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HOLD
TP: Rs 256 | ⩔ 2%

WIPRO | IT Services | 18 July 2025

Aggressive large deal wins improve revenue visibility

- **Aggression in cost take out and vendor consolidation deals and better revenue conversion give confidence that Wipro IT services will grow**
- **The new CEO has started to deliver. While Wipro is indicating a pickup in 2H we need to see the quantum and hope it is not too margin dilutive**
- **Raise estimates a tad for both FY27/FY28. Higher visibility induces us to raise Target PE multiple. Raise stock to Hold from Sell**

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1QFY26 broadly meets expectations: Revenue growth (-2% QoQ CC) and EBIT margin – 17.3% (ex one-off) were broadly along expected lines. Decline in revenue in the quarter was driven by Europe (-6.3%) and Consumer (RCPG) down 4% and BFSI (-3.8%).

Order inflow strength was the biggest surprise: The total TCV and Large deal TCV were up 51% and 131% respectively YoY CC. The latter includes 2 mega deal wins (against 2 in the entire of FY25). Many of the large deals are cost take out and vendor consolidation deals, many from its existing top clients.

Key drivers for the strong TCV performance: The consulting led (driven by Capco), AI first, domain expertise driven and proactive approach.

Near term margins may see some pressure: It was indicated that the large deals won have been against significant competitive pressure and require upfront investments to execute them. It was indicated that these deals will have a lower margin compared to the existing corporate margins. We suspect that they will be margin dilutive (below 17% EBIT level) for the rest of FY26. Wipro, however, maintained its aspirational band of 17-17.5% at the EBIT level.

Certain sectors are still impacted by Macro: Tariffs and geo-politics have impacted certain sectors like Manufacturing (Auto and industrial in particular) and the retail CPG sector. Wipro hopes that greater clarity on tariffs could improve demand conditions here in the coming quarters.

Raise estimates and rating: The greater visibility induced by the strong TCV accretion and the greater likelihood of conversion gives us greater confidence in our revenue and EPS estimates. While we cut margin estimates for FY26 we raise revenue for both FY27 and FY28. Greater confidence in our estimates induces us to raise the Target PE multiple by reducing discount vis-à-vis TCS from 20% to 15%. If Wipro outperforms on TCV from here on, both EPS and Target PE multiple could see further upgrades. Raise the rating to HOLD from SELL.

Key changes

Target	Rating
▲	▲

Ticker/Price	WPRO IN/Rs 261
Market cap	US$ 31.7bn
Free float	27%
3M ADV	US$ 30.6mn
52wk high/low	Rs 325/Rs 228
Promoter/FPI/DII	73%/8%/8%

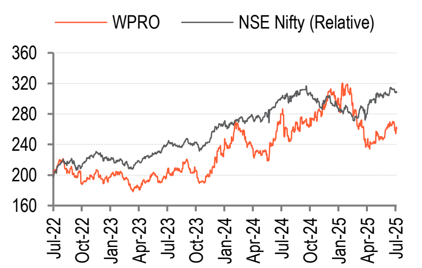
Source: NSE | Price as of 17 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	890,884	905,031	968,164
EBITDA (Rs mn)	190,397	166,433	184,337
Adj. net profit (Rs mn)	131,354	135,049	145,489
Adj. EPS (Rs)	12.5	12.9	13.9
Consensus EPS (Rs)	12.5	12.5	13.7
Adj. ROAE (%)	16.6	15.8	16.2
Adj. P/E (x)	20.8	20.2	18.8
EV/EBITDA (x)	14.2	16.1	14.3
Adj. EPS growth (%)	20.9	2.7	7.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- IT services revenue declined 2% QoQ in CC terms (against our estimate of 2.5% decline) and 2.3% YoY in CC terms
- The EBIT margin stood at 16.1% (against our estimate of 17.5%). This deviation was largely due to one-time restructuring cost, pertaining to Europe, of Rs2.26bn. It involved a few associates only and is one-off in nature. Ex this one off the global IT services EBIT margin was 17.3%, an expansion of 80 bps YoY but a decline of 20bps QoQ
- Many large deal wins are cost takeout or vendor consolidation in nature. Such deals require upfront investments, causing cost pressure. Focus remains on operational excellence to offset cost pressures
- In CC terms: Americas 1 grew 0.2% QoQ and 5.8% YoY; Americas 2 declined 1.7% QoQ and 2.7% YoY; Europe declined 6.4% QoQ and 11.6% YoY; APMEA grew 0.6% QoQ and declined 0.1% YoY
- Strong deal momentum continues in Americas
- APMEA revenue remained flat; digital spending in India, Middle East, and Southeast Asia kept market resilient
- In CC terms: BFSI declined 3.8% QoQ and 3.5% YoY; Healthcare grew 0.5% QoQ and 3.5% YoY; Consumer declined 4% QoQ and 5.7% YoY; Technology and communications grew 0.4% QoQ and declined 0.3% YoY; Energy, manufacturing and resources declined 0.7% QoQ and 2.4% YoY
- BFSI sector demand remained strong and steady, with AI-led efficiency and transformation focus. Two mega deals were won in the BFSI sector
- The consumer and EMR (Energy Manufacturing and resources) sectors were cautious; retail, CPG, and manufacturing affected by tariffs. Tight discretionary budgets in consumer and EMR, but outsourcing renewals opened new opportunities
- Technology and communications sectors are shifting towards AI investments. Large deal won in technology and communications, with potential to become a mega deal
- The healthcare sector is performing well; focus on modernization and digital transformation. Cost pressures remain on payers in healthcare, but overall outlook is positive
- Capco grew 6% YoY
    - Capco achieved US$1 bn in bookings on a TTM basis
    - Growth observed across US and APMEA regions. The growth ws driven by insurance, wealth and asset management, and energy sectors
    - Strong momentum also seen in LATAM, especially Brazil, beyond Capco's traditional markets

