue in \$</b>	<b>2,665</b>	<b>2,840</b>	<b>(6.1)</b>	<b>2,656</b>	<b>0.3</b>
<b>Revenue in INR</b>	<b>22,208</b>	<b>23,190</b>	<b>(4.2)</b>	<b>22,205</b>	<b>0.0</b>
Purchase of Finished Goods	83	36	128.5	145	(43.2)
(Increase) / Decrease In Stocks	16	84	(81.3)	(62)	-
Employee Cost	13,626	13,808	(1.3)	13,423	1.5
Other Expense	4,084	4,744	(13.9)	4,500	(9.2)
<b>Total Expenditure</b>	<b>17,808</b>	<b>18,671</b>	<b>(4.6)</b>	<b>18,007</b>	<b>(1.1)</b>
<b>EBITDA</b>	<b>4,401</b>	<b>4,519</b>	<b>(2.6)</b>	<b>4,198</b>	<b>4.8</b>
EBITDA Margins (%)	19.8	19.5	33bps	18.9	91bps
Depreciation	841	847	(0.7)	932	(9.8)
<b>EBIT</b>	<b>3,560</b>	<b>3,673</b>	<b>(3.1)</b>	<b>3,267</b>	<b>9.0</b>
<b>EBIT Margins (%)</b>	<b>16.0</b>	<b>15.8</b>	<b>19bps</b>	<b>14.7</b>	<b>132bps</b>
Other Income	653	631	3.4	598	9.2
Interest	331	286	15.7	313	5.9
PBT	3,882	4,018	(3.4)	3,552	9.3
Shares of profits	(20)	0.4	-	(0.4)	-
PBT	3,862	4,018	(3.9)	3,552	8.7
Tax	1,004	925	8.6	852	17.9
<b>PAT</b>	<b>2,858</b>	<b>3,094</b>	<b>(7.6)</b>	<b>2,700</b>	<b>5.9</b>
<b>PAT Margin (%)</b>	<b>12.9</b>	<b>13.3</b>	<b>-47bps</b>	<b>12.2</b>	<b>71bps</b>
EPS (Rs)	5.5	5.6	(2.9)	5.2	5.9

Source : RBL Research

#### IT Services

Particulars	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Revenue (\$ Mn)	2,657.4	2,839.5	(6.4)	2,656.1	0.0
Constant Currency growth QoQ (%)	-0.3	-0.7	-	-1.7	-
Reported Operating margins (%)	16.4	16.3	<b>10bps</b>	16.0	<b>40bps</b>

Source : RBL Research

Mixed growth was seen amongst geographies

#### Revenue Distribution by Geography - consolidated

Particulars, Rs cr	Q4FY24	Q4FY23	Q3FY24	Reported YoY Growth	CC YoY Growth
<b>America 1</b>	<b>6,751</b>	<b>6,679</b>	<b>1.1</b>	<b>6,884</b>	<b>(1.9)</b>
% of revenue	30.4	28.8	160bps	31.0	-60bps
<b>America 2</b>	<b>6,818</b>	<b>7,119</b>	<b>(4.2)</b>	<b>6,662</b>	<b>2.3</b>
% of revenue	30.7	30.7	0bps	30.0	70bps
<b>Europe</b>	<b>6,174</b>	<b>6,795</b>	<b>(9.1)</b>	<b>6,151</b>	<b>0.4</b>
% of revenue	27.8	29.3	-150bps	27.7	10bps
<b>APMEA</b>	<b>2,465</b>	<b>2,597</b>	<b>(5.1)</b>	<b>2,509</b>	<b>(1.8)</b>
% of revenue	11.1	11.2	-10bps	11.3	-20bps
<b>Total</b>	<b>22,208</b>	<b>23,190</b>	<b>(4.2)</b>	<b>22,205</b>	<b>0.0</b>

Source : RBL Research

Amongst all, only health vertical saw positive growth while growth for other vertical remain muted

