

January 13, 2024

RESULT REPORT Q3 FY24 | Information Technology

# Wipro Ltd

## Inline operating performance; muted revenue guidance for Q4FY24

### Result Synopsis

Wipro (WPRO) reported broadly inline financial performance for the quarter. The revenue growth was inline with expectation and EBIT margin slightly above expectation. The sequential growth was (1.5%) QoQ in USD terms, led by Healthcare vertical (up 7.8% QoQ). Revenue declined by 1.7% QoQ in cc terms. There was sequential improvement in EBIT margin (up 1bps QoQ) led by operating efficiency. The moderation in employee attrition continues as LTM attrition was down 130 bps QoQ to 14.2%.

The near term demand environment remains challenging as the clients remain cautious regarding the evolving macroeconomic situation especially in the US and Europe; and consequently, we expect muted revenue performance in near term. We estimate revenue CAGR of 6.6% over FY23-26E with average EBIT margin of 15.2% over the period. We maintain our NEUTRAL rating on the stock with revised target price of Rs 505/share at 19.5x on FY26E EPS. The stock trades at PER of 20.2x/17.9x on FY25E/FY26E EPS.

### Result Highlights

- Wipro reported revenue of Rs 222.1bn, (down 1.4% QoQ in INR terms, down 1.5% QoQ in USD terms for IT services). Revenue declined by 1.7% QoQ in cc terms. The sequential performance was led by Healthcare & Life Science vertical (up 7.8% QoQ).
- EBIT margin remained flat QoQ at 14.7%.
- Order bookings remained strong \$3.8bn (vs \$3.8bn in Q2FY24) and large deal bookings were \$0.9bn (down 8.3% YoY in cc terms).
- Net employee addition was (4,473) employees for the quarter to a close of 240,234 employees. LTM attrition decreased by 130 bps QoQ to 14.2%. Net utilization (excluding trainees) was down 50 bps QoQ to 84.0%.
- Total number of active clients decreased by 44 clients QoQ to 1349 active clients. Offshore revenue mix decreased by 10 bps QoQ to 59.8%.
- Has guided -1.5% to 0.5% QoQ revenue growth in cc terms for Q4FY24.

### Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Sales	222,051	223,636	220,870	-0.7%	0.5%
EBITDA	41,919	41,118	40,740	1.9%	2.9%
EBITDA Margin (%)	18.88%	18.39%	18.45%	49 bps	43 bps
Adjusted PAT	27,006	26,292	26,690	2.7%	1.2%

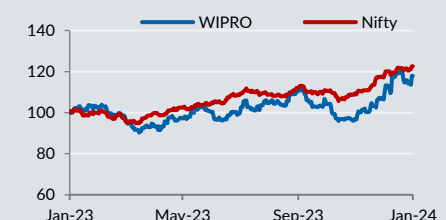
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 465
Target Price	: Rs 505
Potential Return	: + 8.6%

### Stock data (as on January 13, 2024)

Nifty	21,895
52 Week h/l (Rs)	484 / 352
Market cap (Rs/USD mn)	2338276 / 28221
Outstanding Shares (mn)	5,217
6m Avg t/o (Rs mn):	2,378
Div yield (%):	0.3
Bloomberg code:	WPRO IN
NSE code:	WIPRO

### Stock performance



	1M	3M	1Y
Absolute return	10.9%	13.2%	18.2%

### Shareholding pattern (As of Sep'23 end)

Promoter	72.9%
FII+DII	16.9%
Others	10.0%

### Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price	505	427

### Δ in earnings estimates

	FY24E	FY25E	FY26E
EPS (New)	20.3	23.0	25.9
EPS (Old)	20.7	23.7	NA
% change	-1.9%	-3.0%	NA

### Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Net Revenue	906,187	997,134	1,094,087
YoY Growth	0.1%	10.0%	9.7%
EBIDTA	170,100	191,723	214,329
YoY Growth	0.5%	12.7%	11.8%
PAT	110,984	125,651	141,609
YoY Growth	-2.3%	13.2%	12.7%
ROE	13.4%	13.5%	13.6%
EPS	20	23	26
P/E	22.9	20.2	17.9
BV	160	180	201
P/BV	2.9	2.6	2.3

### PARTH GHIYA

Associate

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## Exhibit 2: Quarterly snapshot Console: Inline performance for the quarter

