

BSE SENSEX
36,373

S&P CNX
10,980

CMP: INR284 TP: INR300(+6%) Neutral

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Bloomberg	WPRO IN
Equity Shares (m)	4,512
M.Cap.(INRb)/(USDb)	1280.5 / 18.6
52-Week Range (INR)	335 / 254
1, 6, 12 Rel. Per (%)	5/-17/-9
12M Avg Val (INR M)	904
Free float (%)	25.7

Financials & Valuations (INR b)

Y/E Mar	2018	2019E	2020E
Sales	544.9	575.9	631.5
EBITDA	109.2	111.4	129.3
PAT	85.3	82.8	97.4
EPS (INR)	17.9	18.9	21.5
EPS Gr. (%)	8.0	5.4	13.9
BV/Sh. (INR)	107.2	125.1	134.6
RoE (%)	17.0	15.8	16.7
RoCE (%)	13.2	14.0	15.6
P/E (x)	15.9	15.1	13.2
P/BV (x)	2.6	2.3	2.1

Estimate change	↔
TP change	↔
Rating change	↔

Quarterly Performance (IFRS)

Y/E March	FY18				FY19				FY18	FY19E	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QFY19	(% / bp)
IT Services Revenue (USD m)	1,972	2,014	2,013	2,062	2,026	2,026	2,013	2,086	8,060	8,195	2,011	0.8
QoQ (%)	0.9	2.1	0.0	2.4	-1.7	0.0	-0.7	3.6	4.6	1.7	-2.5	75bp
Overall Revenue (INR m)	136,261	134,234	136,690	137,686	139,777	141,995	145,055	149,057	544,871	575,884	139,590	0.1
QoQ (%)	-2.6	-1.5	1.8	0.7	1.5	1.6	2.2	2.8			1.4	14bp
YoY (%)	0.2	-2.5	-0.1	-1.6	2.6	5.8	6.1	8.3	-1.0	5.7	2.4	14bp
GPM (%)	28.7	29.5	30.1	29.0	28.2	31.4	31.8	32.5	29.3	31.0	30.6	-234bp
SGA (%)	12.8	12.6	13.4	13.8	13.9	15.0	15.0	14.9	13.2	14.7	15.0	-111bp
EBITDA	26,683	27,788	28,104	26,610	24,343	27,649	28,836	30,607	109,185	111,435	27,445	-11.3
EBITDA Margin (%)	19.6	20.7	20.6	19.3	17.4	19.5	19.9	20.5	20.0	19.4	19.7	-225bp
IT Serv. EBIT (%)	16.8	17.3	17.2	16.0	15.6	16.6	17.1	17.8	16.8	16.8	15.8	-15bp
EBIT Margin (%)	16.0	16.8	16.7	15.2	14.3	16.4	16.8	17.5	16.2	16.3	15.5	-123bp
Other income	5,079	5,728	5,054	3,796	4,319	3,041	2,747	3,175	19,657	13,282	4,656	-7.2
ETR (%)	22.3	22.7	19.2	18.7	24.1	22.5	22.5	22.5	20.8	22.9	22.5	161bp
PAT	20,765	21,917	19,371	18,671	21,206	20,327	20,973	22,611	80,724	85,117	20,403	3.9
QoQ (%)	7.4	5.5	-11.6	-3.6	13.6	-4.1	3.2	7.8			9.3	430bp
YoY (%)	1.2	6.0	-8.2	-3.5	2.1	-7.3	8.3	21.1	-1.1	5.4	-1.7	387bp
EPS (INR)	4.3	4.5	4.0	4.1	4.7	4.5	4.6	5.0	17.9	18.9	4.5	
Headcount	166,790	163,759	162,553	163,827	164,659	167,524	170,409	173,294	163,827	173,294	162,692	1.2
Util excl. trainees (%)	82.1	82.5	81.9	83.4	85.2	85.2	85.2	85.2	78.0	78.1	83.4	180bp
Attrition (%)	15.9	15.7	15.9	16.6	17.0							
Offshore rev. (%)	46.4	46.8	46.5	47.3	47.1	46.0	46.0	46.0	46.8	46.3	46.7	40bp
Fixed Price (%)	58.2	57.7	57.7	58.7	58.9							

E: MOSL Estimates

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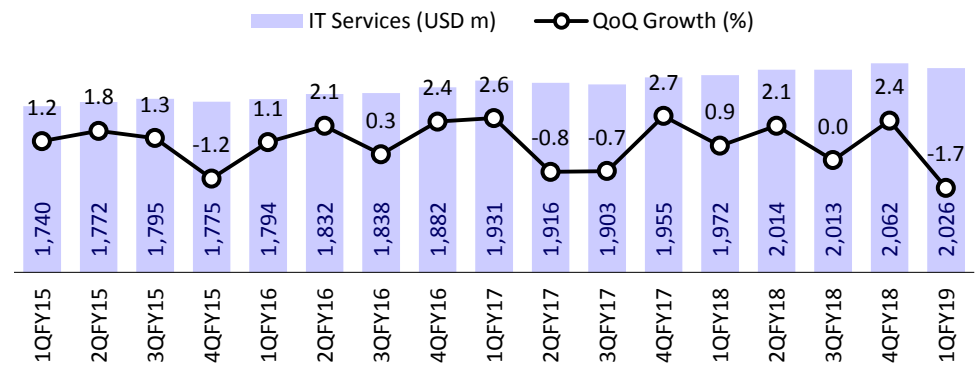
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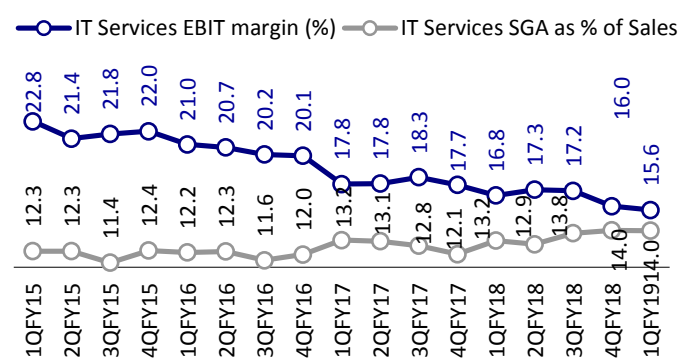
1QFY19: Revenue beat; in-line margins