#### Revenue Distribution by Segments - consolidated

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y	Q3FY24	Q-o-Q
BFSI	7,440	7,931	(6.2)	7,261	2.5
Consumer	4,153	4,360	(4.7)	4,175	(0.5)
Health	3,131	2,829	10.7	3,087	1.5
Energy, Natural Resources	2,643	2,852	(7.3)	2,620	0.9
Technology	2,532	2,551	(0.8)	2,687	(5.8)
Manufacturing	1,466	1,623	(9.7)	1,488	(1.5)
Communications	844	1,044	(19.1)	888	(5.0)
<b>Total</b>	<b>22,208</b>	<b>23,190</b>	<b>(4.2)</b>	<b>22,205</b>	<b>0.0</b>

Source : RBL Research

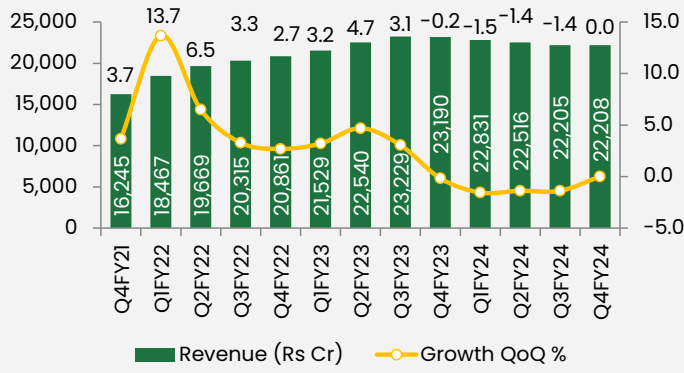
#### Client Classification

Particulars	Q4FY24	Q4FY23	Q3FY24
<b>Client Classification</b>			
>USD 100 mn clients	22	19	22
> USD 75 mn clients	32	29	31
> USD 50 mn clients	45	53	46
> USD 20 mn clients	116	117	121
> USD 10 mn clients	205	210	203
> USD 5 mn clients	301	315	305
> USD 3 mn clients	409	436	430
> USD 1 mn clients	741	766	750
<b>Customers Data</b>			
Revenue from existing customers	97.8%	96.5%	98.8%
New Customers	60	63	55
Active Customers	1371	1441	1349
<b>Share in revenue %</b>			
Top Customers	3.8%	3.3%	3.0%
Top 5	13.4%	12.6%	12.1%
Top 10	22.0%	20.3%	20.5%