Particulars	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	yoy%	qoq %	9MFY24	9MFY23	yoy%
Sales - IT services (\$ mn)	2,821	2,840	2,779	2,710	2,669	-5.4	-1.5	8,158	8,395	-2.8
Sales (Consol) (Rs mn)	232,290	231,903	228,310	225,159	222,051	-4.4	-1.4	675,520	672,973	0.4
EBITDA	45,474	45,815	41,958	42,047	41,919	-7.8	-0.3	125,924	123,483	2.0
EBITDA %	19.6	19.8	18.4	18.7	18.9	-70 bps	20 bps	18.6	18.3	29 bps
Depreciation	9,229	9,228	7,380	8,970	9,316	0.9	3.9	25,666	24,936	2.9
EBIT	36,245	36,587	34,578	33,077	32,603	-10.0	-1.4	100,258	98,547	1.7
EBIT Margin %	15.6	15.8	15.1	14.7	14.7	-92 bps	-1 bps	14.8	14.6	20 bps
Other income	3,507	3,597	3,397	2,015	2,918	-16.8	44.8	8,330	8,926	-6.7
PBT	39,752	40,184	37,975	35,092	35,521	-10.6	1.2	108,588	107,473	1.0
Tax	9,102	9,249	9,115	8,419	8,515	-6.4	1.1	26,049	24,743	5.3
PAT	30,650	30,935	28,860	26,673	27,006	-11.9	1.2	82,539	82,730	-0.2
Minority Interest	-121	-190	-159	-210	-64	-47.1	-69.5	-433	25	-1,832
Reported PAT	30,529	30,745	28,701	26,463	26,942	-11.7	1.8	82,106	82,755	-0.8
NPM (%)	13.1	13.3	12.6	11.8	12.1	-101 bps	38 bps	12.2	12.3	-14 bps

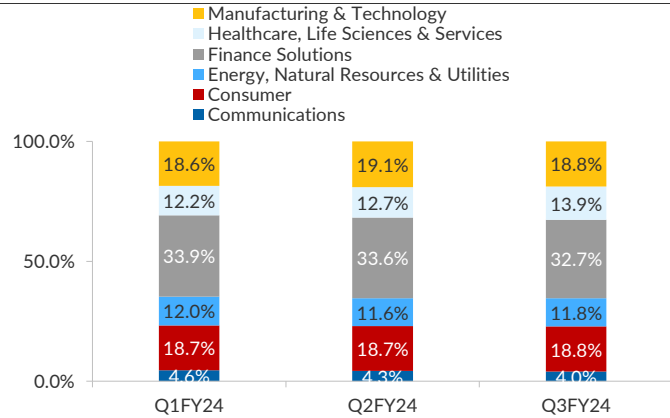
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- Deal bookings remain healthy despite seasonality. 14 deals signed in \$30 Mn+ client bucket (vs 11 deals in Q3FY23).
- 7 large deals signed in Americas 1 geography and 4 large deals signed in Europe geography. Americas 2 remained muted due to majority of Banking clients staying conservative on investment front.
- Large deals signed in Europe amounted to \$300 Mn+ aggregate contract value.
- Margins remained flat despite impact of seasonal furloughs of 60 bps offset by operational efficiency.
- Most of the large deals has AI offerings with various client specific use cases like customer management, risk analysis, operating efficiencies and software development.
- Wipro is deploying AI internally across all business and functional areas as well, with the goals of efficiency, productivity, and scale.
- Company is seeing green shoots under certain verticals as there is pickup in discretionary spends.
- Consulting segment – CAPCO reported double digit revenue growth. Consulting business is expected to bounce back from Q4FY24.
- Earnings per share for the quarter was at ₹5.16 (up 2.0% QoQ). Operating cash flows at 177.3% of Net Income.
- Declared interim dividend of Rs 1/share; record date 24<sup>th</sup> January 2024.

