

# Wipro

## Not yet

Wipro (WPRO) is at a junction (not an unfamiliar territory) with the risk of a false start. The slightly better-than-expected Q4 and the outlook don't make the cut to suggest a reversal in its relative positioning. Wipro lags peers across a large number of metrics which cannot be reversed soon. The new CEO is likely to make small tweaks, the repercussions of which may not prolong – a good thing (vs. an extended period of senior management attrition earlier). We have factored revenue growth to gradually recover from a 4.4% decline in FY24 to flat growth in FY25E and a 6% growth in FY26E. While strong cash generation has been positive at ~5% FCF yield, sub-par return metrics and historical volatility in earnings will keep valuations at a discount. Maintain REDUCE with TP at INR 435, based on 17x FY26E EPS, in line with 10Y average multiples.

- **Flat Q4 growth print better than expected:** Wipro posted -0.3% QoQ in Q4 which was slightly above the mid-point of the quarterly guidance band and between the sequential performance of TCS and Infosys. Key growth highlight was an uptick in BFSI supported by recovery in Capco (positive commentary on growth/pipeline) and a strong ramp-up of a large account (scaled above WPRO's T1 customer). Also, large deal wins improved with 18 wins as compared to 14 in the previous quarter. However, impact from discretionary and weaker renewals led to 4.4% revenue decline in FY24 and Q1FY25E guidance at -1.5% QoQ to +0.5% QoQ (similar to Q4FY24 growth guidance). The positives were more than contrasted by weakness across verticals – Communication, Technology and Manufacturing.
- **Broad-based challenge:** Wipro has been plagued by challenges such as portfolio/client-specific challenges including volatility from the consulting business, absence of mega deals, market share loss to peers (including smaller peers) in key deals, instability in the senior management pool (*exhibit: 9*), absence of synergies from prior large acquisitions and weak operating profile in non-core markets. While the current scenario can improve, this remains a work in progress with a fair distance to catch up before competing meaningfully. We reckon that 'consistent' success in the consulting portfolio can create downstream growth opportunities for the company.
- **New CEO takes over:** Srini Pallia has taken over as MD & CEO at Wipro following the resignation of Thierry Delaporte amid the company's chronic underperformance. The new CEO is a Wipro veteran and was earlier CEO of Americas -1 SMU which is 30% of the company's revenue (Americas-1 SMU had outpaced overall company growth by 3pp over the past two years). While small tweaks are par for the course, the CEO indicated no major structural/organisational changes with a focus on execution.

### Financial Summary

YE March (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
IT revenue (USD Mn)	2,657	2,823	(5.9)	2,656	0.0	11,147	10,805	10,871	11,540
Net Sales	222.08	231.90	(4.2)	222.05	0.0	904.88	897.60	912.31	986.11
EBIT	35.50	36.59	(3.0)	32.60	8.9	135.13	135.76	142.22	164.94
APAT	28.35	30.75	(7.8)	26.94	5.2	113.50	110.45	118.02	134.01
Diluted EPS (INR)	5.4	5.9	(7.8)	5.2	5.1	21.7	21.1	22.5	25.6
P/E (x)						20.9	21.5	20.1	17.7
EV / EBITDA (x)						12.7	12.5	11.9	10.3
RoE (%)						15.8	14.4	15.4	16.8

Source: Company, HSIE Research

## REDUCE

CMP (as on 19 Apr 2024)	INR 453
Target Price	INR 435
NIFTY	22,147

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 440	INR 435
EPS %	FY25E +2.1	FY26E -1.7

### KEY STOCK DATA

Bloomberg code	WPRO IN
No. of Shares (mn)	5,225
MCap (INR bn) / (\$ mn)	2,366/28,343
6m avg traded value (INR mn)	3,793
52 Week high / low	INR 546/359

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(6.7)	14.5	25.5
Relative (%)	(8.6)	3.2	2.8

### SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	72.90	72.89
FIs & Local MFs	8.13	8.28
FPIs	9.07	9.35
Public & Others	9.90	9.48
Pledged Shares	0.00	0.00

Source : BSE

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**Healthcare & BFSI verticals led deals:** Deal wins were dominated by Healthcare and BFSI verticals with Healthcare vertical deals centric around end-to-end platform development, tech operations and workflow automation while BFSI deals around cloud & infra services, regulatory & compliance services and Salesforce, Mulesoft services. Total bookings in Q4 were USD 3.61bn (down 5/14% QoQ/YoY) which included large deal bookings of USD 1.2bn in Q4FY24. FY24 large deal bookings were USD 4.6bn, up 17.4% YoY but total bookings for the year were down 5.5% at USD 14.9bn TCV, impacted by lower renewals and lower backfill of shorter programs.

**Margin to be rangebound in the near term:** WPRO's IT services EBIT margin came at 16.4%, +40bps QoQ supported by better efficiency offset by the residual impact of salary increase -50bps QoQ (wage hike was rolled out in Dec'23) – in FY24, EBITM expanded by 50bps to 16.1%. WPRO's dependence on sub-contractors has reduced considerably with sub-con at 11.5% of revenue as compared to above mid-teens five years ago. Margin levers are limited due to high utilisation, high fixed-price productivity and peak offshore delivery mix. Margin tailwinds are largely from operating leverage better efficiency from acquired entities and non-core market profitability. Cash generation improved significantly in FY24 and the company expects FCF/APAT generation in the range of 85-110% and payout at 45-55% over a cumulative three-year period.

**Outlook:** We have factored revenue growth to gradually recover from a 4.4% decline in FY24 to flat growth in FY25E and a 6% growth in FY26E. IT services EBITM is expected to be flat in FY25E and improve by 100bps in FY26E translating into an EPS CAGR of 10%. While strong FCF generation has been positive at ~5% FCF yield, sub-par return metrics and historical volatility in EPS estimates will suppress valuations. Our TP at INR 435 is based on 17x FY26E EPS (INR 25.6), in line with its 10Y average multiples – maintain REDUCE.

