

BUY

TP: Rs 850 | ▲ 67%

WIPRO

| Technology & Internet

| 29 April 2022

In-line performance; maintain BUY

- Q4 revenue growth slightly ahead of estimates at 3.1% QoQ USD driven by manufacturing, retail and BFSI
- EBIT margin expanded 30bps QoQ to 17.7%, close to our estimate. Attrition increased 110bps QoQ to 23.8%
- Given in-line growth and margins, we keep EPS estimates intact and maintain BUY with an unchanged TP of Rs 850

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In-line growth: WPRO reported Q4FY22 revenue growth of 3.1% QoQ USD, within its guided range and marginally above our estimate of 2.7%. Growth was spurred by the manufacturing-hi tech/retail/financial solution verticals which increased 7.7%/4.3%/3.7% QoQ USD. Among geographies, the Americas continued to rally at 4.3% QoQ USD while Europe delivered muted growth (+1.7%). Top-5/10 clients continued to grow at a rapid pace of 3-5% QoQ. WPRO is closing the year with its best-ever deal pipeline and indicated that the business environment remains robust.

Margin impacted by rising employee cost: EBIT margin stood at 17%, down 60bps QoQ (due to rise in employee cost) and tad below our estimate of 17.5%. Subcontracting costs formed 10.3% of revenue in Q4 vs. 13.8% in Q3FY22.

Rizing acquisition to aid FullStride: In line with the buying spree among peers, WPRO acquired global SAP consulting firm 'Rizing' for US\$ 540mn, which will enhance its cloud capabilities, augment prowess in SAP-focused verticals such as RCPG and ENU, and add to its FullStride cloud suite. Capco, WPRO's other major acquisition, has shown double-digit growth YoY in Q4.

Attrition persists: Attrition at 23.8% increased 110bps QoQ and almost doubled YoY. WPRO added ~11.4k employees QoQ, among its highest-ever quarterly hiring levels. Utilisation at 85.2% was flattish sequentially.

Guidance conservative: Management has guided for 1-3% QoQ growth in Q1FY23, 1ppt below its usual guided range of 2-4%, and for double-digit growth in FY23. WPRO has a 29.3% revenue share from Europe and a potential indirect impact on this business from the Russia-Ukraine war could explain its conservative stance. Going forward, the company intends to focus more on the retail, BFSI and ENU verticals. It expects slightly lower margins for the next few quarters due to investments.

Maintain BUY: We keep our FY23/FY24 estimates unchanged given the in-line Q4 performance and maintain our target P/E of 28.8x. Our TP remains at Rs 850 – BUY.

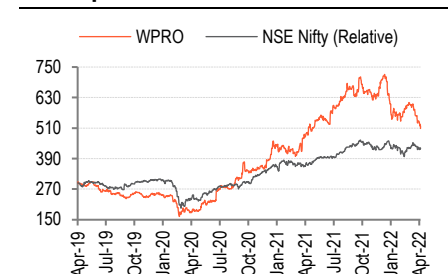
Ticker/Price	WPRO IN/Rs 509
Market cap	US\$ 36.8bn
Free float	26%
3M ADV	US\$ 56.3mn
52wk high/low	Rs 740/Rs 478
Promoter/FPI/DII	74%/9%/17%

Source: NSE | Price as of 29 Apr 2022

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	795,289	917,369	1,002,235
EBITDA (Rs mn)	164,407	205,874	225,119
Adj. net profit (Rs mn)	119,423	152,315	165,631
Adj. EPS (Rs)	21.6	27.6	30.0
Consensus EPS (Rs)	21.6	23.3	25.8
Adj. ROAE (%)	19.7	22.4	22.9
Adj. P/E (x)	23.5	18.5	17.0
EV/EBITDA (x)	16.3	13.1	12.0
Adj. EPS growth (%)	9.8	27.5	8.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE

[Click here for our last detailed report](#)

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Total revenue	613,401	622,425	795,289	917,369	1,002,235
EBITDA	124,867	144,560	164,407	205,874	225,119
Depreciation	20,281	20,540	26,245	30,273	33,074
EBIT	104,586	124,020	138,162	175,601	192,046
Net interest inc./(exp.)	16,752	15,824	10,932	19,663	20,268
Other inc./(exp.)	0	0	(109)	0	0
Exceptional items	0	0	0	0	0
EBT	120,589	139,844	148,985	195,264	212,314
Income taxes	24,799	30,345	29,407	42,749	46,483
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	495	716	155	200	200
Reported net profit	95,295	108,783	119,423	152,315	165,631
Adjustments	0	0	0	0	0
Adjusted net profit	95,295	108,783	119,423	152,315	165,631

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Accounts payables	0	0	0	0	0
Other current liabilities	156,761	164,725	176,489	203,581	222,414
Provisions	612	676	1,961	2,262	2,471
Debt funds	78,042	83,332	140,491	140,491	140,491
Other liabilities	2,825	4,633	4,633	4,633	4,633
Equity capital	11,427	10,958	10,958	10,958	10,958
Reserves & surplus	547,906	543,635	648,840	688,024	738,922
Shareholders' fund	559,333	554,593	659,798	698,982	749,880
Total liab. and equities	797,573	807,959	983,373	1,049,949	1,119,890
Cash and cash eq.	144,499	169,793	232,083	251,934	292,885
Accounts receivables	104,474	94,298	143,806	165,880	181,226
Inventories	1,865	1,064	6,537	7,540	8,238
Other current assets	108,891	111,925	168,863	194,784	212,803
Investments	203,345	191,811	193,261	193,261	193,261
Net fixed assets	81,120	85,192	84,947	82,674	77,601
CWIP	0	0	0	0	0
Intangible assets	147,374	152,212	152,212	152,212	152,212
Deferred tax assets, net	6,005	1,664	1,664	1,664	1,664
Other assets	0	0	0	0	0
Total assets	797,573	807,959	983,373	1,049,949	1,119,890