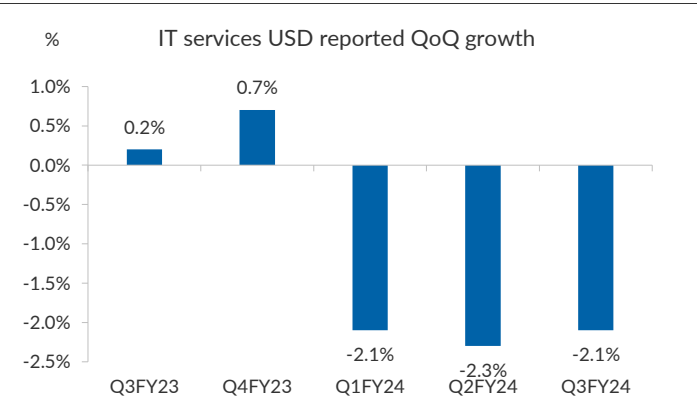
## STORY IN CHARTS

**Exhibit 3: Revenue growth was led by Healthcare vertical**



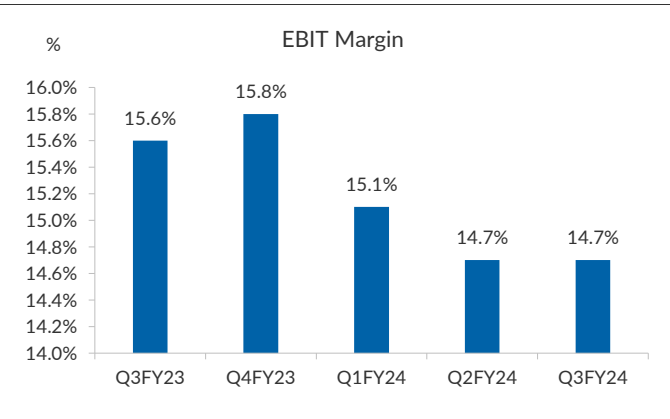
Source: Company, YES Sec

**Exhibit 4: Revenue growth was inline with estimates**



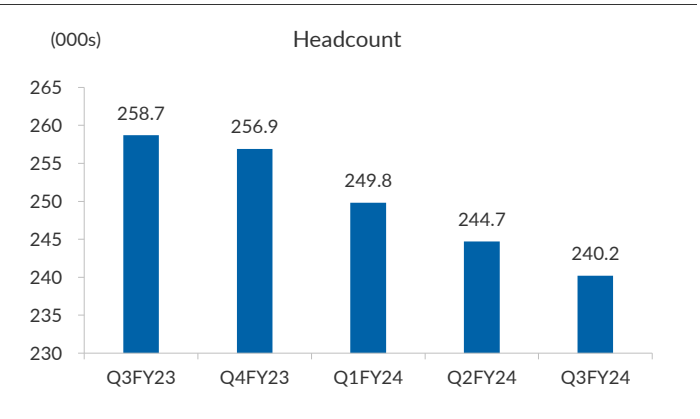
Source: Company, YES Sec

**Exhibit 5: EBIT margin remained flat during the quarter**



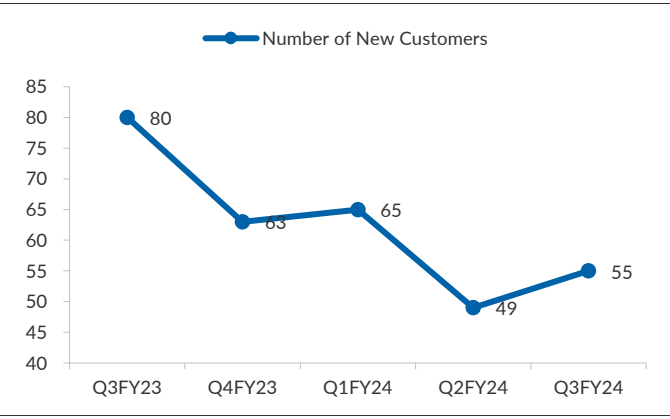
Source: Company, YES Sec

**Exhibit 6: Net Addition in employees was negative during Q3FY24**



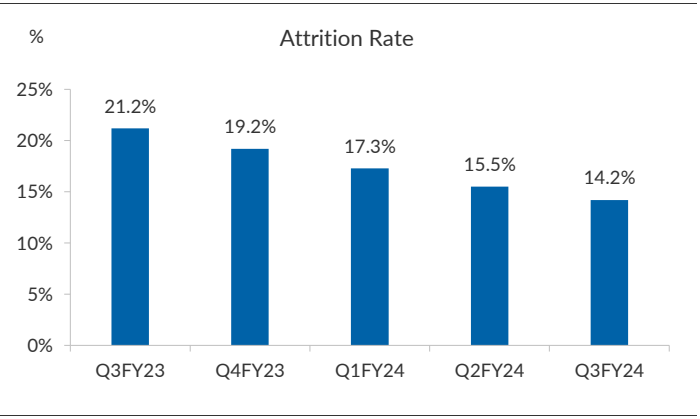
Source: Company, YES Sec

**Exhibit 7: Improvement in New Customers Acquired**



Source: Company, YES Sec

**Exhibit 8: Attrition Rate on a decreasing trend**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 9: Balance Sheet