- Capco pipeline continues to look good for upcoming quarters

- Net income declined by 6.7% QoQ and grew 10.9% YoY
- 1Q bookings totaled US$4.97 bn in TCV, 51% YoY growth
- Large deal bookings in 1QFY26 were at US$2.7 bn, up 131% YoY.
- 16 large deals won in 1Q, including two mega deals. Several wins driven by vendor consolidation; momentum remains strong. 6 of the deals were in the RCPG sector despite the weakness seen in the space.
- The mix of deals this quarter remains balanced between renewals and new business, with some large deals having a substantial portion of new work
- AI adoption is becoming essential for business operations at scale. Company building AI-first, AI-everywhere enterprise model. Use of autonomous and Agentic AI to transform business models and operations
- Guidance for IT services revenue in 2Q is US$2.56 bn to US$2.612 bn. This implies sequential growth of -1% to +1% in constant currency terms. This according to us is along expected lines.
- The company indicated a much stronger 2H compared to 1H due to all the large deal wins. It also stated that revenue leakages which used to a drag on growth have stabilized and hence new deal wins will convert into revenue growth from here on.

Demand Environment

- Significant macro uncertainty in 1Q led to muted overall demand. Clients prioritized cost optimization and vendor consolidation initiatives
- Acceleration in AI, data, and modernization programs by clients. Multiple AI projects moved to scale and production
- Large deals closed in current and previous quarter position company well for 2H
- Macro caution persists, but the strong order book and AI-led solutions drive confidence. Priority remains returning to profitable growth
- Discretionary spending is returning selectively, especially in areas like data, AI, and modernization
- ACV growth is slower than TCV growth due to increase in deal tenors
    - Pipeline has a good balance of vendor consolidation cost takeout deals, which are typically longer tenor. Pipeline also includes deals in data, AI, and modernization areas
    - Large deals are dominating the pipeline in terms of wins. TCV bookings led by large deals are growing faster than small and medium deals
- Large vendor consolidation deals demonstrate strong win capability. A substantial portion of large deals are from top clients. The focus is on conversion of deals, which will ramp over the next four to six quarters. Large, strongly contested deals

have weaker margin profiles compared to the rest of the portfolio, causing some margin pressure.

- The aspirational margin band remains at 17% to 17.5%. Future margins may face pressure due to upfront investments in large deal ramp-ups. Operational rigor and available levers will be used to offset margin pressures. Primary focus going forward will be on growth and execution, not margin expansion
- The margin pressure from executing mega deals comes from upfront investments in planning, talent acquisition, and onboarding—not from pricing or pass-through sales. These deals do not involve pass-through costs.
- The large deal wins were highly competitive with significant pressure due to the macro environment and growth focus across peers.
- Margin offset levers highlighted: Productivity improvements in fixed-price contracts, margin improvement in acquired businesses as they mature and optimize, G&A optimization via AI-driven process efficiencies and organizational simplification, continued focus on utilization, freshers hiring, workforce rotation, and pyramid optimization and Forex gains
- Certain sectors remain impacted due to tariffs, geopolitics, and economic conditions
  - Manufacturing, especially automotive and industrial, has been significantly affected
  - Retail and CPG also impacted due to over-reliance on global supply chains
  - The SAP project mentioned in the prior quarter is still on pause. The client is awaiting clarity on tariffs before restarting the paused program. Such paused projects are not yet resumed and remain outside current guidance
  - Reinvestment by client may occur if conditions stabilize in the next couple of quarters
- Strong bookings in 1Q and a strong pipeline in 2Q provide confidence for better 2H performance. Deal transitions expected to reach a steady state in 3 to 6 months
- TCV and ACV may have different growth trajectories due to varying deal tenors. Discretionary spend environment has impacted conversion in the past. The discretionary spending environment appears stable now. Stable environment expected to improve conversion of bookings into revenue
- Americas Overview:
  - BFSI: Strong and steady pipeline; 2 strategic mega deal wins in 1Q
  - Technology & Communications: Won a large deal (likely to become a mega deal); strong demand driven by AI modernization of platforms and software.
  - Healthcare: Continues to grow across payers, providers, and life sciences; industry-specific solutions driving differentiation and wins.