- WPRO's 1QFY19 CC revenue growth was 0.1% (est. of -1.0%), at the higher end of its -2-0% guidance. This translates into 2.6% YoY CC growth for WPRO in the quarter; the same rate as seen in 4QFY18.
- In dollar terms, revenue declined by 1.7% QoQ, implying a cross-currency headwind of 160bp.

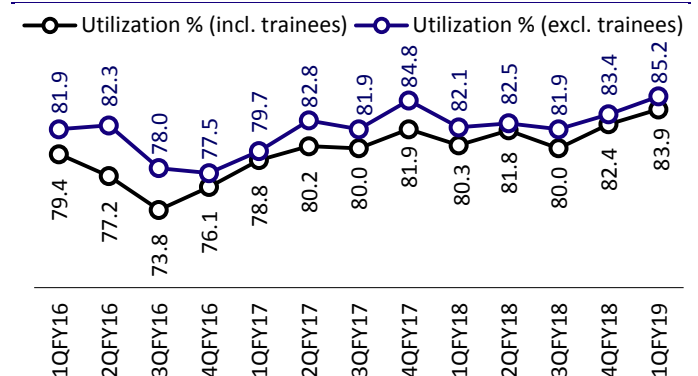
Exhibit 1: CC revenue growth above expectations

Source: Company, MOSL

- IT services EBIT margins (adjusted for gains from the sale of the data center business) at 15.6% contracted by 40bp QoQ against expectations of 15.8% (largely in-line).
- Utilization reached an all-time high of 85.2% and the composition of Fixed Price Projects too reached its highest at 58.9%
- However, the Products business saw a material deterioration in profitability because of added provisions for doubtful debts and shrinking of the business. However, profitability is expected to bounce back to levels since in the last four quarters.

Exhibit 2: Adjusted IT Services EBIT margin declined by 40bp to 15.6%

Source: Company, MOSL

Exhibit 3: Utilization at an all-time high

Source: Company, MOSL

- Adjusted PAT at INR18.4b was down 8% QoQ, a miss to our estimate of +2%, as profitability took a hit in the Products business.

Guidance of 0.3 to 2.3% QoQ CC growth in 2QFY19

- The company expects revenue growth of 0.3-2.3% QoQ in CC terms in 2QFY19 (excluding the impact of divestment of its hosted data center business in 1QFY19).
- Multiple factors feed into the guidance for 2QFY19: [1] Greater traction in BFSI, [2] Continued restructuring in the India/Middle East business, [3] Uncertainty in HPS and [4] Pressure in Utilities.

Segmental analysis

- In terms of verticals, a decline was seen in Manufacturing (-5.4% QoQ CC), Healthcare (-4.7% QoQ CC) and Communication (-1.3% QoQ CC). Growth in BFSI however continued to remain strong with the vertical growing at 3% QoQ CC and 14.4% YoY CC.

Exhibit 4: Problems in Communications, Healthcare and Energy in 1QFY19

Verticals	Contri to Rev. (%)	CC Growth - QoQ (%)	CC Growth - YoY (%)
Communications	5.6	-1.3	-13.6
Consumer Business Unit	16	2.6	4.8
Energy, Natural Resources & Utilities	12.5	1.7	-4.3
Finance Solutions	30	3.0	14.4
Healthcare, Life Sciences and Services	13.4	-4.7	-7.7
Technology	14.2	-1.3	7.2
Manufacturing	8.3	-5.4	-6.0

Source: Company, MOSL

- Amongst geographies, growth was led by Americas (2.9% QoQ CC). The India & Middle East business continued to decline because of restructuring. This quarter, it saw a decline of 7.5% QoQ CC.

Exhibit 5: India/ME weighed upon by restructuring

Geographies	Contri to Rev. (%)	CC Growth - QoQ (%)	CC Growth - YoY (%)
US	54.9	2.9	3.7
Europe	25.6	-3.0	5.8
India & Middle East business	8.6	-7.5	-12.2
APAC and other emerging markets	10.9	1.1	2.4

Source: Company, MOSL

- While Infrastructure Services (-4.6% QoQ CC) and Product Engineering (-1.1% QoQ CC) dragged growth; an incline in Data, analytics and AI (1.5% QoQ CC) and Application Services (3.3% QoQ CC) drove revenue growth.