Y/e March 31 (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share capital	10,958	10,964	10,976	10,976	10,976	10,976
Reserves & surplus	542,137	647,194	770,188	864,967	971,691	1,088,921
Shareholders' funds	553,095	658,158	781,164	875,943	982,667	1,099,897
Non-current liabilities	33,288	97,003	110,363	106,690	103,753	101,496
Long-term borrowings	7,458	56,463	61,272	55,145	49,630	44,667
Other non-current liabilities	25,830	40,540	49,091	51,546	54,123	56,829
Current liabilities	243,553	323,506	283,706	291,294	299,923	309,643
ST borrowings, Curr maturity	75,874	95,233	88,821	84,380	80,161	76,153
Other current liabilities	167,679	228,273	194,885	206,914	219,762	233,490
<b>Total (Equity and Liabilities)</b>	<b>831,434</b>	<b>1,079,182</b>	<b>1,175,822</b>	<b>1,274,516</b>	<b>1,386,932</b>	<b>1,511,625</b>
Non-current assets	308,248	458,430	514,726	523,278	532,287	541,777
Fixed assets (Net block)	253,824	400,312	458,376	464,531	470,976	477,726
Non-current Investments	12,040	19,883	21,500	21,500	21,500	21,500
Other non-current assets	42,384	38,235	34,850	37,248	39,811	42,551
Current assets	523,186	620,752	661,096	751,238	854,646	969,848
Cash & current investment	345,500	345,491	401,112	461,279	530,471	610,041
Other current assets	177,686	275,261	259,984	289,959	324,175	359,807
<b>Total (Assets)</b>	<b>831,434</b>	<b>1,079,182</b>	<b>1,175,822</b>	<b>1,274,516</b>	<b>1,386,932</b>	<b>1,511,625</b>

Source: Company, YES Sec

### Exhibit 10: Income Statement

Y/e March 31 (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	619,460	790,934	904,876	906,187	997,134	1,094,087
Operating expenses	(471,640)	(626,278)	(735,578)	(736,087)	(805,410)	(879,758)
EBITDA	147,820	164,656	169,298	170,100	191,723	214,329
Depreciation	(27,651)	(30,911)	(34,164)	(34,893)	(39,885)	(43,763)
EBIT	120,169	133,745	135,134	135,207	151,838	170,566
Other income	18,008	17,529	12,569	11,438	13,767	16,030
Profit before tax	138,177	151,274	147,703	146,645	165,605	186,596
Tax (current + deferred)	(30,345)	(28,946)	(33,992)	(35,164)	(39,698)	(44,730)
Reported Profit / (Loss)	107,116	122,190	113,546	110,984	125,651	141,609
Adjusted net profit	107,116	122,190	113,546	110,984	125,651	141,609

Source: Company, YES Sec

## Exhibit 11: Cash Flow Statement

Y/e March 31 (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	138,177	151,274	147,703	146,645	165,605	186,596
Depreciation	27,651	30,911	34,164	34,893	39,885	43,763
Change in working capital	19,881	(36,981)	(18,111)	(17,947)	(21,367)	(21,904)
Total tax paid	(24,196)	(22,072)	(30,782)	(34,511)	(39,013)	(44,011)
Others	0	0	0	0	0	0
Cash flow from operations (a)	161,513	123,132	132,974	129,080	145,110	164,445
Capital expenditure	(36,233)	(177,399)	(92,228)	(41,047)	(46,331)	(50,513)
Change in investments	(1,355)	(7,843)	(1,617)	0	0	0
Others	(5,441)	4,783	3,187	(2,293)	(2,453)	(2,625)
Cash flow from investing (b)	(43,029)	(180,459)	(90,658)	(43,340)	(48,784)	(53,138)
Free cash flow (a+b)	118,484	(57,327)	42,316	85,740	96,326	111,307
Equity raised/(repaid)	(1,030)	858	2,135	184	194	203
Debt raised/(repaid)	5,290	68,364	(1,603)	(10,568)	(9,733)	(8,971)
Dividend (incl. tax)	(5,459)	(5,467)	(32,814)	(16,389)	(19,120)	(24,583)
Others	(105,919)	(6,437)	45,587	1,200	1,526	1,615
Cash flow from financing (c)	(107,118)	57,318	13,305	(25,573)	(27,135)	(31,736)
Net change in cash (a+b+c)	11,366	(9)	55,621	60,167	69,192	79,571