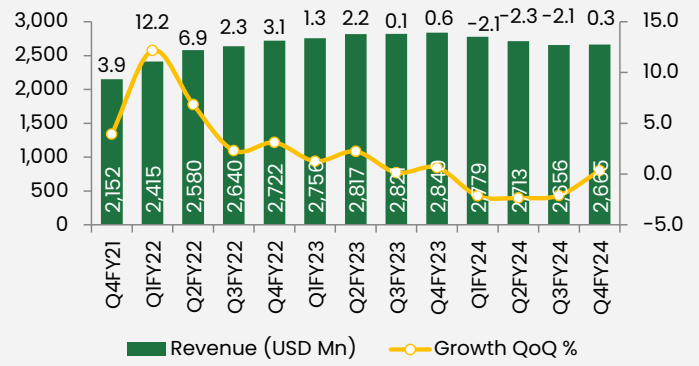
Source : RBL Research

Story in charts

Revenue in rupees was flat sequentially but de-grew by 4.2% YoY

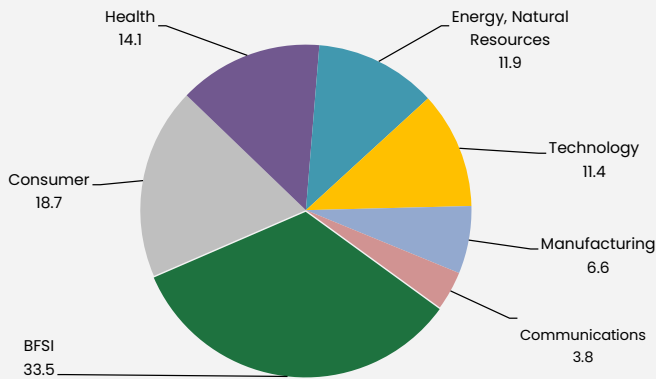


Revenue in USD grew by 0.3% QoQ but de-grew by 6.0% YoY

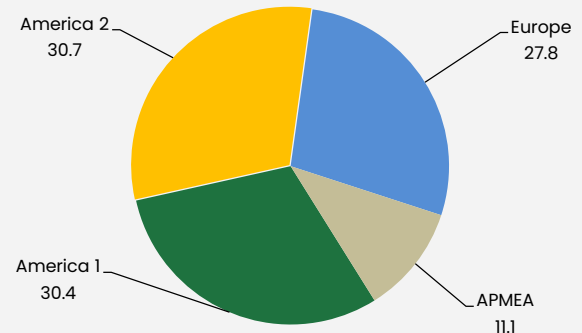


Source : RBL Research

Revenue Share by business Segments (%)

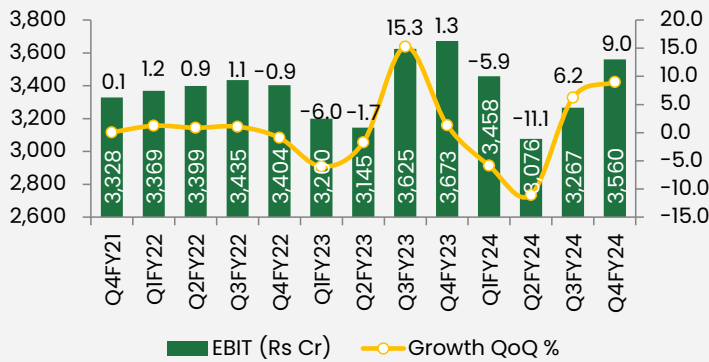


Revenue Share by Geography (%)