### Key highlights from the earnings call

**Key focus/priority areas for the new CEO** are 1) accelerate large deal momentum with proactive deal pursuits, 2) strengthen relationships with large clients and partners and invest in accounts that have large potential, 3) focus on industry-specific offerings led by consulting and infused with AI, 4) building talent at scale which is AI ready and industry-specific business solutions, 5) continuing to simplify the operating model and focus on execution rigour.

**Recovery expectation:** WPRO expects the return of stability in the BFSI vertical led by Capco – Capco's revenue grew 6.6% QoQ and order bookings posted a strong recovery. 6 of T10 accounts grew QoQ and on a YoY basis. Within Europe's geography, Germany and the UK remain impacted by slowdown but Switzerland and Southern Europe are seeing some recovery which grew 1.7% QoQ and 1.6% QoQ respectively. Southern Europe grew 14.6% in FY24 and there's strong order book traction in that region.

**Guidance:** For Q1FY25E, WPRO guided -1.5% QoQ to +0.5% QoQ; E&U and Manufacturing verticals are expected to recover in H2FY25E.

**Acquisition to grow insurance vertical:** Wipro acquired Aggne – consulting and managed services company servicing the Insurers and Insurtech segment that can support Wipro's insurance vertical.

Rishad Premji and Azim Premji have been re-appointed Wholetime Director/Executive Chairman and Non-executive Director for a period of five years till July 2029 by the Board.

**Exhibit 1: Quarterly consolidated Financial Snapshot**

Particulars (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
IT Services Rev (USD mn)	2,657	2,823	(5.9)	2,656	0.0
Net Revenues	222.08	231.90	(4.2)	222.05	0.0
Operating Expenses	178.18	186.85	(4.6)	180.13	(1.1)
EBITDA	43.91	45.05	(2.5)	41.92	4.7
Depreciation	8.41	8.47	(0.7)	9.32	(9.8)
EBIT	35.50	36.59	(3.0)	32.60	8.9
Other Income	6.56	5.47	19.9	5.78	13.4
Interest costs	3.31	2.86	15.7	3.13	5.9
Forex gain/(loss)	(0.13)	0.99	(112.9)	0.26	(148.9)
PBT	38.62	40.18	(3.9)	35.52	8.7
Minority Interest	0.24	0.19	24.2	0.06	268.8
Tax	10.04	9.25	8.6	8.52	17.9
RPAT	28.35	30.75	(7.8)	26.94	5.2
E/o (adj for tax)	0.00	0.00	NM	0.00	NM
APAT	28.35	30.75	(7.8)	26.94	5.2

Source: Company, HSIE Research

**Margin Analysis**

MARGIN ANALYSIS %	Q4FY24	Q4FY23	YoY (bps)	Q3FY24	QoQ (bps)
Operating Expenses % Net Revenues	80.2	80.6	(34)	81.1	(89)
EBITDA Margin (%)	19.8	19.4	34	18.9	89
EBIT Margin (%)	16.0	15.8	21	14.7	130
Tax Rate (%)	26.0	23.0	298	24.0	202
APAT Margin (%)	12.8	13.3	(49)	12.1	63