Exhibit 6: Robust growth in Infrastructure and Engineering

Geographies	Contri to Rev. (%)	CC Growth - QoQ (%)	CC Growth - YoY (%)
Analytics	7.1	1.5	1.8
Application Services	46.1	3.3	2.7
Business Process Services	12.1	-0.6	3.2
Global Infrastructure Services	27.4	-4.6	0.5
Product Engineering	7.3	-1.1	7.0

Source: Company, MOSL

Takeaways from Management Commentary

- **1Q performance:** WPRO met the upper end of its guidance range in 1Q. Continued challenges in the India business and in HPS weighed upon growth, apart from the client bankruptcies. Strength was seen in BFSI, North America, and Product Engineering.
- **Strategy update:** (i) Digital grew by 6.2% QoQ CC and now constitutes to 28% of revenue; (ii) Growth in top clients was strong, led by WPRO's efforts on client mining; (iii) WIPRO filed 2,042 patents out of which 40% were in new-age technologies, (iv) Localization efforts have picked up pace; proportion of locals in the US is 58%; a high level of localization is also seen in other geographies including APAC and Europe (v) WIPRO saved 1.1% in efforts through automation; revenue per employee was up 4.1% YoY.
- **Outlook going forward:** Beyond the issues that are expected to be faced in 2Q, WPRO has been seeing strength in its core business. Strong deal wins, healthy order booking and strength in Digital have been adding to confidence around a revival.
- **Inline margin:** Margins in the quarter were impacted by one-time restructuring expenses, excluding which IT services EBIT margins were in the 16% range. Consolidated margins were lower because of losses in the Products business. The business had done well on the profitability front in the last four quarters and is expected to return to those levels going forward.
- **Profitability outlook:** Profitability is expected to revive as revenue growth resurrects. Apart from the one-time restructuring expenses that would reverse in 2Q, automation, productivity improvement and improvement in efficiency would play to be key levers.

Change in Estimates: Revenue beat offset by slightly lower guidance

- While WPRO's CC revenue growth of 0.1% was ahead of estimates, its guidance for the next quarter stood at 0.3-2.3% QoQ growth. We had assumed a slightly better guidance given that most issues are now behind and that the sequential impact of problem areas would be lower.
- However, continued restructuring in the India/Middle East business and uncertainty in HPS continue to weigh upon performance. The beat during the quarter has hence gotten offset by the guidance.
- On the margins front, barring one-off expenses, EBIT margins were largely in-line. We continue to bank on margin expansion through the year as revenue growth picks-up.
- However, profitability got hit in the Products business, which resulted in a lower-than expected EBITDA and PAT.
- Factoring these changes in, we have adjusted our EPS estimates downward -0.3/1.2% for FY19/20.

Exhibit 7: Change in estimates

	Revised			Earlier			Change		
	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
INR/USD	65.6	68.5	71.4	65.6	68.4	71.4	0.0%	0.1%	0.0%
USD Revenue - m	8,060	8,195	8,620	8,060	8,205	8,658	0.0%	-0.1%	-0.4%
Growth (%)	4.6	1.7	5.2	4.6	1.8	5.5	0bp	-12bp	-34bp
EBIT Margin - Overall (%)	16.2	16.3	17.5	16.2	16.5	17.1	0bp	-22bp	37bp
EBIT Margin - IT Services (%)	16.8	16.8	17.8	16.8	16.8	17.5	0bp	0bp	32bp
EPS - INR (IT Serv & Products)	17.9	18.9	21.5	18.9	18.9	21.7	-5.4%	-0.3%	-1.2%

Source: Company, MOSL

Valuation view

A foreword on the long term industry view: Growth for Indian IT should gradually pick-up from current 6-7% as Digital services proliferate, which today are still small to move the needle on overall performance. India will continue to remain the hotbed for talent supply en masse, making a case for increasing shift of Digital business from onsite. That said, with Automation the top priority of every Board, without exceptions, delineation of revenue growth with headcount growth appears obvious – and the only lever to stem the decline in profitability witnessed in recent years.

WPRO in that industry backdrop

- **New leadership:** The change in leadership at WPRO has been followed by some tweaks to the organization structure, while role redundancies and senior exits are a natural consequence of the process. WPRO to its credit got through with most of those changes swiftly, to shift focus on execution of the strategy than the distraction from getting the team in place.
- **Several changes to realign organization:** It laid out 6 themes that define its strategic direction.
 - 1) **Digital** - now 28% of total revenue; and growing significantly above company average
 - 2) **Client mining** - growth in the top 10 customers has been picking up for WPRO, with it bettering company average
 - 3) **Markets** – the company has ramped up its localization efforts and added several sites across key markets
 - 4) **Non linearity** – focusing on R&D efforts, applying for patents and further augmenting capabilities of HOLMES
 - 5) **Hyper-automation** – while significant progress was seen in automating L1 tasks, it has also started seeing productivity improvement in L2 activities
 - 6) **Partner ecosystem** – significant ramp up seen in acquisitions, investments and partnerships

Despite these changes however, WPRO has failed to lift overall growth because of industry-specific and client-specific issues. As these near-term headwinds end, the company would be able to see higher revenue and earnings growth – a convergence to industry growth rates.