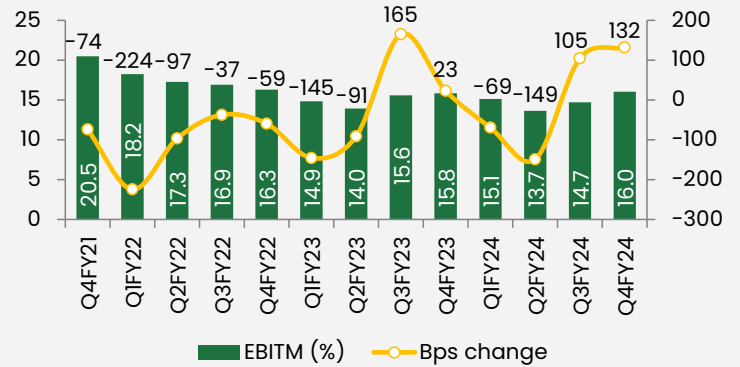


Source : RBL Research

EBIT grew by 9% QoQ but de-grew by 3.1% YoY

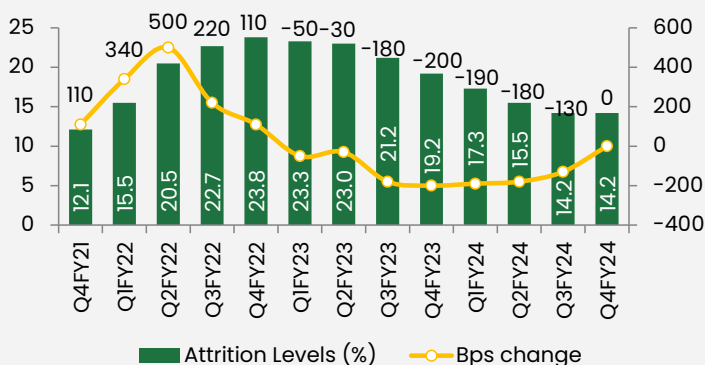


EBIT margins improved by 132bps in Q4FY24

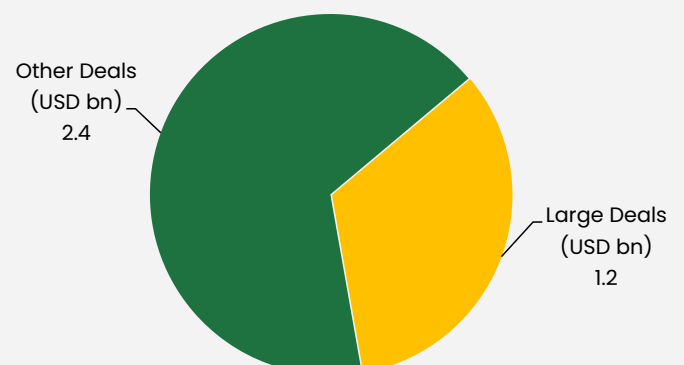


Source : RBL Research

Attrition was flat at 14.2% in Q4FY24



Deals win for Q4FY24 stood at USD 3.6bn



Source : RBL Research

## P&amp;L Account – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Revenue (\$ mn)	8,137	10,356	11,234	10,813
Revenue (Rs cr)	90,488	89,760	94,248	101,317
<b>Expenditure</b>				
Purchase of stock in trade	649	383	402	405
(Increase) / Decrease In Stocks	15	28	29	31
Total raw materials	664	411	432	437
Gross Profit	89,823	89,349	93,817	100,880
Employee cost	53,764	54,930	57,491	61,641
Other expenses	19,077	17,652	18,378	19,757
<b>Total expenditure</b>	<b>73,506</b>	<b>72,993</b>	<b>76,301</b>	<b>81,835</b>
EBITDA	16,982	16,768	17,947	19,482
EBITDAM (%)	18.8	18.7	19.0	19.2
Depreciation	3,340	3,407	3,487	3,546
<b>EBIT</b>	<b>13,641</b>	<b>13,361</b>	<b>14,460</b>	<b>15,936</b>
<b>EBIT Margins (%)</b>	<b>15.1</b>	<b>14.9</b>	<b>15.3</b>	<b>15.7</b>
Other income	2,252	2,639	2,771	2,978
Interest expenses	1,008	1,255	1,268	1,322
PBT	14,885	14,744	15,962	17,592
Tax	3,399	3,609	3,831	4,222
<b>Reported PAT</b>	<b>11,486</b>	<b>11,135</b>	<b>12,131</b>	<b>13,370</b>
Exceptional Income / Expenses	-6.8	-23.3	0.0	0.0
PAT (after Exceptional)	11,479	11,112	12,131	13,370
PAT Margin (%)	12.7	12.4	12.9	13.2
EPS (Rs)	20.9	21.3	23.2	25.6

Source : RBL Research

## Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	1,098	1,045	1,045	1,045
Reserves & Surplus	76,570	73,488	84,053	94,813
<b>Total Shareholder's Fund</b>	<b>77,668</b>	<b>74,533</b>	<b>85,098</b>	<b>95,858</b>
Minority Interest	59	134	134	134
Long term borrowings	6,127	6,230	6,597	6,586
Short term borrowing	8,882	7,917	9,251	9,945
<b>Total Debt</b>	<b>15,009</b>	<b>14,147</b>	<b>15,849</b>	<b>16,531</b>
Deferred tax liabilities	5,578	7,631	8,013	8,614
Long term provision	295	422	2,356	2,533
Other long term liabilities	2,517	2,770	2,827	3,040
<b>Total</b>	<b>8,389</b>	<b>10,823</b>	<b>13,197</b>	<b>14,186</b>
<b>Current Liabilities</b>				
Trade payables	5,972	5,766	6,054	6,508
Short term provisions	1,843	1,803	2,262	2,432
Other current liabilities	8,193	7,585	7,728	8,004
<b>Total</b>	<b>16,009</b>	<b>15,154</b>	<b>16,044</b>	<b>16,943</b>
<b>Total liabilities</b>	<b>117,134</b>	<b>114,791</b>	<b>130,322</b>	<b>143,653</b>
<b>Application of Assets</b>				
Net Block	14,408	12,483	13,404	14,417
WIP	617	723	723	723
Non current investment	2,150	2,267	2,381	2,559
Other non-current assets	1,334	1,615	1,696	1,823
<b>Total</b>	<b>50,799</b>	<b>49,968</b>	<b>51,140</b>	<b>52,593</b>
<b>Current Assets</b>				
Current investments	30,923	31,117	35,814	38,500
Inventories	119	91	95	102
Trade receivables	12,635	17,787	18,676	20,077
Cash balance	9,186	9,696	18,157	25,459
Short term L&A	10,434	-	-	-
Other current assets	3,037	6,132	6,439	6,922
<b>Total</b>	<b>66,335</b>	<b>64,822</b>	<b>79,182</b>	<b>91,060</b>
<b>Total assets</b>	<b>117,134</b>	<b>114,791</b>	<b>130,322</b>	<b>143,653</b>