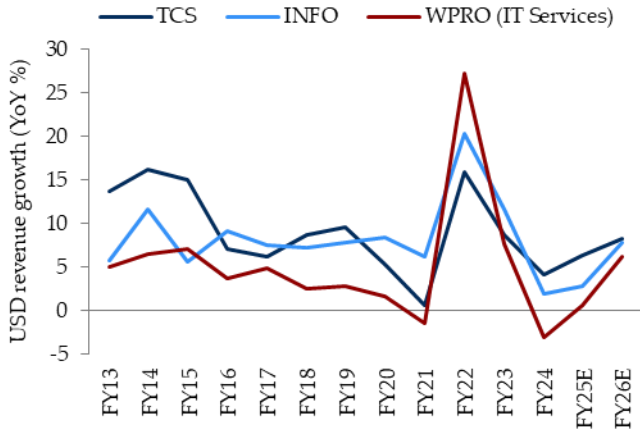
Source: Company, HSIE Research

## Exhibit 2: Wipro's performance metrics vs. peers

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
<b>Revenue growth % QoQ CC</b>								
TCS	3.5%	4.0%	2.3%	0.6%	0.0%	0.1%	1.0%	1.1%
Infosys	5.5%	4.0%	2.4%	-3.2%	0.4%	2.3%	-1.0%	-2.2%
<b>Wipro</b>	<b>2.1%</b>	<b>4.1%</b>	<b>0.6%</b>	<b>-0.6%</b>	<b>-2.8%</b>	<b>-2.0%</b>	<b>-1.7%</b>	<b>-0.3%</b>
<b>Revenue growth % YoY CC</b>								
TCS	15.5%	15.4%	13.5%	10.7%	7.0%	2.8%	1.7%	2.2%
Infosys	21.4%	18.8%	13.7%	8.8%	4.2%	2.5%	-1.0%	0.0%
<b>Wipro</b>	<b>17.2%</b>	<b>12.9%</b>	<b>10.4%</b>	<b>6.5%</b>	<b>1.1%</b>	<b>-4.8%</b>	<b>-6.9%</b>	<b>-6.6%</b>
<b>EBITM (%)</b>								
TCS	23.1%	24.0%	24.5%	24.5%	23.2%	24.3%	25.0%	26.0%
Infosys	20.1%	21.5%	21.5%	21.0%	20.8%	21.2%	20.5%	20.1%
<b>Wipro (IT services)</b>	<b>15.0%</b>	<b>15.1%</b>	<b>16.3%</b>	<b>16.3%</b>	<b>16.0%</b>	<b>16.1%</b>	<b>16.0%</b>	<b>16.4%</b>
<b>Deal bookings (USD mn)</b>								
TCS (overall TCV)	8,200	8,100	7,800	10,000	10,200	11,200	8,100	13,200
Infosys (large deal TCV)	1,691	2,700	3,300	2,076	2,300	7,684	3,241	4,454
<b>Wipro (overall TCV)</b>	<b>NA</b>	<b>NA</b>	<b>4,333</b>	<b>4,172</b>	<b>3,724</b>	<b>3,785</b>	<b>3,791</b>	<b>3,607</b>
<b>Headcount addition/(reduction) (Nos)</b>								
TCS	14,136	9,840	(2,197)	821	523	(6,333)	(5,680)	(1,759)
Infosys	21,171	10,032	1,627	(3,611)	(6,940)	(7,530)	(6,101)	(5,423)
<b>Wipro</b>	<b>18,921</b>	<b>577</b>	<b>(517)</b>	<b>(3,539)</b>	<b>(8,812)</b>	<b>(5,051)</b>	<b>(4,473)</b>	<b>(6,180)</b>
<b>BFSI vertical revenue growth % YoY CC</b>								
TCS	13.9%	13.1%	11.1%	9.1%	3.0%	-0.5%	-3.0%	-3.2%
Infosys	12.1%	11.5%	5.5%	0.4%	-4.2%	-7.3%	-5.9%	-8.5%
<b>Wipro</b>	<b>24.3%</b>	<b>14.4%</b>	<b>9.6%</b>	<b>3.6%</b>	<b>-3.4%</b>	<b>-9.5%</b>	<b>-13.2%</b>	<b>-9.4%</b>
<b>Retail &amp; CPG vertical revenue growth % YoY CC</b>								
TCS	25.1%	22.9%	18.7%	13.0%	5.3%	1.0%	-0.3%	-0.3%
Infosys	17.8%	15.4%	12.7%	12.6%	4.0%	9.2%	0.4%	-3.7%
<b>Wipro</b>	<b>24.4%</b>	<b>22.2%</b>	<b>16.8%</b>	<b>11.1%</b>	<b>1.5%</b>	<b>-6.7%</b>	<b>-8.1%</b>	<b>-7.4%</b>
<b>Communication &amp; Media vertical rev growth % YoY CC</b>								
TCS	19.6%	18.7%	13.5%	5.3%	0.5%	-2.1%	-4.9%	-5.5%
Infosys	30.0%	18.4%	12.7%	0.3%	-5.6%	-4.3%	-8.0%	4.5%
<b>Wipro</b>	<b>19.8%</b>	<b>12.4%</b>	<b>6.4%</b>	<b>3.1%</b>	<b>-4.8%</b>	<b>-14.6%</b>	<b>-19.2%</b>	<b>-19.6%</b>
<b>Manufacturing vertical revenue % YoY CC</b>								
TCS	16.4%	14.5%	12.5%	9.1%	9.4%	5.8%	7.0%	9.7%
Infosys	55.2%	45.0%	36.8%	26.5%	20.7%	12.6%	10.6%	8.7%
<b>Wipro</b>	<b>13.2%</b>	<b>16.7%</b>	<b>14.4%</b>	<b>7.0%</b>	<b>8.7%</b>	<b>-3.6%</b>	<b>-10.5%</b>	<b>-10.8%</b>
<b>Life-science &amp; Healthcare vertical revenue % YoY CC</b>								
TCS	11.9%	14.5%	14.4%	12.3%	10.1%	5.0%	3.1%	1.7%
Infosys	15.8%	10.3%	5.0%	15.7%	13.9%	18.4%	6.3%	1.0%
<b>Wipro</b>	<b>10.6%</b>	<b>8.1%</b>	<b>8.9%</b>	<b>10.8%</b>	<b>8.5%</b>	<b>7.1%</b>	<b>9.9%</b>	<b>9.0%</b>