Exhibit 8: WPRO – Business Construct

Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
USD revenue growth (%)	5.0	6.4	7.0	3.7	4.9	4.6	1.7	5.2	8.0
Employee growth (%)	7.3	0.2	8.3	9.3	5.0	-9.7	5.8	6.3	7.0
Revenue per employee (USDk per annum)	42,643	45,312	44,759	42,486	42,453	49,199	47,289	46,809	48,844
EBIT margin (%)	18.0	19.8	19.5	18.2	16.1	16.2	16.3	17.5	18.5
EPS growth (%)	17.1	26.3	10.9	2.9	-8.2	8.0	5.4	13.9	10.0

Source: Company, MOSL

Valuation and view - Performance lacking broad-based traction

- As WPRO's new leader, Mr. Abid Ali has chalked out an aggressive plan for WPRO, targeting to reach USD15b revenues with 23% EBIT margin. That implies revenue CAGR of ~20% over the next four years, and if the margins attain the 300bp expansion, then even higher CAGR for earnings. However, as is the case with INFO, this is far-fetched and they will do well to get anywhere near these levels given the current momentum in bread-n-butter business.
- Much before that, WPRO expected to catch up with industry-growth by 4QFY18. However, revenue growth YoY has decelerated in the last six quarters. The guidance of 2.6-4.7% YoY CC growth for 2QFY19 finally shows a reversal in trajectory. However, issues continue to haunt WPRO and there's more pain, although lesser than earlier. A clean chit is therefore still a while away.
- Growth underperformance at WPRO is an outcome of persistent issues with the portfolio mix - while Healthcare has turned the corner and Energy & Utilities has started to stabilize (minus Utilities); performance in India and Middle East is being impacted by restructuring. These issues make it difficult to make a case for an immediate recovery in performance.
- WPRO has been active on the investment front, with spending aimed towards building capabilities, training and incentivizing people, acquiring businesses, and investing in strategic accounts. This has dragged margins in the past couple of years. Although with Automation stepping in some benefits can be expected, recovery in the near-term can be ruled out because of the lack of revenue growth and continued weakness in certain pockets.

What it means for the target price

- **3-year view:** This key premise of convergence to industry growth drives our expectation of a target multiple two notches higher than our current target multiple for WPRO: 16x 1-year forward, which on FY21E earnings works out to INR380. This implies returns CAGR of 10% at WPRO.
- **1-year view:** a gradual stemming of key issues in WPRO, should result in improved growth and consequently profitability going forward. We note that collectively Communications, Energy and Healthcare are currently weighing upon revenue growth to the tune of 230bp YoY CC. Although issues seem to be lesser, we reckon sustained improvement and its reflection in performance would be the key trigger for the stock. Our target price of INR300 discounts forward earnings by 14x. Maintain **Neutral**.

Key triggers

- Seizure of issues in India and Middle East
- Broad-basing of growth across verticals
- Uptick in margins from automation and productivity initiatives

Key risk factors

- Prolonged weakness in Healthcare/Manufacturing verticals
- Weakness in top accounts
- Softness in the Americas and Europe

Exhibit 9: 1-year forward PE band

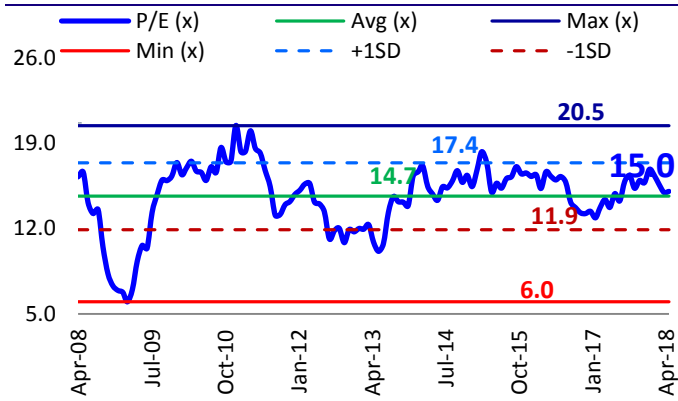
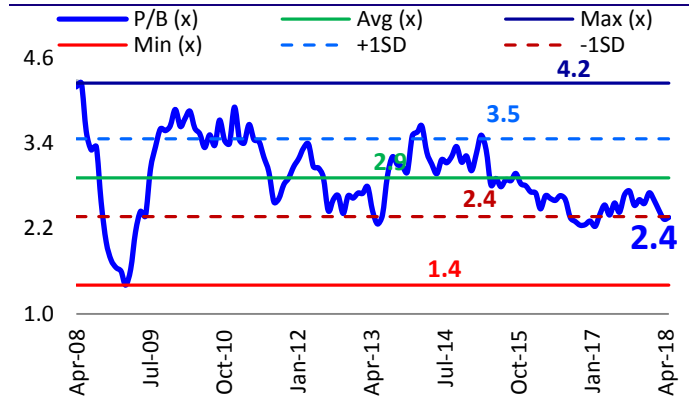