- Consumer: Challenging environment, but 1Q had some interesting retail wins. Impact from U.S. tariffs being monitored.
- Energy, Manufacturing & Resources: Mfg, particularly automotive, remains slow; exploring cost takeout opportunities with clients.

- Europe:
  - The pipeline remains strong, especially in BFSI. The Phoenix deal (won in 4Q) will start contributing from 3Q, expected to boost momentum.
  - Focused on cost takeout and vendor consolidation deals.
  - The client-specific challenges are now largely behind. Management is confident that Europe will stabilize and start growing in 2HFY26, helped by the Phoenix deal win and a strong pipeline
- The decline in the total number of active clients is mostly a reflection of the discretionary spending environment

Other points

- Not taken a view on wage hikes for the year. Will depend on demand supply conditions for talent. Currently indicated to be comfortable.
- Plans to add 10,000 freshers in the year
- The board declared an interim dividend of INR5/ share. Capital allocation policy revised in Jan 2025 to increase payout to minimum 70% of net income over a block of three years. Plan to pay dividends twice a year, post Jun and Dec quarter results. Buyback remains an option and may be considered at an appropriate time

We have an underweight stance on Indian IT services.

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**).and reiterated that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate we believe the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBB), the crackdown on illegal immigration, DOGE, etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: One of the reasons for optimism around the Indian IT Services sector in late 2024 had been the view that the US would achieve a soft landing in 2025 and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to cloud/SaaS and move it away from the those who have lower bargaining power – the global IT services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

Weak TCV: The weaker TCV for most players in FY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a set of large clients in FY25 or the need to set off large pass-through items.

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rs mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	1QFY26E	Dev (%)
IT Services Revenue (USD mn)	**2,626**	**2,634**	**2,587**	**(1.5)**	**(1.8)**	**2,632**	**(1.7)**
Net Sales	**219,638**	**225,042**	**221,346**	**0.8**	**(1.6)**	**228,288**	**(3.0)**
Employee Costs	153,306	155,525	157,247	2.6	1.1	158,791	(1.0)
% of Sales	69.8	69.1	71.0			69.6	
Gross Margin	66,332	69,517	64,099	(1.8)	(2.7)	69,497	(7.8)
% of Sales	30.2	30.9	29.0			30.4	
Other Expenditure	30,057	30,654	28,557	(5.0)	(6.8)	29,446	(3.0)
% of Sales	13.7	13.6	12.9			12.9	
Forex Gain / (Loss)	(206)	224	182			0	
Other Operating Income	0	0	0			0	
EBIT	**36,069**	**39,087**	**35,724**	**(1.0)**	**(8.6)**	**40,050**	**(10.8)**
EBIT Margin (%)	**16.4**	**17.4**	**16.1**			**17.5**	
Other Income	4,147	8,343	6,859	65.4	(17.8)	4,721	45.3
PBT	40,216	47,430	42,583	5.9	(10.2)	44,772	(4.9)
Provision for Tax	9,850	11,549	9,218	(6.4)	(20.2)	10,902	(15.4)
Effective Tax Rate (%)	24.5	24.3	21.6			24.3	
Minority share in Profit / Loss	(334)	(185)	(61)			(185)	
PAT (Reported)	**30,032**	**35,696**	**33,304**	**10.9**	**(6.7)**	**33,685**	**(1.1)**
NPM (%)	**13.7**	**15.9**	**15.0**			**14.8**	

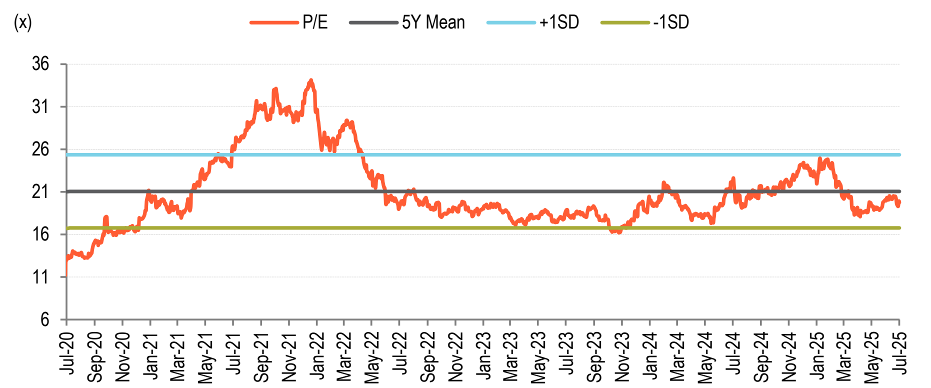
Source: Company, BOBCAPS Research

Fig 2 – Revised Estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY27E
INR/USD	86.7	89.3	91.1	87.3	89.3	91.1	(0.6)	-	-
IT Services USD Revenue (USD mn)	10,426	10,823	11,178	10,414	10,659	10,977	0.1	1.5	1.8
USD Revenue Growth (%)	(1.2)	3.8	3.3	(1.3)	2.3	3.0			
Revenue (Rsbn)	905	968	1,020	911	954	1,002	(0.7)	1.5	1.8
EBIT (Rsbn)	151	165	180	160	167	175	(5.6)	(1.2)	2.6
EBIT Margin (%)	16.6	17.1	17.6	17.5	17.5	17.5			
PAT (Rsbn)	135	145	157	136	144	152	(0.5)	1.3	3.6
FDEPS (Rs)	12.9	13.9	15.0	12.9	13.7	14.5	(0.5)	1.2	3.6

Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend



Source: Company, BOBCAPS Research

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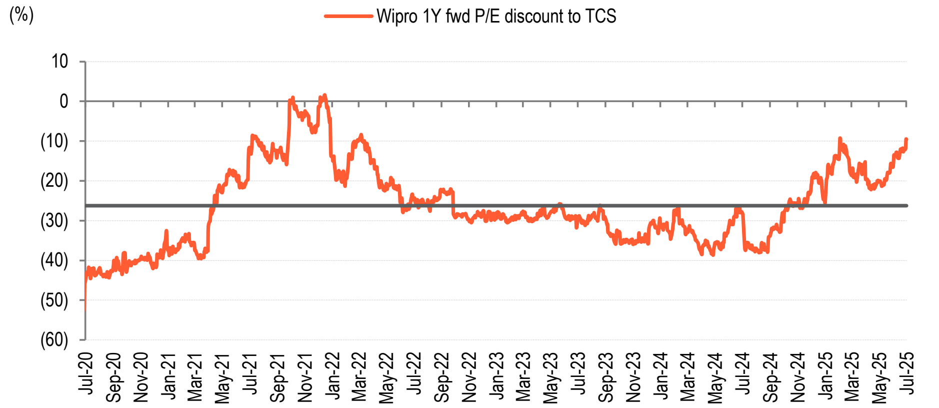
Fig 4 – Premium/ Discount to TCS