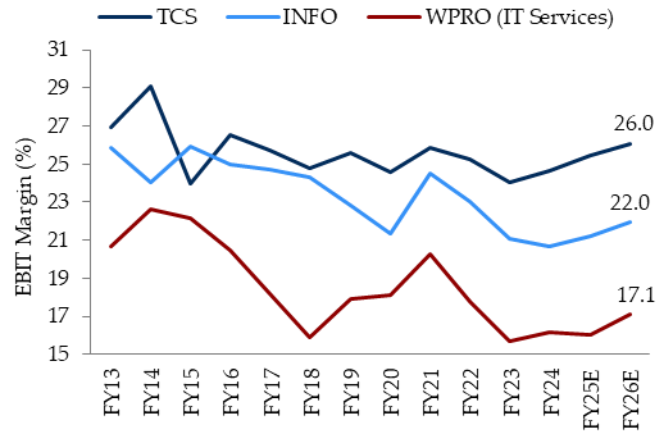
Source: Company, HSIE Research

Exhibit 3: WPRO's growth has underperformed peers



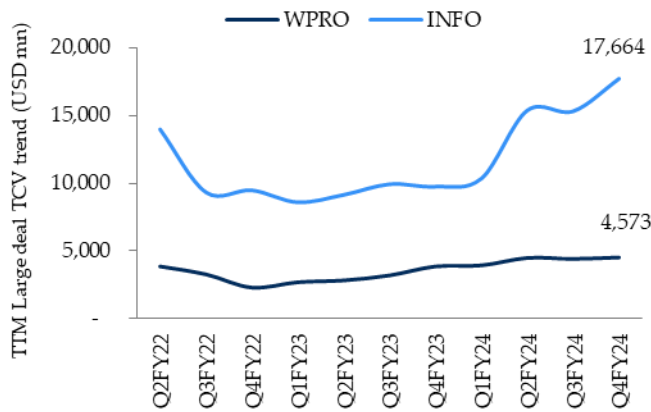
Source: Company, HSIE Research

Exhibit 4: WPRO's margin gap to continue



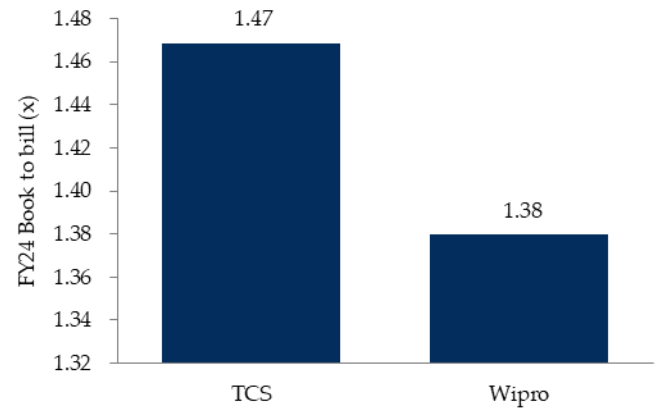
Source: Company, HSIE Research

Exhibit 5: Significantly underperforming Infosys on large deal wins



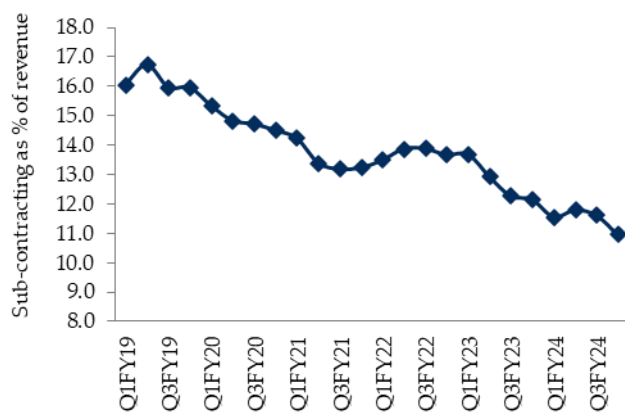
Source: Company, HSIE Research. Note: TTM large deal wins

Exhibit 6: Total Book-to-bill (x) compared to TCS



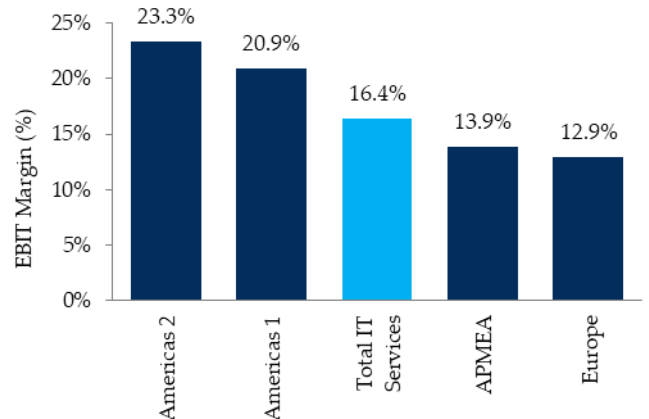
Source: Company, HSIE Research

Exhibit 7: Reducing dependence on sub-contracting



Source: Company, HSIE Research, Note: Sub-contracting & technical fees

Exhibit 8: Scope to improve EMEA & APMEA margins



Source: Company, HSIE Research

**Exhibit 9: Several senior management exits in last 2 years**

Name	Designation at Wipro	Remarks
Thierry Delaporte	CEO & MD	Left in Apr'24
Stephanie Trautman	Chief Growth Officer	Left in Jan'24
Simmi Dhamija	Chief Operating Officer, APMEA	Left in Mar'24
Sanjeev Singh	Chief Operations Officer	Left in Jan'23 (Joined CMS IT services)
Barath Narayanan SS	Global Head - Digital & Cloud Services	Left in Dec'23 (Joined Persistent)
Turki Bin Nader	General Manager & Country Head, Saudi Arabia	Left in Dec'23 (Joined Capgemini)
Ayaskant Sarangi	Senior Vice President - Human Resources	Left in Oct'23 (Joined Mphasis)
Jatin Dalal	Chief Financial Officer	Left in Nov'23 (Joined Cognizant)
Mohd. Haque	SVP & Sector Head - Healthcare & Medical Devices	Left In Jun'23 (Joined Cognizant)
Gurvinder Sahni	VP, Marketing	Left in Apr'23 (Joined Persistent)
Satya Easwaran	Country Head, India	Left in Apr'23 (Joined Arthur D. Little)
Rajan Kohli	Managing Partner - iDEAS Business Line	Left in Apr'23 (Joined CitiusTech)
Nithin V Jaganmohan	CFO Americas 2	Left in Feb'23 (Joined Xoriant)
Kamini Shah	CFO Americas 1	Left in Jan'23 (Joined Birlasoft)
Angan Guha	CEO - Americas 2	Left in Dec'22 (Joined Birlasoft)
N.S. Bala	CEO - Asia Pacific, Middle East and Africa	Left in Apr'22 (Joined Startek)
Mohammed Areff	Head of Global Systems Integrator Alliances - Middle East Africa & Turkey	Left in Oct'22 (Joined Microsoft)
Sarah Adam Gedge	MD - Australia & New Zealand	Left in Oct'22 (Joined Austal)
Tomoaki Takeuchi	MD – Japan	Left in Sep'22 (Individual Consultant)
Douglas Silva	Country Head for Brazil	Left in Sep'22 (Joined AWS)
Kiran K Desai	Global Head - Cloud & Infrastructure	Left in Mar'22 (Joined Jio Platform)
Deepak Acharya	General Counsel and Chief Risk Officer	Left in Oct'22 (Joined Aditya Birla Group)

Source: Company, HSIE Research, LinkedIn

**Exhibit 10: USD revenue growth trend vs peers**

(Growth YoY %)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
TCS	13.7	16.2	15.0	7.1	6.2	8.6	9.6	5.4	0.6	15.9	8.6	4.1	6.4	8.2
INFO	5.7	11.6	5.6	9.1	7.4	7.2	7.9	8.3	6.1	20.3	11.7	1.9	2.8	7.8
WPRO (IT Services)	5.0	6.4	7.0	3.7	4.9	2.5	2.9	1.7	-1.4	27.3	7.6	-3.1	0.6	6.2