Exhibit 10: 1-year forward PB band



Story in charts

Exhibit 11: Growth guidance not materially picking up

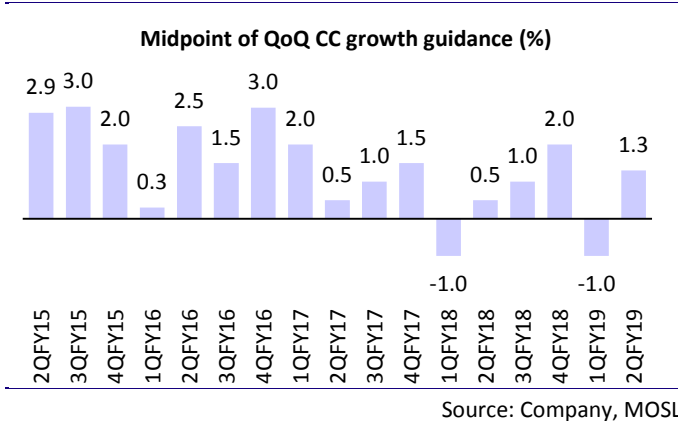


Exhibit 12: Restricted by problems in the near-term

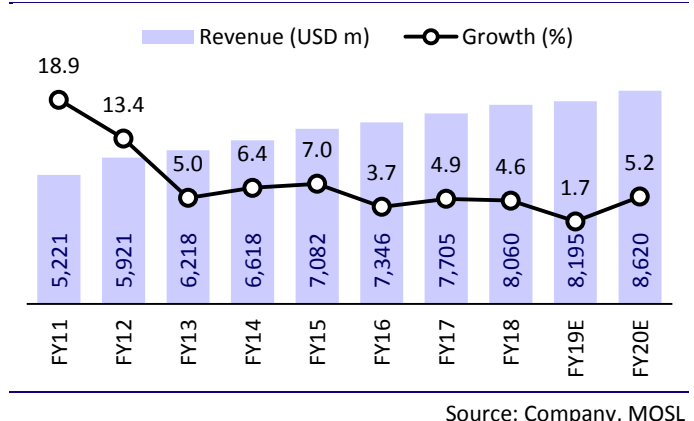


Exhibit 13: Vertical-specific problems continue to weigh upon YoY growth...

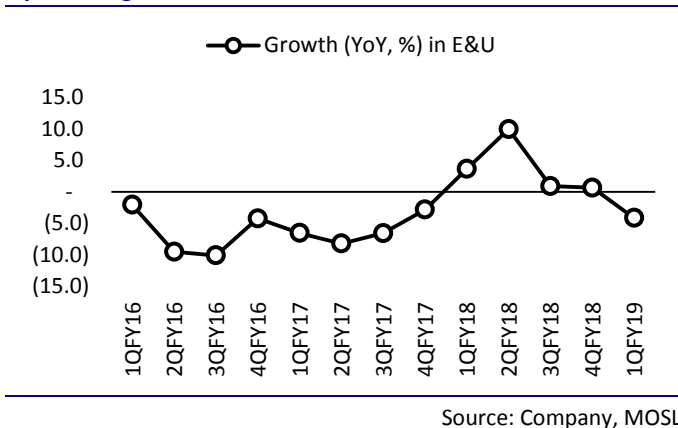


Exhibit 14: ...Leading to lower margins despite higher utilization

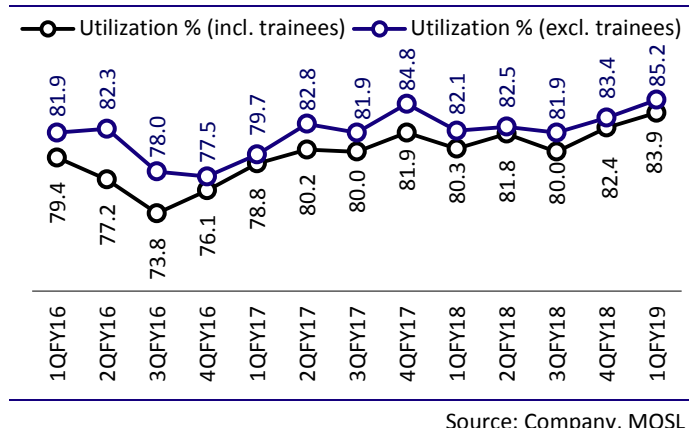
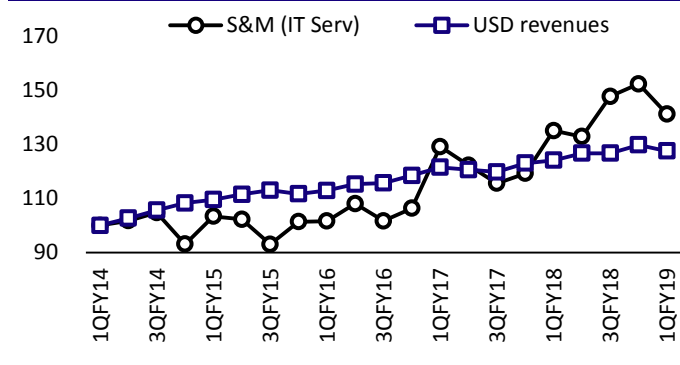
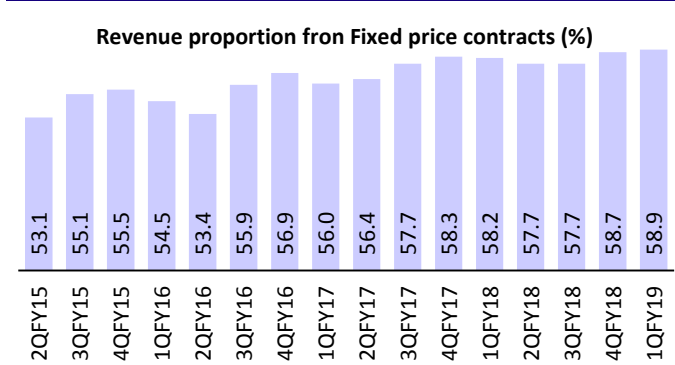


Exhibit 15: Visible uptick in investments (indexed at 100)



Source: Company, MOSL

Exhibit 16: Lever of FPP continues to play...