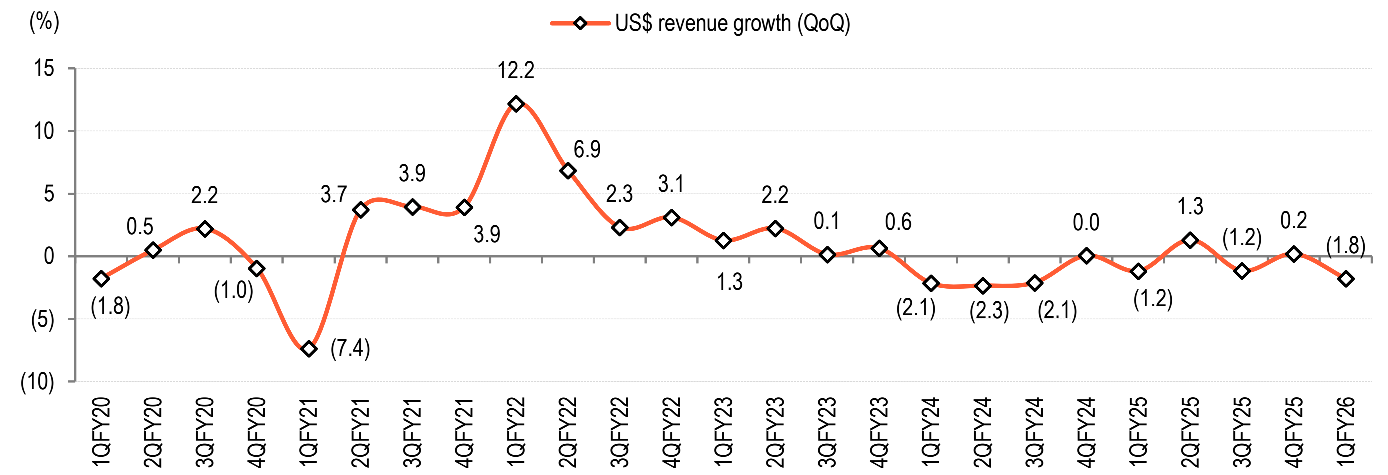
Source: Company, BOBCAPS Research

Fig 5 – P&L at a glance

(Rs bn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Average INR/USD	54.4	60.3	61.8	66.1	68.6	65.6	70.0	72.5	74.0	75.2	80.4	82.8	84.5	86.7	89.3	91.1
Net Sales - IT Services (USD mn)	**6,218**	**6,618**	**7,082**	**7,346**	**7,704**	**8,060**	**8,190**	**8,256**	**8,137**	**10,356**	**11,234**	**10,805**	**10,549**	**10,426**	**10,823**	**11,178**
-Growth (%)	**5.0**	**6.4**	**7.0**	**3.7**	**4.9**	**4.6**	**1.6**	**0.8**	**(1.4)**	**27.3**	**8.5**	**(3.8)**	**(2.4)**	**(1.2)**	**3.8**	**3.3**
Net Sales - Overall	434	438	473	514	550	545	586	610	619	791	905	898	891	905	968	1020
-Growth (%)	9.9	0.9	8.1	8.7	7.0	(1.0)	7.5	4.2	1.5	27.7	14.4	(0.8)	(0.7)	1.6	7.0	5.4
Cost of Sales & Services	302	296	321	357	392	386	413	436	423	556	645	631	618	643	683	718
% of sales	69.7	67.5	67.9	69.3	71.1	70.8	70.5	71.5	68.3	70.3	71.3	70.4	69.3	71.0	70.5	70.4
Gross profit	131	142	152	158	159	159	173	174	196	235	259	266	273	262	285	302
% of sales	30.3	32.5	32.1	30.7	28.9	29.2	29.5	28.5	31.7	29.7	28.7	29.6	30.7	29.0	29.5	29.6
SG& A	61	53	56	63	73	76	80	73	76	101	124	130	122	112	120	122
% of sales	14.0	12.1	11.9	12.2	13.2	14.0	13.7	11.9	12.3	12.8	13.7	14.5	13.7	12.4	12.4	12.0
EBIT	**75**	**89**	**95**	**97**	**94**	**84**	**100**	**106**	**123**	**140**	**140**	**136**	**151**	**151**	**165**	**180**
% of sales	**17.3**	**20.4**	**20.2**	**18.8**	**17.1**	**15.5**	**17.1**	**17.3**	**19.9**	**17.7**	**15.4**	**15.2**	**17.0**	**16.6**	**17.1**	**17.6**
Interest expenses	3	3	4	6	5	6	7	7	5	5	10	13	15	16	16	16
Other income (net)	13	15	20	23	22	24	23	24	21	16	18	24	38	42	43	44
PBT	93	101	112	115	110	102	115	123	139	151	148	147	175	177	192	207
-PBT margin (%)	21.4	23.1	23.6	22.3	20.1	18.8	19.7	20.1	22.4	19.1	16.3	16.4	19.6	19.5	19.8	20.3
Provision for tax	18	23	25	25	25	22	25	25	30	29	34	36	43	41	46	50
Effective tax rate (%)	19.8	22.4	22.0	22.1	22.8	21.9	21.9	20.2	21.8	19.1	23.0	24.5	24.5	23.4	24.0	24.0
Minority Interest	0.3	0.4	0.5	0.5	0.2	0.0	0.1	0.5	0.3	0.1	0.2	0.7	0.8	0.2	0.2	0.2
Net profit	**74**	**78**	**87**	**89**	**85**	**80**	**90**	**97**	**108**	**122**	**114**	**110**	**131**	**135**	**145**	**157**
-Growth (%)	**23.3**	**5.3**	**11.0**	**2.9**	**(4.6)**	**(5.7)**	**12.4**	**8.0**	**11.4**	**12.8**	**(7.1)**	**(2.7)**	**18.9**	**2.8**	**7.7**	**8.2**
-Net profit margin (%)	**17.1**	**17.8**	**18.3**	**17.3**	**15.4**	**14.7**	**15.4**	**15.9**	**17.5**	**15.4**	**12.5**	**12.3**	**14.7**	**14.9**	**15.0**	**15.4**