Source: Company, HSIE Research

**Exhibit 11: EBIT margin trend vs peers**

(%)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
TCS	26.9	29.1	24.0	26.5	25.7	24.8	25.6	24.6	25.9	25.3	24.1	24.6	25.5	26.0
INFO	25.8	24.0	25.9	25.0	24.7	24.3	22.8	21.3	24.5	23.0	21.1	20.7	21.2	22.0
WPRO (IT Services)	20.7	22.6	22.2	20.5	18.2	15.9	17.9	18.1	20.3	17.8	15.7	16.1	16.0	17.1

Source: Company, HSIE Research



**Exhibit 12: Recent deal wins**

Enterprise Client Vertical		Geography Service	
NA	Banking, Financial Services and Insurance	NA	Onboarding process digitization using Salesforce, Mulesoft
NA	Manufacturing (Automotive)	Germany	IT back-end systems and cybersecurity
NA	Manufacturing	Europe	Integrated backend and IT application
NA	Consumer Business Unit (Govt)	Singapore	Rationalisation and consolidation of IT services
NA	Banking, Financial Services and Insurance	US	Application modernization
NA	Banking, Financial Services and Insurance	US	Regulatory & compliance/AML
NA	Banking, Financial Services and Insurance	US	Cloud and data, infrastructure and cybersecurity
NA	Technology	US	Data labelling services
NA	Consumer Business Unit	US	Business process automation
NA	Consumer Business Unit	Brazil	Operations modernization
NA	Communication	US	Managed services & implementation of SaaS platform
NA	Banking, Financial Services and Insurance	US	Tech operations
NA	Health Business Unit	US	Workflow automation
NA	Banking, Financial Services and Insurance	NA	End-to-end platform development
Desjardins	Banking, Financial Services and Insurance	US	Modernisation of Consumer Banking Services using NetOxygen Platform
RSA Group	Banking, Financial Services and Insurance	UK	3 year engagement for Cloud Migration and IT infrastructure
Marelli	Manufacturing	Europe	Cloud based solutions
Stockholm Exergi	Energy, Natural Resources and Utilities	Sweden	Development of new IT Infrastructure

Source: Company, HSIE Research

**Exhibit 13: Recent acquisition history**

Target Company	Service	Purchase Consideration	Revenue
Aggne Global Inc	IT, consulting, and managed services for the Property & Casualty Insurance industry	USD 66mn	CY21/22/23 at USD 4.5/9.1/17.9mn
Rizing Intermediate Holdings, Inc	SAP Consulting	USD 540mn	FY19/20/21 at USD 156.9/138.3/193.8mn
Convergence Acceleration Solutions, LLC	Consulting & program management company for communications service providers	USD 80mn	CY19/20/21 at USD 20.1/21/28.1mn
Edgile	Cybersecurity Consulting & Implementation Services	USD 230mn	CY18/CY19/20 at USD 33.7/43.2/44.1mn
LeanSwift Solutions	Infor implementation services	USD 21mn	CY18/CY19/20 at USD 11.2/11.1/18mn
Ampion Holdings	Cyber security, DevOps and quality engineering services	USD 117mn	CY20 at 85.5mn
Capco	Consulting services	USD 1.45bn	CY18/CY19/CY20 at USD 734/693/720mn
Encore Theme Technologies Private Limited	IT Services to BFSI	INR 950mn	FY18/FY19/FY20 at INR 394/495/545mn
Eximius Design	ER&D services - VLSI & systems design services	USD 80mn	CY18/CY19 at USD 22.2/35.2mn and 1100 employees
4C NV and its subsidiaries ("4C")	Consulting and implementation - Salesforce platform	EUR 68mn	FY18/FY19/FY20 at EUR 17.9/24/31.8mn and 350 employees
IVIA Servigos De Inform6tica Ltda	IT Services (Brazil)	USD 22.4mn	CY17/CY18/CY19 at USD 10.1/12.1/13.5mn
Rational Interaction Inc	Digital customer experience services	USD 52mn	CY17/CY18/CY19 at USD 36.5/47.5/47.5mn
International TechneGroup Incorporated	Industrial & Engineering Services	USD 45mn	FY16/17/18 at USD 19.6/22.2/23.2mn

Source: Company, HSIE Research

**Exhibit 14: Performance by Strategic Market Units**

(% of revenue)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Americas 1	29.1	28.5	28.8	29.8	31.0	30.4
Americas 2	30.6	30.5	30.0	29.9	30.0	30.7
Europe	28.8	29.3	29.5	28.6	27.7	27.8
APMEA	11.5	11.7	11.7	11.7	11.3	11.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Americas 1 has been outperforming company average growth*

(QoQ, % CC)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Americas 1	1.3	-1.5	-1.1	1.0	2.0	-1.8
Americas 2	-0.9	-0.3	-4.2	-2.3	-1.3	1.9
Europe	2.4	-0.6	-3.4	-5.1	-4.3	-0.1
APMEA	-1.2	0.7	-1.9	-0.5	-5.4	-2.2
<b>Total</b>	<b>0.6</b>	<b>-0.6</b>	<b>-2.8</b>	<b>-2.0</b>	<b>-1.7</b>	<b>-0.3</b>

(YoY, % CC)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Americas 1	11.0	5.9	1.5	-0.5	0.1	0.0
Americas 2	9.4	3.8	-2.7	-7.7	-8.0	-6.0
Europe	12.0	9.2	4.1	-6.4	-12.7	-12.4
APMEA	7.0	7.9	3.1	-3.5	-7.4	-9.4
<b>Total</b>	<b>10.4</b>	<b>6.5</b>	<b>1.1</b>	<b>-4.8</b>	<b>-6.9</b>	<b>-6.6</b>