Source : RBL Research

## Cashflow – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Profit before tax	14,766	14,744	15,962	17,592
Add: Depreciation	3,340	3,407	3,487	3,546
Less: Other Income	(811)	(1,134)	(1,503)	(1,656)
Others	242	249	-	-
<b>Operating profit before working capital changes</b>	<b>17,537</b>	<b>17,266</b>	<b>17,947</b>	<b>19,482</b>
Changes in working capital	(1,455)	1,892	1,926	(263)
Cash from Operations	16,082	19,158	19,873	19,219
Less: Taxes	(3,022)	(1,536)	(3,831)	(4,222)
<b>Cash flow from Operations</b>	<b>13,061</b>	<b>17,622</b>	<b>16,042</b>	<b>14,997</b>
<b>Net cash used in Investing</b>				
Purchase of fixed assets	(1,483)	(1,051)	(4,408)	(4,559)
Purchase of investments	(85,220)	(97,507)	(4,811)	(2,865)
Sales of fixed assets	56	402	-	-
Sales of investments	74,089	97,860	-	-
Other Income	1,412	2,011	1,503	1,656
Others	2,741	(548)	-	-
<b>Cash flow from investing</b>	<b>(8,407)</b>	<b>1,168</b>	<b>(7,716)</b>	<b>(5,768)</b>
<b>Cash flow from Financing</b>				
Proceeds from Equity shares	1.2	1	-	-
Proceeds of borrowings	(788)	12,050	1,702	682
Sales of borrowings	-	(13,056)	-	-
Dividend (Incl dividend tax)	(3,281)	(554)	(1,566)	(2,610)
Interest cost	(871)	(1,046)	-	-
Others	(1,150)	(15,653)	-	-
<b>Cash flow from Financing</b>	<b>(6,088)</b>	<b>(18,257)</b>	<b>136</b>	<b>(1,928)</b>
<b>Net cash Inflow/Outflow</b>	<b>(1,434)</b>	<b>533</b>	<b>8,462</b>	<b>7,301</b>
Opening Cash	10,383	9,186	9,696	18,157
Exchange gain/loss	237	(24)	-	-
<b>Cash &amp; Bank Balance</b>	<b>9,186</b>	<b>9,696</b>	<b>18,157</b>	<b>25,459</b>

Source : RBL Research

## Key ratios – consolidated

Particulars	FY23	FY24	FY25E	FY26E
<b>Per share Data</b>				
EPS (Rs)	20.9	21.3	23.2	25.6
Book value per share (Rs)	141.5	142.8	163.0	183.6
Dividend per share (Rs)	6.0	1.1	3.0	5.0
Dividend Payout (%)	28.6	28.0	28.0	28.0
Dividend Yield (%)	1.3	0.2	0.7	1.1
<b>Profitability Ratios</b>				
EBITDAM(%)	18.8	18.7	19.0	19.2
PBTM (%)	16.5	16.4	16.9	17.4
NPM (%)	12.7	12.4	12.9	13.2
RoE (%)	14.8	14.9	14.3	13.9
RoCE (%)	14.7	15.1	14.3	14.2
<b>Efficiency Data</b>				
Debt-Equity Ratio	0.2	0.2	0.2	0.2
Interest Cover Ratio	13.5	10.6	11.4	12.1
Fixed Asset Ratio	0.2	0.1	0.1	0.1
Debtors (Days)	51.0	72.3	72.3	72.3
Inventory (Days)	0.5	0.4	0.4	0.4
Payable (Days)	24.1	23.4	23.4	23.4
WC (Days)	27.4	49.3	49.3	49.3
<b>Valuation</b>				
P/E (x)	21.7	21.3	19.5	17.7
P/BV	3.2	3.2	2.8	2.5
EV/EBITDA	15.0	14.4	13.0	11.7
EV/Sales	2.8	2.7	2.5	2.2

Source : RBL Research

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