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash flow from operations	130,744	141,154	36,021	141,519	163,616
Capital expenditures	(45,057)	(39,531)	(26,000)	(28,000)	(28,000)
Change in investments	34,579	26,907	(1,450)	0	0
Other investing cash flows	16,752	15,824	10,932	19,663	20,268
Cash flow from investing	6,274	3,200	(16,518)	(8,337)	(7,732)
Equities issued/Others	(105,000)	(95,000)	0	(95,000)	(95,000)
Debt raised/repaid	0	0	0	0	0
Interest expenses	(4,601)	(3,335)	0	0	0
Dividends paid	(11,469)	(13,092)	(14,373)	(18,331)	(19,934)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(121,070)	(111,427)	(14,373)	(113,331)	(114,934)
Chg in cash & cash eq.	15,949	32,927	5,131	19,851	40,951
Closing cash & cash eq.	194,025	226,952	232,083	251,934	292,885

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22A	FY23E	FY24E
Reported EPS	16.7	19.7	21.6	27.6	30.0
Adjusted EPS	16.7	19.7	21.6	27.6	30.0
Dividend per share	1.7	2.0	2.2	2.8	3.0
Book value per share	97.9	100.4	119.4	126.5	135.7

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22A	FY23E	FY24E
EV/Sales	4.6	4.4	3.4	2.9	2.7
EV/EBITDA	22.6	18.8	16.3	13.1	12.0
Adjusted P/E	30.5	25.8	23.5	18.5	17.0
P/BV	5.2	5.1	4.3	4.0	3.7

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22A	FY23E	FY24E
Tax burden (Net profit/PBT)	79.0	77.8	80.2	78.0	78.0
Interest burden (PBT/EBIT)	115.3	112.8	107.8	111.2	110.6
EBIT margin (EBIT/Revenue)	17.1	19.9	17.4	19.1	19.2
Asset turnover (Rev./Avg TA)	75.2	77.5	88.8	90.2	92.4
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.5	1.5	1.5
Adjusted ROAE	16.9	19.5	19.7	22.4	22.9

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22A	FY23E	FY24E
YoY growth (%)					
Revenue	4.1	1.5	27.8	15.4	9.3
EBITDA	2.6	15.8	13.7	25.2	9.3
Adjusted EPS	11.6	18.1	9.8	27.5	8.7
Profitability & Return ratios (%)					
EBITDA margin	20.4	23.2	20.7	22.4	22.5
EBIT margin	17.1	19.9	17.4	19.1	19.2
Adjusted profit margin	15.5	17.5	15.0	16.6	16.5
Adjusted ROAE	16.9	19.5	19.7	22.4	22.9
ROCE	20.7	25.6	26.4	30.1	32.1
Working capital days (days)					
Receivables	61	58	55	62	63
Inventory	2	1	2	3	4
Payables	113	118	95	94	96
Ratios (x)					
Gross asset turnover	8.1	7.5	9.3	10.9	12.5
Current ratio	2.3	2.3	3.1	3.0	3.1
Net interest coverage ratio	6.2	7.8	12.6	8.9	9.5
Adjusted debt/equity	(0.1)	(0.2)	(0.1)	(0.2)	(0.2)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Disclaimer

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

BUY – Expected return >+15%

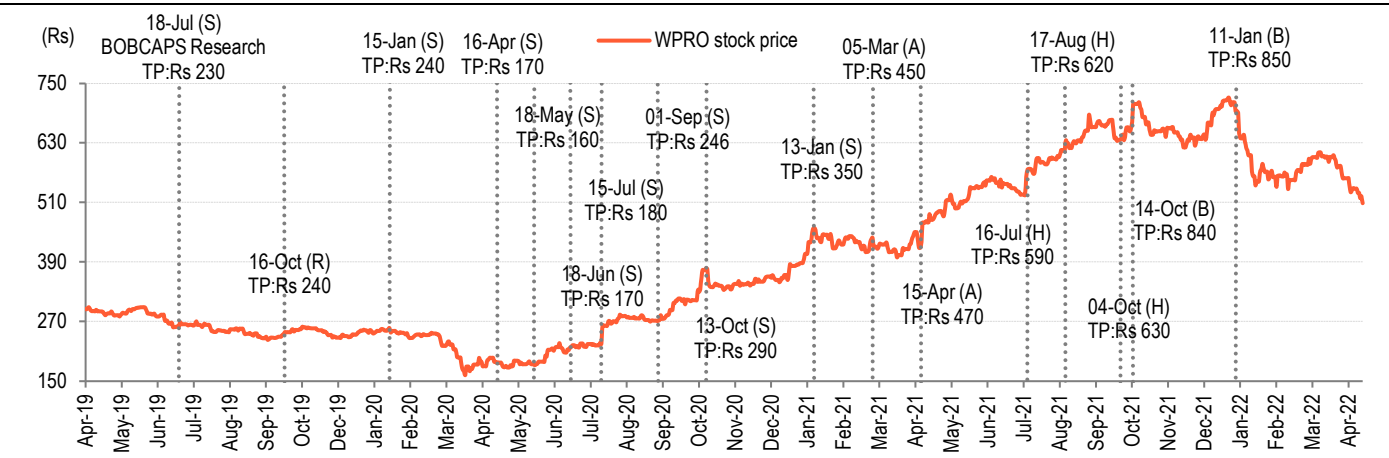
HOLD – Expected return from -6% to +15%

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.

Ratings and Target Price (3-year history): WIPRO (WPRO IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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