Source: Company, HSIE Research

**Exhibit 15: Performance by Verticals**

(% of revenue)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Banking, Financial Services and Insurance	35.0	34.4	33.9	33.6	32.7	33.5
Consumer	19.0	18.9	18.7	18.7	18.8	18.7
Health	11.9	12.1	12.2	12.7	13.9	14.1
Energy, Natural Resources and Utilities	11.4	12.2	12.0	11.6	11.8	11.9
Technology	11.2	10.9	11.3	12.1	12.1	11.4
Manufacturing	6.9	7.0	7.3	7.0	6.7	6.6
Communications	4.6	4.5	4.6	4.3	4.0	3.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*BFSI performance supported by strong growth in Capco*

(QoQ, %)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Banking, Financial Services and Insurance	-0.2	-2.4	-4.3	-3.0	-4.3	2.1
Consumer	0.6	-0.9	-3.5	-2.3	-1.0	-0.6
Health	4.7	2.0	-1.3	1.4	7.5	1.2
Energy, Natural Resources and Utilities	2.8	5.9	-4.9	-5.3	0.7	-0.3
Technology	-1.3	-2.7	0.1	5.8	-1.9	-6.0
Manufacturing	0.6	-0.3	0.9	-5.4	-6.1	-0.6
Communications	-2.6	-4.4	-0.5	-7.2	-8.6	-4.8
<b>Total</b>	<b>0.6</b>	<b>-0.6</b>	<b>-2.8</b>	<b>-2.0</b>	<b>-1.7</b>	<b>-0.3</b>

(YoY, % CC)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Banking, Financial Services and Insurance	9.6	3.6	-3.4	-9.5	-13.2	-9.4
Consumer	16.8	11.1	1.5	-6.7	-8.1	-7.4
Health	8.9	10.8	8.5	7.1	9.9	9.0
Energy, Natural Resources and Utilities	10.1	14.6	9.9	-1.6	-3.8	-9.7
Technology	4.0	-3.0	-3.2	1.7	1.0	-2.1
Manufacturing	14.4	7.0	8.7	-3.6	-10.5	-10.8
Communications	6.4	3.1	-4.8	-14.6	-19.2	-19.6
<b>Total</b>	<b>10.4</b>	<b>6.5</b>	<b>1.1</b>	<b>-4.8</b>	<b>-6.9</b>	<b>-6.6</b>

Source: Company, HSIE Research



**Exhibit 16: Client metrics**

(Nos)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
USD 1mn+	755	766	769	774	750	741
USD 10mn+	204	210	207	207	203	205
USD 50mn+	52	53	51	51	46	45
USD 100mn+	19	19	21	22	22	22
Active Clients	1,530	1,479	1,444	1,393	1,349	1,371
Top-5 % of revenue	13.3	12.5	12.5	12.3	12.1	13.4
Top-10 % of revenue	21.2	20.2	20.5	20.6	20.5	22.0

Source: Company, HSIE Research

*Sixth consecutive quarter  
of net headcount reduction  
while attrition remained  
low*

**Exhibit 17: Supply side metrics**

(Nos.)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
<b>Total headcount</b>	262,109	258,570	249,758	244,707	240,234	234,054
Net additions	(517)	(3,539)	(8,812)	(5,051)	(4,473)	(6,180)
Voluntary Attrition % (TTM)	21.2	19.4	17.3	15.5	14.2	14.2
Utilisation excluding trainees (%)	79.7	81.7	83.7	84.5	84.0	86.9

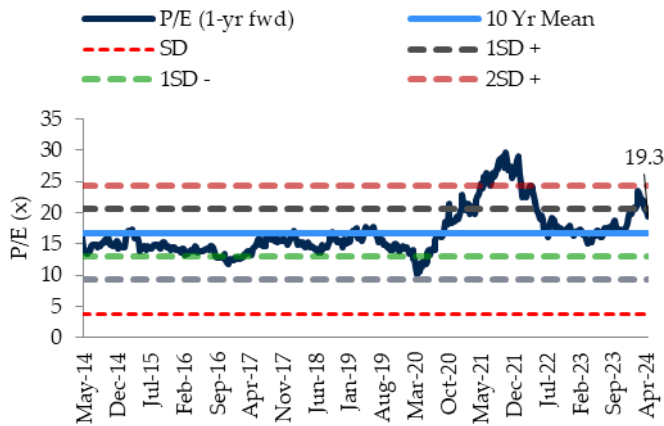
Source: Company, HSIE Research

**Exhibit 18: Change in estimates**

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
IT Services revenue (USD Mn)	10,871	10,871	0.0	11,723	11,540	(1.6)
Revenue	911.24	912.31	0.1	1001.39	986.11	(1.5)
EBIT	138.76	142.22	2.5	168.56	164.94	(2.1)
EBIT margin (%)	15.2	15.6	36bps	16.8	16.7	-11bps
APAT	115.45	118.02	2.2	136.24	134.01	(1.6)
EPS (INR)	22.1	22.5	2.1	26.0	25.6	(1.7)