Source: Company, MOSL

Exhibit 17: Operating metrics

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Services Composition (%)									
IMS	27.9	28.2	28.1	28.0	28.1	28.4	28.2	28.8	27.4
BPO	12.9	13.4	13.3	12.3	12.0	12.1	12.6	12.1	12.1
Product Engg and Mobility	7.1	7.3	7.2	7.1	7.0	6.9	6.9	7.3	7.3
Wipro Analytics	7.4	7.3	7.0	6.9	7.1	7.1	7.0	7.0	7.1
Application Services	44.7	43.8	44.4	45.7	45.8	45.5	45.3	44.8	46.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Verticals (%)									
Finance Solutions	25.6	25.5	25.5	26.0	26.7	27.6	28.5	29.2	30.0
Healthcare & Lifescience	15.3	16.0	16.0	15.4	14.8	13.7	14.0	13.9	13.4
Energy, Natural Resources & Utilities	13.2	12.9	13.0	13.1	13.4	13.5	12.4	12.5	12.5
Communications	7.6	7.5	7.4	6.9	6.8	6.5	6.4	5.8	5.6
Consumer	15.8	15.7	15.8	15.8	15.8	15.9	16.0	15.6	16
Manufacturing & Technology	22.5	22.4	22.3	22.8	22.5	22.8	22.7	23.0	22.5
Geography (%)									
Americas	53.5	54.8	55.5	54.9	54.5	53.6	53.1	52.7	54.9
Europe	25.4	24.0	23.6	24.4	24.2	25.1	25.9	27.0	25.6
India & Middle East business	10.4	10.4	10.0	9.9	10.4	9.9	10.0	9.4	8.6
APAC and Other Emerging Markets	10.7	10.8	10.9	10.8	10.9	11.4	11.0	10.9	10.9
Customer size distribution (TTM)									
> \$100M	9	8	9	9	9	9	9	8	8
> \$75M	19	19	17	18	18	16	17	20	19
> \$50M	33	33	33	34	36	39	41	39	40
> \$20M	91	91	90	91	90	90	90	95	91
> \$10M	170	171	170	163	163	170	167	171	173
> \$5M	252	258	264	268	262	270	272	277	278
> \$3M	336	341	349	354	357	370	364	369	368
> \$1M	565	571	576	602	624	627	635	631	624
Customer metrics									
Revenue from Existing customers %	99.7	98.6	97.6	96.0	99.6	99.2	98.2	97.4	99.5
Number of new customers	50	47	108	51	45	45	79	58	75
Total Number of active customers	1208	1180	1259	1323	1244	1274	1281	1248	1254
Customer Concentration (%)									
Top customer	2.5	2.6	2.8	2.9	2.9	3.1	3.1	3.5	3.7
Top 5	10.3	10.1	10.0	10.0	10.3	11.0	11.3	11.9	11.7
Top 10	17.6	17.5	16.9	16.9	17.5	18.0	17.8	18.4	18.3

Source: MOSL, Company

Exhibit 18: Operating metrics

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
EMPLOYEE METRICS									
Closing Headcount - IT Services	173,863	174,238	174,238	181,482	166,790	163,759	1,62,553	1,63,827	1,64,659
Sales & Support staff - IT Services (average)	14,324	14,543	14,543	14,612	14,769	14,880	14,881	15,215	15,076
Utilization									
Gross Utilization (%)	69.9	71.2	71.6	73.1	72.0	72.9	71.0	73.1	74.5
Net Utilization (excl support) (%)	78.8	80.2	80.0	81.9	80.3	81.8	80.0	82.4	83.9
Net Utilization (excl trainees) (%)	79.7	82.8	81.9	84.8	82.1	82.5	81.9	83.4	85.2
Attrition									
IT Services excluding BPO and I&ME									
Voluntary TTM	16.5	16.6	16.3	16.3	15.9	15.7	15.9	16.6	17.0
Voluntary Quarterly Annualized	17.9	17.2	15.4	14.8	16.1	16.7	16.2	17.5	17.7
BPO - Quarterly	11.7	12.2	10.7	11.2	12.8	13.5	12.8	11.3	10.8
BPO - Post training	9.0	10.8	8.2	9.0	11.4	11.9	11.1	9.8	9.5
IT SERVICES (EXCL INFOX, BPO, I&ME)									
Service Delivery									
Revenue from FPP	56.0	56.4	57.7	58.3	58.2	57.7	57.7	58.7	58.9
% of onsite revenue	54.4	53.9	53.5	52.8	53.6	53.2	53.5	52.7	52.9
% of offshore revenue	45.6	46.1	46.5	47.2	46.4	46.8	46.5	47.3	47.1
Service wise									
IMS	-1.0	0.3	-1.1	2.4	1.2	3.2	-0.7	4.6	-6.5
BPO	24.9	3.1	-1.4	-5.0	-1.6	3.0	4.1	-1.6	-1.7
Product Engg and Mobility	-8.9	2.0	-2.1	1.3	-0.5	0.7	0.0	8.4	-1.7
Wipro Analytics	5.4	-2.1	-4.8	1.3	3.8	2.1	-1.4	2.4	-0.3
Application Services	1.2	-2.7	0.7	5.7	1.1	1.5	-0.5	1.3	1.1
Vertical wise									
Finance Solutions	3.4	-1.1	-0.7	4.7	3.6	5.6	3.2	5.0	0.9
Healthcare, Life Sciences and Services	18.0	3.8	-0.7	-1.1	-3.1	-5.5	2.2	1.7	-5.3
Energy and Utilities	-3.3	-3.0	0.1	3.5	3.2	2.9	-8.2	3.3	-1.7
Communications	1.3	-2.1	-2.0	-4.2	-0.6	-1.8	-2.1	-6.2	-5.1
Consumer	-1.2	-1.4	-0.1	2.7	0.9	3.3	0.5	-0.1	0.8
Manufacturing & Technology	-0.5	-1.2	-1.1	5.0	-0.5	3.4	-0.4	4.1	-3.9
Geography wise									
US	4.5	1.7	0.6	1.6	0.1	0.4	-1.0	1.7	2.4
Europe	1.8	-6.2	-2.4	6.2	0.0	5.9	3.2	6.8	-6.8
India & Middle East business	-3.0	-0.8	-4.5	1.7	6.0	-2.8	1.0	-3.7	-10.1
Other Emerging markets	0.7	0.2	0.2	1.8	1.8	6.8	-3.5	1.5	-1.7
Client Concentration									
Top client	-5.0	3.2	6.9	6.4	0.9	9.2	0.0	15.7	3.9
top 2-5 clients	-3.6	-4.6	-4.7	1.3	5.1	9.0	3.8	4.9	-6.4
Top 6-10 clients	4.0	0.6	-7.4	2.7	5.3	-0.7	-7.2	2.4	-0.2
Non top 10 clients	3.3	-0.6	0.0	2.7	0.1	1.5	0.2	1.7	-1.6

