

## Wipro Ltd

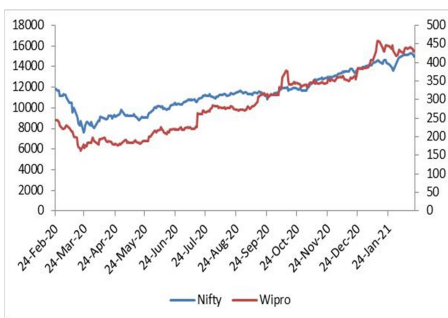
Analyst Recommendation: **SELL**

BSE Code: 507685 NSE: WIPRO Reuters Code: WIPR.NS Bloomberg Code: WPRO:NatI

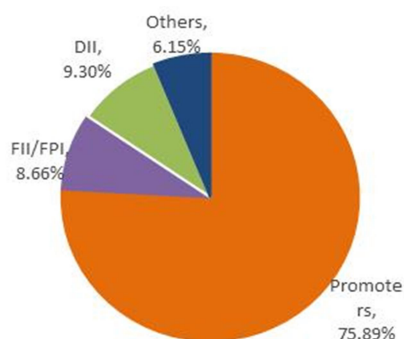
**CMP:** Rs 430  
**2 Year Target:** Rs 360

Face Value	2.0
Market Cap (Rs cr)	2,35,559
52 week high/low	467.4/159.4
Beta	0.68
Shares O/S (Cr)	547.8
Book Value per Share (Rs)	101
Sensex	50,890
Nifty	14,982

### 1 yr. Price Chart of Stock and Nifty



### Shareholding pattern as on 31st Dec 2020.



### Investor's Rationale

#### ➤ Health Broad Based Performance

Wipro Ltd (Wipro) revenue stood at Rs. 15,670 crs up 3.9% QoQ and 1.3% YoY IN CC terms. Operating profit showed a growth of 28.5% QoQ at Rs. 4,632cr; operating margin grew by 550 bps at 26.3% than previous quarter aided by strong execution, higher utilization and lower travel cost. Net profit for Q3 FY21 stood at Rs.2,957 cr reported a growth of 23% YoY. Wipro management revised its guidance upwards to 1.5%-3.5% (0%-2% previous) revenue growth in CC terms for Q4 FY21 The management commentary is positive in the verticals like BFSI, Hi tech Media, Life Sciences and Communications. while Retail vertical will recover slowly across geographies in near term. However digital business continues to show robust performance with \$1,568 mn (50% to the top line) showed a strong growth of 31.3% YoY in cc terms. Deal wins for the quarter remained strong at all time high at \$1.2bn.

➤ On vertical front, BFSI vertical grew by 1.6% QoQ, E&U vertical grew by 5.6% QoQ, Communication vertical grew by 2% QoQ, Consumer business grew by 5.2% QoQ, Manufacturing verticals reported growth of 5% QoQ, Hi tech vertical showed a strong growth of 4.8% QoQ. Majority of the verticals sees strong recovery and likely to report growth backed by strong deal pipeline in forthcoming quarters.

➤ On geographical front, North America (62% of revenue) improved by 2.5% QoQ, Europe (24% of revenue) grew by 10.1% QoQ, RoW business grew by 0.4% QoQ in CC terms

#### ➤ Valuation

We believe Wipro has resilient business structure from a long term perspective. However we anticipate stock to be overvalued on valuation front and thereby we assign a 15x multiple to its FY23E earnings of Rs 24 per share which gives a TP pf Rs 360 downside of 16.3%

	FY20	FY21	FY22E	FY23E
Revenue (Rs.Cr)	64,183.0	69,467.0	75,732.0	82,543.0
EBITDA (Rs. cr)	12,118.0	13,282.0	14,490.0	16,693.0
Adj. profit (Rs.Cr)	10,076.0	11,058.0	12,077.0	13,778.0
Adj. EPS (Rs.)	15.7	17.6	19.3	21.1
P/E (x)	28.1	25.2	22.9	21.0
EV/Net Sales	2.2	2.6	2.4	2.1
EV/EBITDA (x)	16.8	15.7	14.3	13.1
ROE (%)	17.0%	18.0%	20.0%	21.0%
ROIC (%)	11.0%	12.0%	13.0%	15.0%