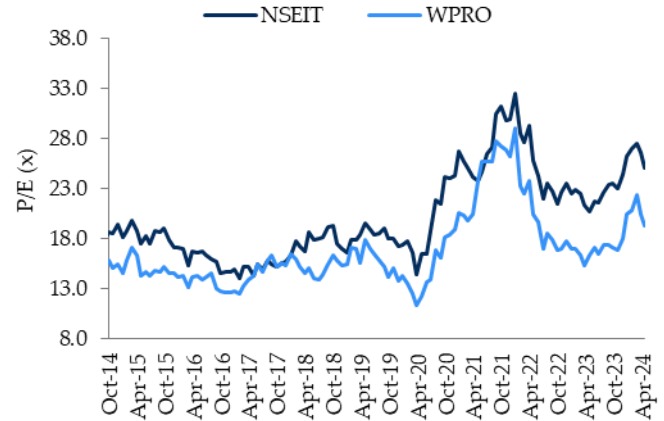
Source: Company, HSIE Research

**Exhibit 19: WPRO P/E (1-yr fwd) trend**



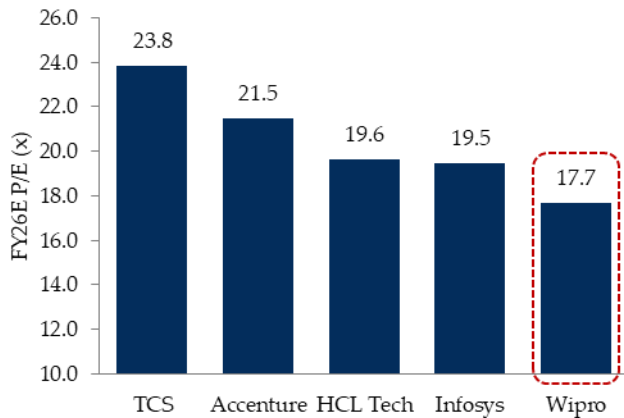
Source: Bloomberg, HSIE Research

**Exhibit 20: WPRO currently trades at ~23% discount to IT index**



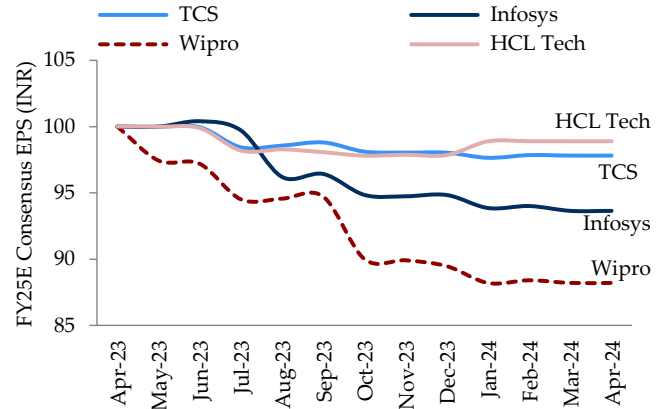
Source: Bloomberg, HSIE Research

**Exhibit 21: Valuation discount to peers**



Source: HSIE Research, Note: Accenture is Bloomberg consensus P/E

**Exhibit 22: EPS estimate trend more volatile than TCS/INFO/HCLT**



Source: Bloomberg, HSIE Research

## Financials

### Consolidated Income Statement

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E
<b>IT Services Net Revenues (USD mn)</b>	<b>10,356</b>	<b>11,147</b>	<b>10,805</b>	<b>10,871</b>	<b>11,540</b>
<i>Growth (%)</i>	27.3	7.6	(3.1)	0.6	6.2
<b>Net Revenues</b>	<b>790.93</b>	<b>904.88</b>	<b>897.60</b>	<b>912.31</b>	<b>986.11</b>
<i>Growth (%)</i>	27.7	14.4	(0.8)	1.6	8.1
Operating Expenses	626.28	736.34	727.77	736.34	786.66
<b>EBITDA</b>	<b>164.66</b>	<b>168.54</b>	<b>169.83</b>	<b>175.97</b>	<b>199.45</b>
Depreciation	30.91	33.40	34.07	33.74	34.51
<b>EBIT</b>	<b>133.75</b>	<b>135.13</b>	<b>135.76</b>	<b>142.22</b>	<b>164.94</b>
<i>EBIT (%)</i>	16.9	14.9	15.1	15.6	16.7
<i>EBIT Growth (%)</i>	11.3	1.0	0.5	4.8	16.0
Other Income	18.50	18.13	23.66	24.17	25.41
Interest	5.33	10.08	12.55	12.21	12.21
Forex gains/(losses)	4.36	4.47	0.34	2.39	1.95
<b>PBT</b>	<b>151.28</b>	<b>147.66</b>	<b>147.21</b>	<b>156.57</b>	<b>180.08</b>
Tax (incl deferred)	28.95	33.99	36.09	37.58	45.02
Minority Interest and associate profit	(0.14)	(0.17)	(0.67)	(0.97)	(1.05)
<b>RPAT</b>	<b>122.19</b>	<b>113.50</b>	<b>110.45</b>	<b>118.02</b>	<b>134.01</b>
EO (Loss) / Profit (Net of Tax)	0.00	0.00	0.00	0.00	0.00
<b>APAT</b>	<b>122.19</b>	<b>113.50</b>	<b>110.45</b>	<b>118.02</b>	<b>134.01</b>
<i>APAT Growth (%)</i>	13.2	(7.1)	(2.7)	6.9	13.5
<b>EPS (INR)</b>	<b>23.3</b>	<b>21.7</b>	<b>21.1</b>	<b>22.5</b>	<b>25.6</b>
<i>EPS Growth (%)</i>	13.2	(7.1)	(2.7)	6.9	13.5

Source: Company, HSIE Research

### Consolidated Balance Sheet

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	10.96	10.98	10.45	10.45	10.45
Reserves	647.19	770.19	739.43	768.68	803.46
<b>Total Shareholders' Funds</b>	<b>658.16</b>	<b>781.16</b>	<b>749.88</b>	<b>779.13</b>	<b>813.91</b>
Minority Interest	0.52	0.59	1.34	2.31	3.36
<b>Total Debt</b>	<b>178.89</b>	<b>177.32</b>	<b>169.63</b>	<b>169.63</b>	<b>169.63</b>
Net Deferred Taxes	9.84	13.05	15.65	15.56	15.46
Long Term Provisions & Others	25.44	31.29	50.06	50.06	50.06
<b>TOTAL SOURCES OF FUNDS</b>	<b>872.84</b>	<b>1,003.41</b>	<b>986.57</b>	<b>1,016.69</b>	<b>1,052.43</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	137.04	144.08	124.83	127.58	132.51
CWIP	16.29	6.32	7.48	7.48	7.48
Goodwill & Other Intangible Assets	246.99	307.97	316.00	316.00	316.00
LT Loans & Advances, Others	55.82	54.25	51.67	54.25	56.96
<b>Total Non Current Assets</b>	<b>456.13</b>	<b>512.63</b>	<b>499.98</b>	<b>505.31</b>	<b>512.96</b>
<b>Cash &amp; Equivalents</b>	<b>345.49</b>	<b>401.11</b>	<b>408.12</b>	<b>448.82</b>	<b>476.83</b>
Debtors	115.22	126.35	115.48	124.97	135.08
Inventories	1.33	1.19	0.91	3.19	3.45
Other Current Assets	158.71	132.45	126.15	114.04	123.26
<b>Total Current Assets</b>	<b>620.75</b>	<b>661.10</b>	<b>650.66</b>	<b>691.02</b>	<b>738.63</b>
Creditors	99.03	89.05	88.57	87.28	92.50
Other Current Liabilities & Provns	105.01	81.26	75.51	92.36	106.66
<b>Total Current Liabilities</b>	<b>204.04</b>	<b>170.31</b>	<b>164.07</b>	<b>179.64</b>	<b>199.16</b>
<b>Net Current Assets</b>	<b>416.71</b>	<b>490.78</b>	<b>486.59</b>	<b>511.38</b>	<b>539.48</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>872.84</b>	<b>1,003.41</b>	<b>986.57</b>	<b>1,016.69</b>	<b>1,052.43</b>