Source: MOSL, Company

Financials and Valuations

Key Assumptions

Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E
INR/USD Rate	54.3	60.4	62.2	66.3	68.6	65.6	68.5	71.4
Revenues (USD m)	6,218	6,618	7,082	7,346	7,705	8,060	8,195	8,620
Offshore Revenue (%)	46.4	45.9	46.0	45.9	46.4	46.8	46.3	45.8
Total Headcount	145,812	146,053	158,217	172,912	181,482	163,827	173,294	184,144
Net Addition	9,892	241	12,164	14,695	8,570	-17,655	9,467	10,850
Per Capita Productivity (USD)	42,643	45,312	44,759	42,486	42,453	49,199	47,289	46,809
Gross Utilization (%)	66.7	66.4	68.7	68.9	71.6	72.3	72.2	71.4
IT Services EBIT Margin (%)	20.5	22.6	22.0	20.5	17.9	16.8	16.8	17.8

Income Statement

(INR Million)

Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E
Sales	374,256	434,269	469,545	512,440	550,402	544,871	575,884	631,495
Change (%)	17.4	16.0	8.1	9.1	7.4	-1.0	5.7	9.7
Operating Costs	250,015	284,383	308,460	341,759	371,288	364,035	379,805	411,146
SG&A	46,245	52,787	56,476	62,562	70,325	71,651	84,644	91,065
EBITDA	77,996	97,099	104,609	108,119	108,789	109,185	111,435	129,285
% of Net Sales	20.8	22.4	22.3	21.1	19.8	20.0	19.4	20.5
Depreciation & Amort.	10,650	11,106	12,823	14,965	20,256	21,124	17,649	18,721
EBIT	67,346	85,993	91,786	93,154	88,533	88,061	93,787	110,563
Margins	18.0	19.8	19.5	18.2	16.1	16.2	16.3	17.5
Other Income	11,250	15,012	19,897	21,565	20,254	19,657	13,282	14,872
Income from Eq. Inv.	0	0	0	0	0	11	-212	-212
PBT	78,596	101,005	111,683	114,719	108,787	107,718	107,069	125,435
Tax	16,912	22,601	24,594	25,305	25,213	22,390	24,482	28,223
Rate (%)	21.5	22.4	22.0	22.1	23.2	20.8	22.9	22.5
PAT	61,684	78,404	87,089	89,414	83,574	85,328	82,586	97,212
Minority Interest	0	0	0	0	0	-11	212	212
Net Income	61,684	77,966	86,558	88,922	81,624	80,724	85,117	96,925
Change (%)	17.3	26.4	11.0	2.7	-8.2	-1.1	5.4	13.9

Balance Sheet

(INR Million)

Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E
Share Capital	4,926	4,932	4,937	4,941	4,861	9,048	9,048	9,048
Reserves	278,886	338,567	403,045	461,137	515,443	473,888	554,516	596,984
Net Worth	283,812	343,499	407,982	466,078	520,304	482,936	563,564	606,032
Minority Interest & others	10,324	11,440	15,315	22,921	24,058	25,141	17,585	17,585
Loans	63,816	51,592	78,913	125,221	142,412	138,259	110,038	98,606
Capital Employed	357,952	406,531	502,210	614,220	686,774	646,336	691,187	722,223
Gross Block	115,556	127,586	143,166	168,877	193,975	209,748	239,397	252,777
Less : Depreciation	65,031	76,137	88,960	103,925	124,181	145,305	162,954	162,954
Net Block	50,525	51,449	54,206	64,952	69,794	64,443	76,443	89,823
Investments	69,222	60,843	57,775	137,851	299,133	256,762	257,177	257,177
Intangible Assets	56,470	65,358	76,009	117,832	141,718	135,697	139,478	139,478
Other non current assets	25,281	30,525	29,459	31,639	36,003	73,877	77,424	80,061
Curr. Assets	238,232	294,129	382,584	372,647	246,868	229,861	263,605	289,317
Debtors	108,623	124,726	133,869	150,653	139,941	143,476	150,905	165,297
Inventories	3,263	2,293	4,849	5,390	3,915	3,370	3,562	3,906
Cash & Bank Balance	87,869	117,862	164,017	104,724	62,457	46,157	69,603	78,902
Adv., Other Current Assets	38,477	49,248	79,849	111,880	40,555	36,858	39,534	41,213
Current Liab. & Prov	81,778	95,773	97,823	110,701	106,742	114,304	122,940	133,633
Net Current Assets	156,454	198,356	284,761	261,946	140,126	115,557	140,665	155,684
Application of Funds	357,952	406,531	502,210	614,220	686,774	646,336	691,187	722,223