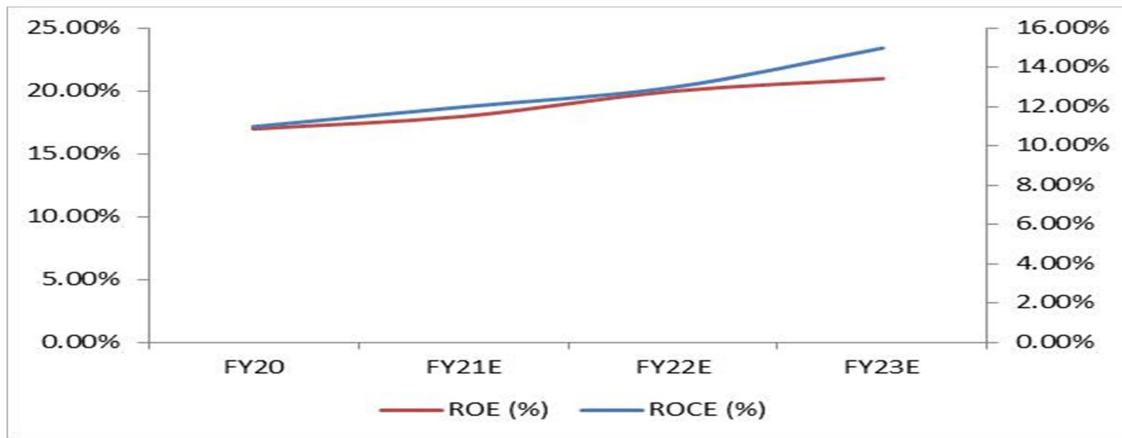
## Key Concall Highlights

- There was significant traction in markets across key geographies and good order booking in Q3 for Wipro. In the US, funnel was healthy and order booking grew in double digit YoY. Company also converted some large deals in Europe that resulted in Europe growing faster on YoY basis.
- From sector perspective, consumer sector growth was led by deal wins. Growth in the financial services was driven by demand in all sub verticals led by demand in digital transformation and Cloud infrastructure. Momentum in energy and utility was led by utilities and also ramp-up in demand from oil and gas, besides the deal wins in the segment. Technology bounced back with healthy growth despite furloughs. Communications and manufacturing continue to build on the momentum. Healthcare and Life Sciences performance was helped by seasonal uptick.

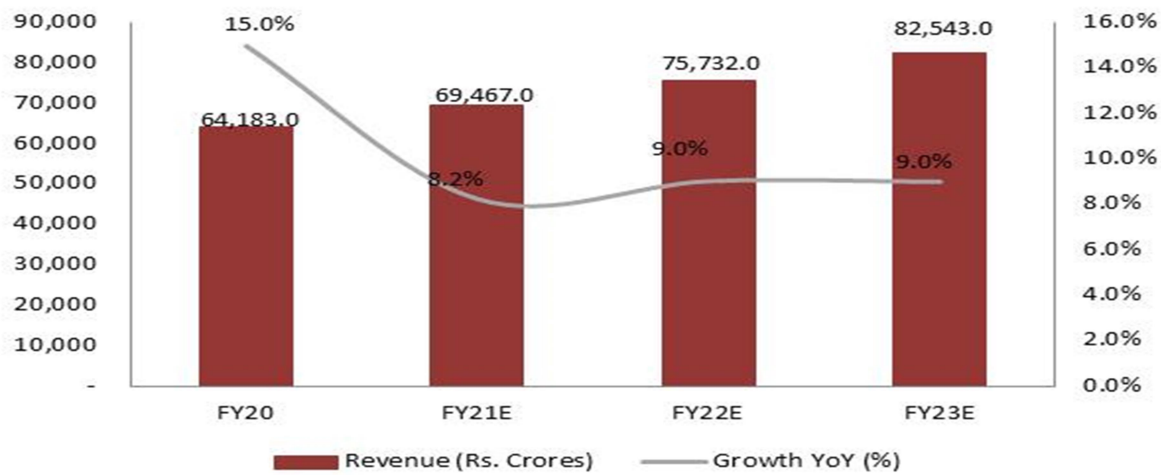
## Screen reopening

- From sector perspective, consumer sector growth was led by deal wins. Growth in the financial services was driven by demand in all sub verticals led by demand in digital transformation and Cloud infrastructure. Momentum in energy and utility was led by utilities and also ramp-up in demand from oil and gas, besides the deal wins in the segment. Technology bounced back with healthy growth despite furloughs. Communications and manufacturing continue to build on the momentum. Healthcare and Life Sciences performance was helped by seasonal uptick.
- Jatin Dalal, Chief Financial Officer said, 'Our margins are now at a 22 quarters high. The expansion was led by improved revenue growth trajectory and excellence in operations with several metrics at an all-time high. Our Operating Cash Flows grew by 45% YoY with a significant improvement in outstanding receivables.'

