

RESEARCH
Wipro | Target: Rs 840 | +29% | BUY

Transformed model paying off

SUMMARY
Wipro

- WPRO's analyst meet focused on highlighting results of a transformed business model and reiterating a "bold" strategy
- Management aims to strengthen client relationships through simplified operations, cloud investments and a deeper large deal focus
- We stay positive on WPRO post reiteration of its growth ambitions, margin discipline and cloud focus – BUY, TP Rs 840

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Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.55	(4bps)	(9bps)	72bps
India 10Y yield (%)	6.34	(2bps)	(4bps)	47bps
USD/INR	74.24	0.0	1.5	0.0
Brent Crude (US\$/bbl)	78.89	(2.9)	(7.3)	75.5
Dow	35,602	(0.7)	0.4	21.7
Shanghai	3,560	1.1	(0.9)	5.4
Sensex	59,636	(0.6)	(3.4)	36.8
India FII (US\$ mn)	17-Nov	MTD	CYTD	FYTD
FII-D	8.5	330.3	260.0	2,287.3
FII-E	152.6	2,621.0	8,879.6	1,553.3

Source: Bloomberg

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BUY

TP: Rs 840 | ▲ 29%

WIPRO

| Technology & Internet

| 22 November 2021

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We attended WPRO's virtual analyst day. Key takeaways:

Reemphasis on bold strategy: Management reiterated that a "bold" WPRO is now ready to take bets to achieve higher growth. Following the organisational structure rejig in Jan'21, WPRO has been hiring new, diverse leaders scattered across the globe to bring the company closer to clients. The company's strategic priorities are to (1) accelerate growth focus and scale, (2) strengthen client partnerships, (3) lead with business solutions, (4) build talent at scale, (5) have a simplified operating model.

Talent retention focus: WPRO continues to face a talent supply crunch and expects demand to outstrip supply in the near future. The company has, therefore, decided to hire 17,000 staff in FY21, skewed towards freshers. It is using its 'Top Coder' platform to recruit top talent across the world and announced that it will double investments in this platform. Employee retention measures include two rounds of salary increases for technical employees and one round of hikes for mid-management in CY21, besides reskilling of existing talent. As hybrid work has been a success, the company's retention strategy promotes flexible working hours.

Investments in FullStride: In July, WPRO announced a US\$ 1bn investment in its cloud business Wipro FullStride Cloud Services, which includes ecosystem partners, cloud platforms and advisors/consultants. The business has four regional delivery hubs, eleven cloud studios, five in progress and four innovation centres. The company has also invested in sales specialisation and a large-deals team, with a deepening sector focus in domain and consulting within FullStride. WPRO's focus is evident in its establishment of cloud studios with 79k cloud professionals and 10k certified cloud specialists.

Maintain BUY: Our positive view is reinforced by the company's upbeat growth trends (US\$ 2.4bn run-rate in last 12 months), disciplined margin outlook (guided to hold at pre-Covid levels) and continued M&A investments. We retain BUY with an unchanged TP of Rs 840, set at 28.8x Sep'23E P/E.

Key changes

Target	Rating
◀ ▶	◀ ▶

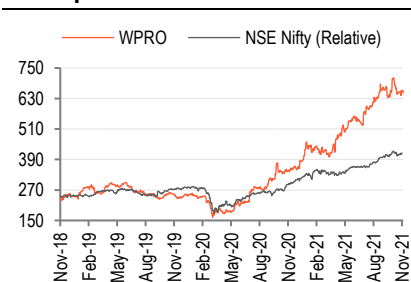
Ticker/Price	WPRO IN/Rs 651
Market cap	US\$ 48.5bn
Free float	26%
3M ADV	US\$ 62.1mn
52wk high/low	Rs 740/Rs 342
Promoter/FPI/DII	74%/9%/17%

Source: NSE | Price as of 18 Nov 2021

Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	622,425	804,845	918,945
EBITDA (Rs mn)	144,560	175,583	206,233
Adj. net profit (Rs mn)	108,783	129,395	153,193
Adj. EPS (Rs)	19.7	23.4	27.7
Consensus EPS (Rs)	19.7	20.9	23.3
Adj. ROAE (%)	19.5	21.2	22.2
Adj. P/E (x)	33.1	27.8	23.5
EV/EBITDA (x)	24.2	19.8	16.7
Adj. EPS growth (%)	18.1	18.9	18.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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