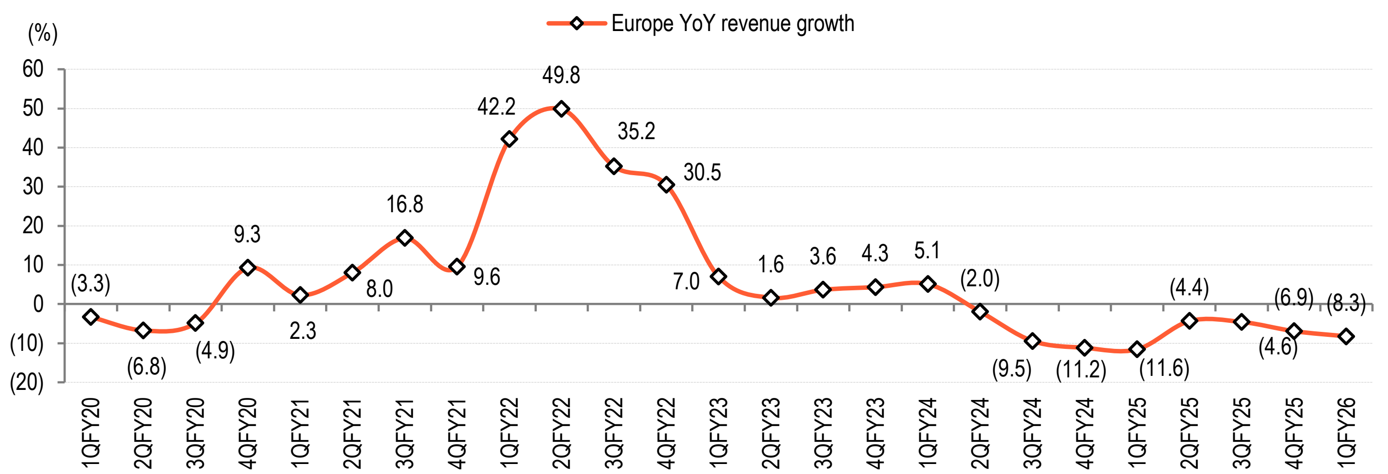
Source: Company, BOBCAPS Research

Fig 6 – USD revenue growth (QoQ) – IT Services



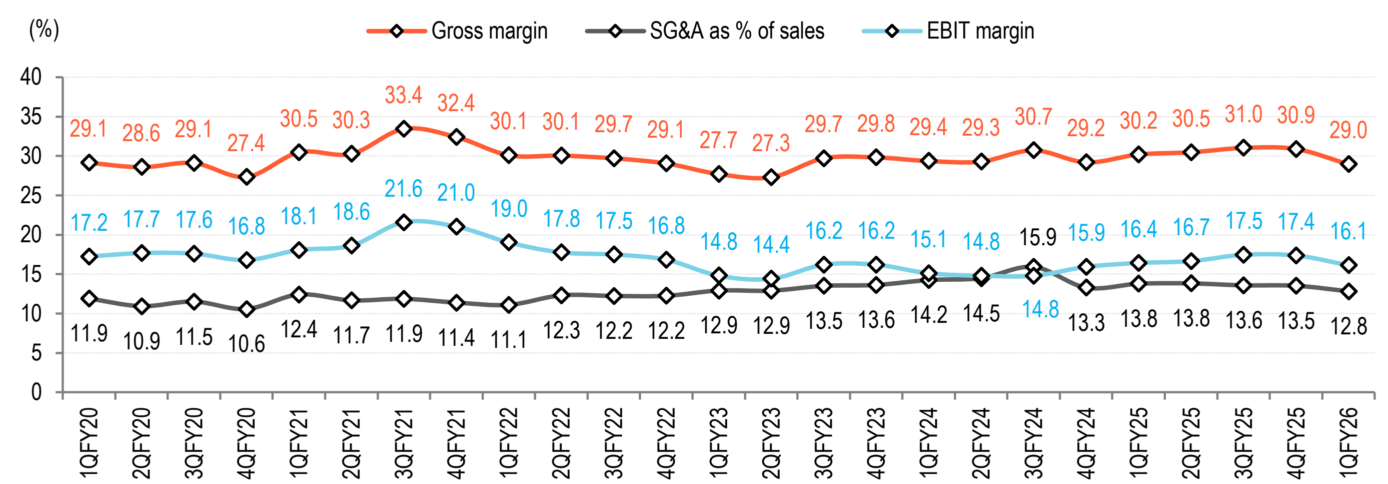
Source: Company, BOBCAPS Research

Fig 7 – Europe revenue growth – US$ terms (YoY)



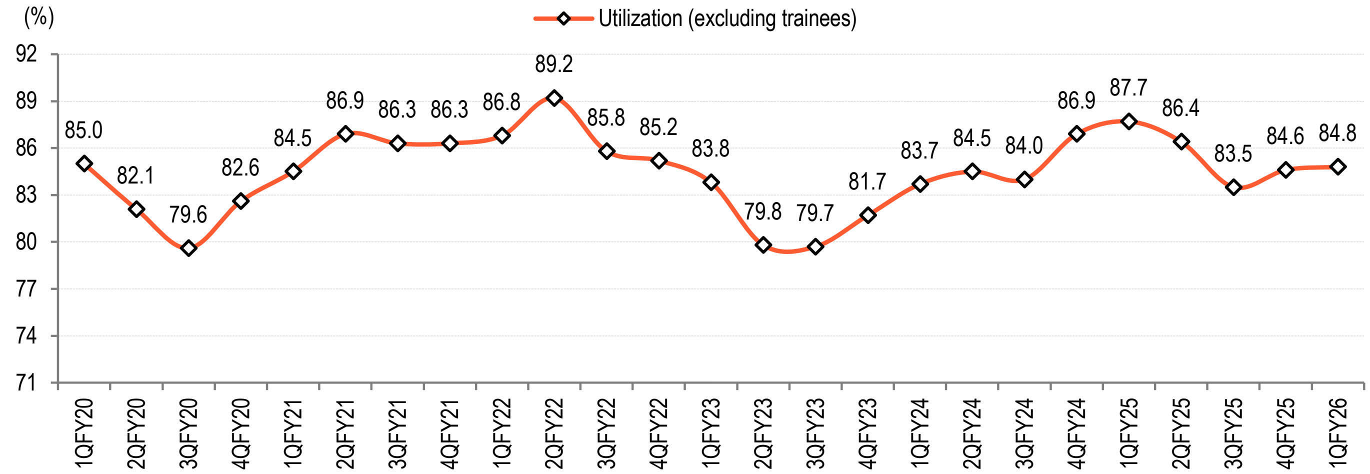
Source: Company, BOBCAPS Research

Fig 8 – Gross margin, SG&A as % of sales and EBIT margin (GM includes one off cost in 1QFY26)