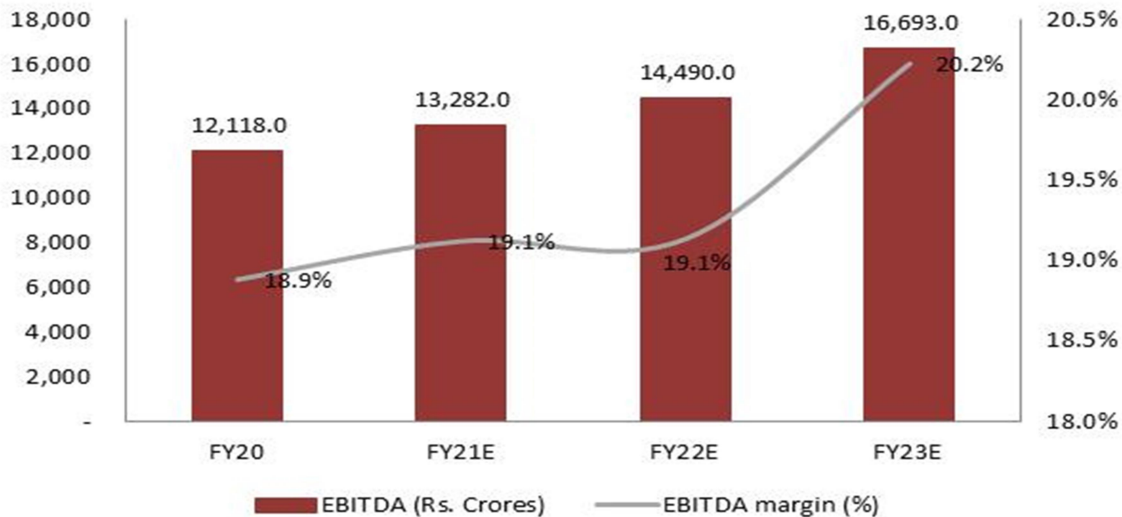
### Return ratios to show growth in future



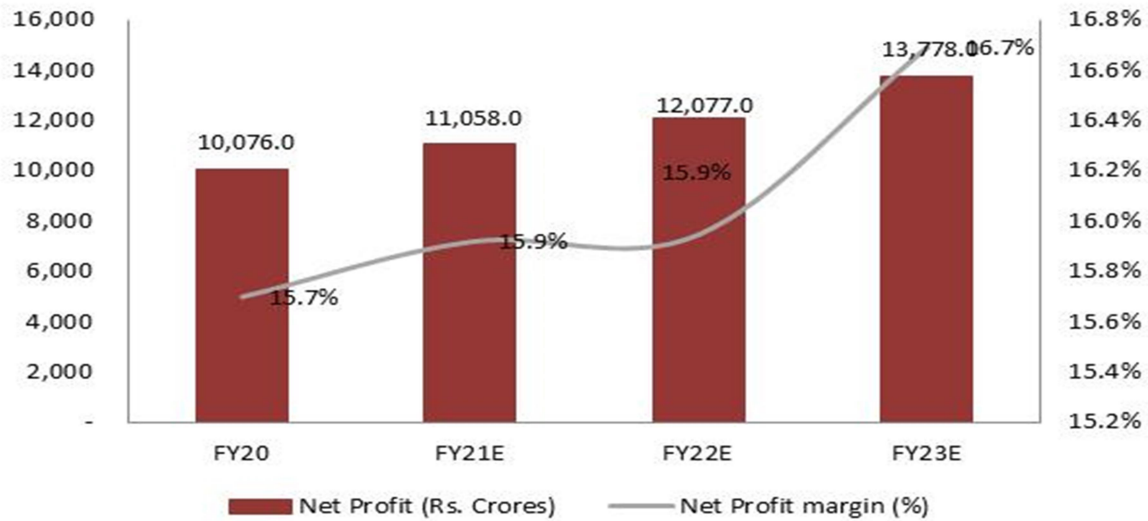
### Revenue will experience growth to FY20 levels post FY23



### EBITDA will experience strong growth by FY23



## Net profit will experience a growth trajectory FY22 onwards



## Outlook and Valuation

We believe Wipro has resilient business structure from a long term perspective. However we anticipate stock to be overvalued on valuation front and thereby we assign a 15x multiple to its FY23E earnings of Rs 24 per share which gives a TP pf Rs 360 downside of 16.3%.

## WiproLtd - Company Overview

- Wipro Limited is an Indian multinational corporation that provides information technology, consulting and business process services. It is headquartered in Bangalore, Karnataka, India.[5] In 2013, Wipro separated its non-IT businesses and formed the privately owned Wipro Enterprises.