E: MOSL Estimates

Financials and Valuations

Ratios								
Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Basic (INR)								
EPS	12.5	15.8	17.6	18.1	16.9	18.9	18.3	21.5
Cash EPS	14.6	18.1	20.2	21.1	21.0	23.6	22.3	25.7
Book Value	57.8	69.9	83.0	94.8	105.9	107.2	125.1	134.6
DPS	3.5	4.0	6.0	3.0	1.0	0.0	0.0	10.0
Payout (incl. Div. Tax.)	28.1	25.3	34.2	16.6	5.8	0.0	0.0	46.5
Valuation(x)								
P/E	0.0	17.9	16.2	15.7	16.8	15.0	15.5	13.2
Cash P/E	0.0	15.7	14.1	13.5	13.5	12.0	12.8	11.1
Price / Book Value	0.0	4.1	3.4	3.0	2.7	2.6	2.3	2.1
EV/Sales	0.0	2.9	2.7	2.5	2.1	2.0	1.8	1.7
EV/EBITDA	0.0	13.1	12.0	11.8	10.8	10.2	9.5	8.1
Dividend Yield (%)	0.0	1.4	2.1	1.1	0.3	0.0	0.0	3.5
Profitability Ratios (%)								
RoE	21.6	24.9	23.0	20.3	16.9	17.0	15.8	16.6
RoCE	18.9	22.5	20.2	16.7	13.6	13.2	14.0	15.6
RoIC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turnover Ratios (%)								
Asset Turnover (x)	7.0	8.8	9.3	9.0	8.5	8.4	8.4	7.8
Debtors (No. of Days)	107	98	101	101	96	95	93	91
Leverage Ratios (%)								
Net Debt/Equity (x)	-0.1	-0.2	-0.2	0.0	0.2	0.2	0.1	0.0
Cash Flow Statement								
	(INR Million)							
Y/E Mar	2013	2014	2015	2016	2017	2018	2019E	2020E
Adjusted EBITDA	77,996	97,099	104,609	108,119	108,789	109,185	111,435	129,285
Non cash opr. exp (inc)	1,761	-19,065	-18,976	-23,258	-20,527	-24,075	-24,482	-28,223
(Inc)/Dec in Wkg. Cap.	-15,816	-10,134	-7,229	-5,988	4,511	-877	-1,661	-5,720
Tax Paid	0	0	0	0	0	0	0	0
Other operating activities	0	0	0	0	0	0	0	0
CF from Op. Activity	63,941	67,900	78,404	78,873	92,773	84,233	85,292	95,341
(Inc)/Dec in FA & CWIP	-8,513	-7,800	-11,413	-13,172	-15,274	-20,699	-29,649	-32,101
Free cash flows	55,428	60,100	66,991	65,701	77,499	63,534	55,643	63,240
(Pur)/Sale of Invt	-36,852	4,958	-13,955	-124,435	-102,421	56,652	-3,547	-2,636
Others	0	0	0	0	0	0	0	0
CF from Inv. Activity	-45,365	-2,842	-25,368	-137,607	-117,695	35,953	-33,196	-34,738
Inc/(Dec) in Net Worth	8,693	-11,776	22,609	34,935	-8,611	-131,066	6,890	14,585
Inc / (Dec) in Debt	0	0	0	0	0	0	-35,539	-11,432
Interest Paid	0	0	0	0	0	0	0	0
Divd Paid (incl Tax) & Others	-7,529	-34,135	-6,967	785	-15,346	-133,387	7,128	-39,873
CF from Fin. Activity	1,164	-45,911	15,642	35,720	-23,957	-264,453	-21,521	-36,721
Inc/(Dec) in Cash	19,740	19,147	68,678	-23,014	-48,879	-144,267	30,575	23,883
Add: Opening Balance	77,666	87,869	117,862	164,017	104,724	62,457	46,157	69,603
Closing Balance	97,406	107,016	186,540	141,003	55,845	-81,810	76,732	93,486

Corporate profile

Company description

Wipro is the third largest Indian IT services company and the largest third-party BPO operator in India. It is the largest third-party R&D services provider globally, employing over 156,000 employees. It offers among the widest range of IT and ITeS services and its corporate governance and transparency are at the highest level in the industry.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Jun-18	Mar-18	Jun-17
Promoter	74.3	74.3	73.2
DII	7.1	6.6	6.6
FII	9.2	9.8	10.8
Others	9.4	9.3	9.5

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
LIFE INSURANCE CORPORATION OF INDIA	3.1
JP MORGAN CHASE BANK, NA - ADR's	2.2
FIRST STATE INVESTMENTS ICVC- STEWART INVESTORS ASIA PACIFIC LEADERS FUND	1.3
NA	0.0
NA	0.0

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Azim H Premji	Chairman & Managing Director
Abidali Z Neemuchwala	Executive Director & CEO
M Sanaulla Khan	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Ashok S Ganguly	Ireena Vittal
M K Sharma	N Vaghul
Patrick Dupuis	Patrick J Ennis
William Arthur Owens	Rishad Azim Premji

*Independent

Exhibit 6: Auditors

Name	Type
B S R & Co LLP	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	18.3	18.6	-1.8
FY20	21.5	21.6	-0.7

Source: Bloomberg

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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