Source: Company, YES Sec

## Exhibit 12: Ratio Analysis

Y/e March 31	FY21	FY22	FY23	FY24E	FY25E	FY26E
Growth(%)						
Revenue Growth	1.5	27.7	14.4	0.1	10.0	9.7
EBITDA Growth	20.9	11.4	2.8	0.5	12.7	11.8
EBIT Growth	18.5	11.3	1.0	0.1	12.3	12.3
Net Profit Growth	10.6	14.1	(7.1)	(2.3)	13.2	12.7
Profitability Ratios(%)						
EBITDA Margin	23.9	20.8	18.7	18.8	19.2	19.6
EBIT margin	19.4	16.9	14.9	14.9	15.2	15.6
Net Profit margin	17.3	15.4	12.5	12.2	12.6	12.9
RoA	14.6	14.0	12.0	11.0	11.4	11.8
RoE	19.3	20.2	15.8	13.4	13.5	13.6
RoCE	18.1	17.7	14.8	13.2	13.6	14.0
Liquidity Ratios						
Net debt/Equity (x)	(0.5)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Current ratio (x)	2.1	1.9	2.3	2.6	2.8	3.1
Quick ratio (x)	2.1	1.9	2.3	2.6	2.8	3.1
Valuation Ratios						
PER(x)	NA	NA	22.4	22.9	20.2	17.9
PCE(x)	NA	NA	17.2	17.4	15.3	13.7
Price/Book(x)	NA	NA	3.3	2.9	2.6	2.3
EV/EBITDA(x)	NA	NA	13.5	13.0	11.2	9.6

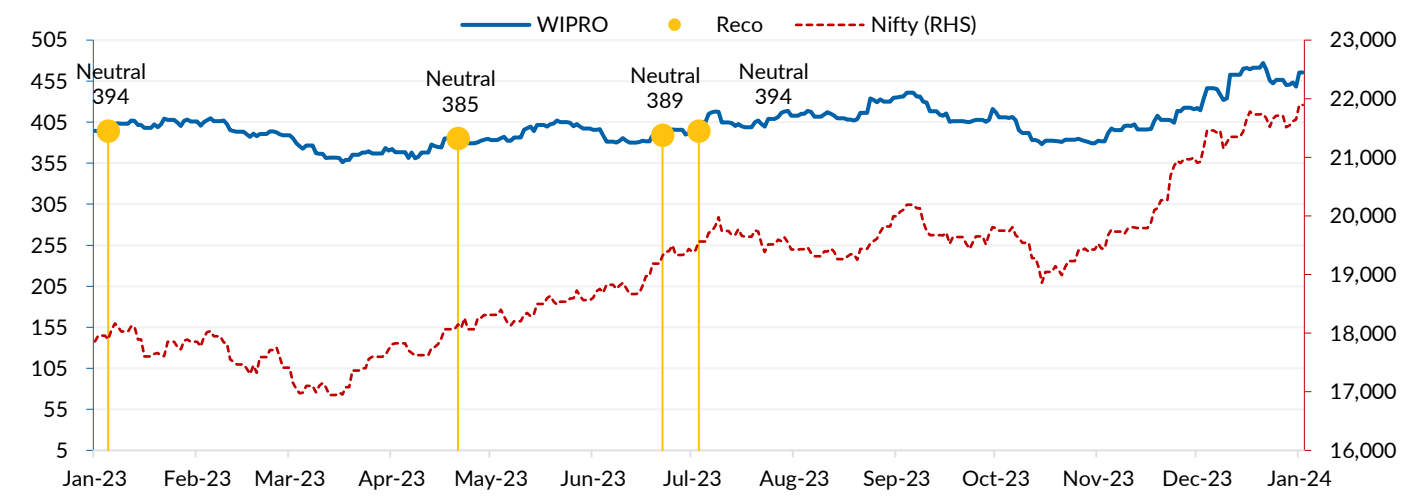
Source: Company, YES Sec

**Exhibit 13: Dupont Analysis**

Dupont Analysis	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net margin(%)	17.3	15.4	12.5	12.2	12.6	12.9
Asset turnover (x)	0.8	0.8	0.8	0.7	0.7	0.8
Leverage factor (x)	1.5	1.6	1.6	1.5	1.4	1.4
Return on Equity(%)	19.3	20.2	15.8	13.4	13.5	13.6

Source: Company, YES Sec

**Recommendation Tracker**



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**ADD:** Upside between 10% to 20% over 12 months

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YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.