## Key Risks

Key upside risks to our assumptions are

- Faster than anticipated growth
- Re-rating of stock has IT Industry are experiencing margin expansions



## Balance sheet (Consolidated)

(Rs crore)	FY20	FY21E	FY22E	FY23E
<b>Liabilities</b>				
Paid up capital	1142	1142	1142	1142
Reserves and Surplus	52358	53461	54666	56041
<b>Net worth</b>	<b>53500</b>	<b>54603</b>	<b>55808</b>	<b>57183</b>
Minority interest				
Other non- current liabilities	542	526	526	526
<b>Total Liabilities</b>	<b>54042</b>	<b>55129</b>	<b>56334</b>	<b>57709</b>
<b>Assets</b>				
Total fixed assets	6570	5981	5297	4679
Goodwill	11,698	11,698	11,698	11,698
CWIP	1,526.00	1,490.00	1,448.00	1,584.00
Other non- current assets	2,643.00	2,539.00	2,539.00	2,539.00
Investments	-	-	-	-
Net Current Assets	31605	33421	35352	37209
<b>Total Assets</b>	<b>54042</b>	<b>55129</b>	<b>56334</b>	<b>57709</b>

## Equity Research

## Profit & Loss Account (Consolidated)

(Rs crore)	FY20	FY21	FY22E	FY23E
<b>Total operating Income</b>	<b>64183</b>	<b>69467</b>	<b>75732</b>	<b>82543</b>
Operating Expenses	52065	56185	61242	65850
<b>EBITDA</b>	<b>12118</b>	<b>13282</b>	<b>14490</b>	<b>16693</b>
Depreciation	2015	2079	2132	2202
<b>EBIT</b>	<b>10103</b>	<b>11203</b>	<b>12358</b>	<b>14491</b>
Interest cost	666	599	530	509
Other Income & Extraordinary Items	3481	3573	3656	3682
<b>Profit before tax</b>	<b>12918</b>	<b>14177</b>	<b>15484</b>	<b>17664</b>
Tax	2842	3119	3407	3886
<b>Profit after tax</b>	<b>10076</b>	<b>11058</b>	<b>12077</b>	<b>13778</b>
Minority Interests				
P/L from Associates				
<b>Adjusted PAT</b>	<b>10076</b>	<b>11058</b>	<b>12077</b>	<b>13778</b>



# Equity Research

## Cash Flow (Consolidated)

Y.E March (Rs crore)	FY20	FY21	FY22E	FY23E
<b>Pretax profit</b>	<b>12918</b>	<b>14177</b>	<b>15484</b>	<b>17664</b>
Depreciation	2015	2079	2132	2202
Chg in Working Capital	-1696	-1903	-2004	18630
Tax Paid	2842	3119	3407	3886
Other	-2837	-2986	-3276	-3755
<b>Cash flow from operating activities</b>	<b>13242</b>	<b>14486</b>	<b>15743</b>	<b>38627</b>
Capex	1526	1490	1448	1584
Other Investment (Net of Exp)	-16932	-16031	-17150	-19069
<b>Cash flow from investing activities</b>	<b>-15406</b>	<b>-14541</b>	<b>-15702</b>	<b>-17485</b>
Dividend	11039	9932	10848	12375
Others	-11387	-10443	-11461	-12804
<b>Cash flow from financing activities</b>	<b>-348</b>	<b>-511</b>	<b>-613</b>	<b>-429</b>
Net chg in cash				
Opening Cash				
Net chg in cash	-2512	-566	-572	20713

## Key Ratios & Valuations (Consolidated)

Y.E March (Rs crore)	FY20	FY21	FY22E	FY23E
<b>Working Capital Ratios</b>				
Receivable Days	62.60	65.00	68.00	70.00
<b>Margin (%)</b>				
EBITDA	18.9%	19.1%	19.1%	20.2%
NPM	15.7%	15.9%	15.9%	16.7%
<b>Return Ratios (%)</b>				
RoE	17.0%	18.0%	20.0%	21.0%
ROCE	11.0%	12.0%	13.0%	15.0%
<b>Valuation(x)</b>				
P/E	28.1	25.2	22.9	21.0
EV/EBITDA	16.8	15.7	14.3	13.1
EV/Net Sales	2.2	2.6	2.4	2.1
<b>Per share data (Rs.)</b>				
EPS	15.7	17.6	19.3	21.1



# Equity Research

Large Cap.	Return	Mid/Small Cap.	Return
<b>Buy</b>	More than equal to 10%	<b>Buy</b>	More than equal to 15%
<b>Hold</b>	Between 10% & -5%	<b>Accumulate*</b>	Upside between 10% & 15%
<b>Reduce</b>	Less than -5%	<b>Hold</b>	Between 0% & 10%
		<b>Reduce/sell</b>	Less than 0%

\* To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.



**Member: BSE, NSE, MCX, MCX-SX, CDSL**

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