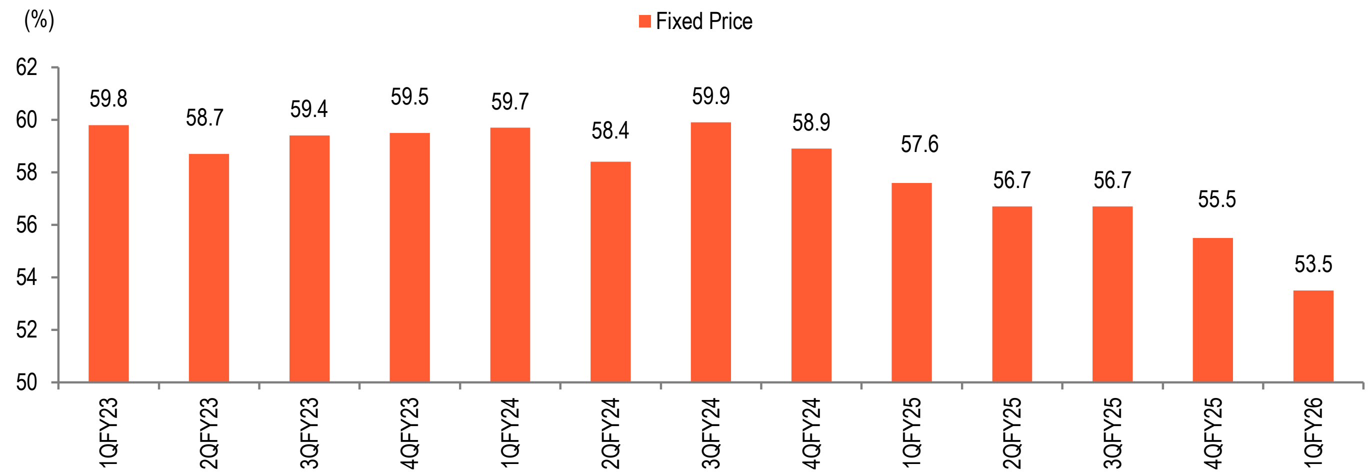
Source: Company, BOBCAPS Research.