Source: Company, HSIE Research

### Consolidated Cash Flow

YE March (INR bn)	FY22	FY23	FY24P	FY25E	FY26E
Reported PBT	151.28	147.66	147.21	156.57	180.08
Non-operating & EO items	(10.77)	(4.08)	(7.18)	(24.17)	(25.41)
Interest expenses	5.33	10.08	12.55	12.21	12.21
Depreciation	30.78	33.40	34.07	33.74	34.51
Working Capital Change	(36.49)	(14.56)	18.05	13.23	(2.89)
Tax paid	(25.69)	(30.22)	(15.36)	(37.58)	(45.02)
<b>OPERATING CASH FLOW</b>	<b>114.44</b>	<b>142.29</b>	<b>189.35</b>	<b>154.01</b>	<b>153.50</b>
Capex	(149.26)	(59.85)	(12.26)	(36.49)	(39.44)
<i>Free cash flow (FCF)</i>	<i>(34.83)</i>	<i>82.43</i>	<i>177.08</i>	<i>117.52</i>	<i>114.05</i>
Non-operating income	12.28	14.12	20.11	24.17	25.41
<b>INVESTING CASH FLOW</b>	<b>(136.99)</b>	<b>(45.74)</b>	<b>7.85</b>	<b>(12.32)</b>	<b>(14.04)</b>
Debt Issuance	58.58	(17.59)	(21.41)	0.00	0.00
Interest expenses	(5.40)	(10.49)	(10.46)	(12.21)	(12.21)
<i>FCFE</i>	<i>18.36</i>	<i>54.35</i>	<i>145.22</i>	<i>105.30</i>	<i>101.84</i>
Share capital Issuance/Buyback	0.01	0.01	(145.16)	0.00	0.00
Dividend	(6.60)	(32.81)	(5.54)	(88.78)	(99.22)
<b>FINANCING CASH FLOW</b>	<b>46.59</b>	<b>(60.88)</b>	<b>(182.57)</b>	<b>(100.99)</b>	<b>(111.44)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>24.04</b>	<b>35.67</b>	<b>14.63</b>	<b>40.69</b>	<b>28.02</b>
Closing Cash & Equivalents	345.49	401.11	408.12	448.82	476.83

Source: Company, HSIE Research

### Key Ratios

YE March	FY22	FY23	FY24	FY25E	FY26E
<b>PROFITABILITY (%)</b>					
EBITDA Margin	20.8	18.6	18.9	19.3	20.2
APAT Margin	15.4	12.5	12.3	12.9	13.6
RoE	20.2	15.8	14.4	15.4	16.8
RoIC or Core RoCE	20.5	17.3	17.7	19.0	21.5
RoCE	16.2	13.0	12.1	12.7	13.9
<b>EFFICIENCY</b>					
Tax Rate (%)	19.1	23.0	24.5	24.0	25.0
Fixed Asset Turnover (x)	3.1	3.5	3.9	3.4	3.2
<i>Debtors (days)</i>	<i>53</i>	<i>51</i>	<i>47</i>	<i>50</i>	<i>50</i>
<i>Other Current Assets (days)</i>	<i>73</i>	<i>53</i>	<i>51</i>	<i>46</i>	<i>46</i>
<i>Payables (days)</i>	<i>46</i>	<i>36</i>	<i>36</i>	<i>35</i>	<i>34</i>
<i>Other Current Liability (days)</i>	<i>48</i>	<i>33</i>	<i>31</i>	<i>37</i>	<i>39</i>
<i>Cash Conversion Cycle (days)</i>	<i>32</i>	<i>36</i>	<i>32</i>	<i>24</i>	<i>22</i>
Net Debt/EBITDA (x)	(1.0)	(1.3)	(1.4)	(1.6)	(1.5)
Net Debt/Equity (x)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)
Interest Coverage (x)	25.1	13.4	10.8	11.6	13.5
<b>PER SHARE DATA</b>					
EPS (INR/sh)	23.3	21.7	21.1	22.5	25.6
CEPS (INR/sh)	29.2	28.1	27.6	29.0	32.2
DPS (INR/sh)	0.9	5.3	0.8	17.0	19.0
BV (INR/sh)	125.7	149.2	143.2	148.8	155.5
<b>VALUATION</b>					
P/E	19.4	20.9	21.5	20.1	17.7
P/BV	3.6	3.0	3.2	3.0	2.9
EV/EBITDA	13.3	12.7	12.5	11.9	10.3
OCF/EV (%)	5.2	6.6	8.9	7.4	7.5
FCF/EV (%)	(1.6)	3.9	8.3	5.6	5.5
FCFE/mkt cap (%)	0.8	2.3	6.1	4.5	4.3
Dividend+Buyback Yield (%)	0.3	1.4	6.4	3.8	4.2

Source: Company, HSIE Research

**1 Yr Price Movement**



**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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