Fig 9 – Staff utilization trend



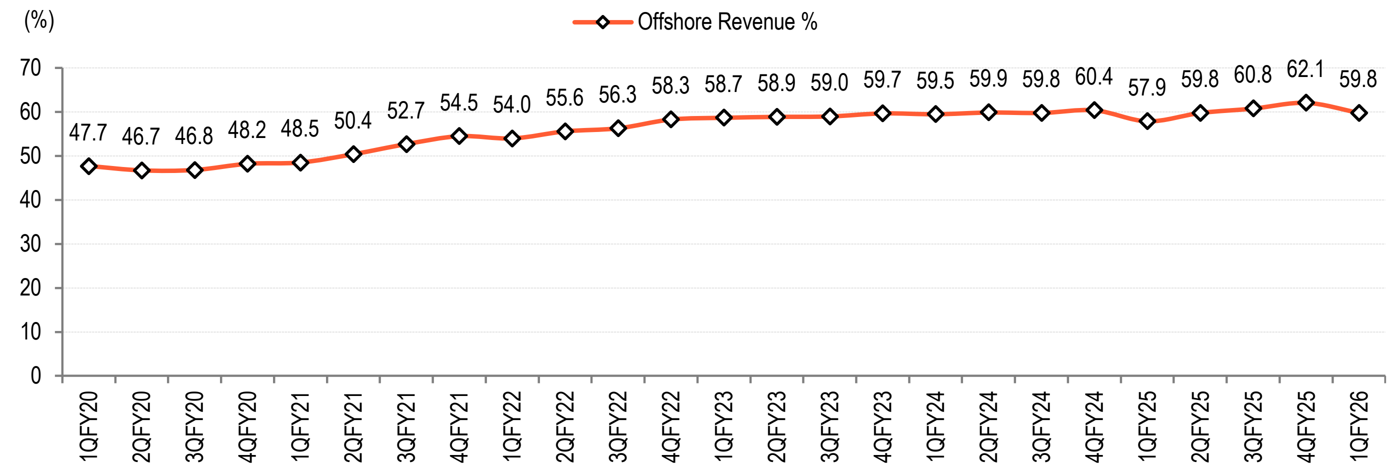
Source: Company, BOBCAPS Research

Fig 10 – Fixed price engagement in terms of revenue share



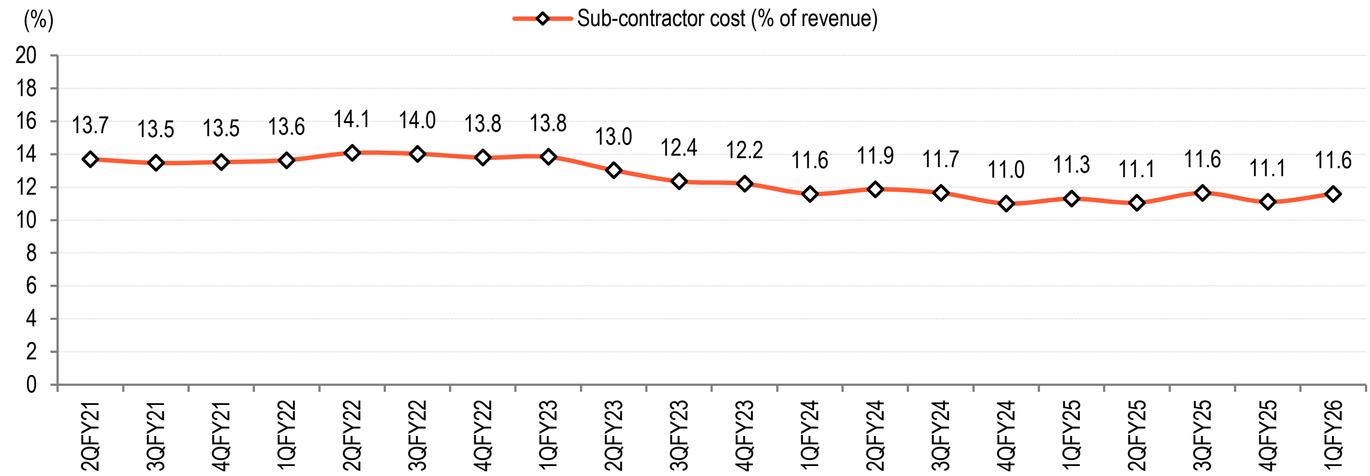
Source: Company, BOBCAPS Research

Fig 11 – Offshore revenue QoQ (%)



Source: Company, BOBCAPS Research

Fig 12 – Sub-contractor cost (% of revenue) trend



Source: Company, BOBCAPS Research

Fig 13 – Quarterly Snapshot

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Rs mn													
INR/USD	77.8	79.9	82.2	81.6	81.9	82.5	83.4	83.3	83.4	83.8	84.3	86.4	85.8
USD Revenue IT Services (USD mn)	2,756	2,817	2,821	2,840	2,779	2,713	2,656	2,657	2,626	2,660	2,629	2,634	2,587
INR Revenue- IT Services	212,848	223,629	230,557	230,772	227,616	223,690	221,246	220,924	219,169	222,353	222,441	224,229	220,618
INR Revenue- IT Products	1,946	1,249	1,721	1,131	694	1,469	805	1,159	469	663	747	813	728
Forex gain/(loss)	(1,034)	(1,057)	(1,391)	(990)	62	(268)	(262)	128	206	396	(410)	(224)	(182)
Total Revenue-(Services+Products)	215,286	225,397	232,290	231,903	228,310	225,159	222,051	222,083	219,638	223,016	223,188	225,042	221,346
Direct costs	155,600	163,835	163,273	162,738	161,261	159,191	153,826	157,219	153,306	155,049	153,922	155,525	157,247
Gross Margin	59,686	61,562	69,017	69,165	67,049	65,968	68,225	64,864	66,332	67,967	69,266	69,517	64,099
SGA	28,830	30,116	32,772	32,578	32,471	32,891	35,622	29,363	30,057	30,422	30,710	30,654	28,557
EBIT- IT Services	31,832	33,801	37,504	37,646	36,517	36,058	35,426	36,195	36,057	37,332	38,937	39,130	35,704
EBIT- IT Products	(55)	(103)	41	(59)	(161)	(467)	114	143	(161)	(183)	29	(43)	20
EBIT - Reconciling Items	(60)	(1,341)	(11)	(30)	(1,840)	(2,246)	(2,675)	(965)	(1,840)	10	(53)	(211)	(2,430)
Total EBIT	31,890	32,503	37,636	37,577	34,516	33,345	32,865	35,373	34,056	37,555	38,503	38,652	33,112
Other income (net)	1,630	1,698	2,116	2,607	3,459	1,747	2,656	3,249	4,147	5,629	5,567	8,343	6,859
PBT	33,520	34,201	39,752	40,184	37,975	35,092	35,521	38,622	38,203	43,184	44,070	46,995	39,971
Tax	7,931	7,710	9,102	9,249	9,115	8,419	8,515	10,040	9,850	10,512	10,866	11,549	9,218
Minority Interest	47	99	(121)	(190)	(159)	(210)	(64)	(236)	(334)	(178)	(129)	(185)	(61)
PAT	25,636	26,590	30,529	30,745	28,701	26,463	26,942	28,346	28,019	32,494	33,075	35,261	30,692
YoY Growth (%)													
USD Revenue IT Services	14.1	9.2	6.9	4.3	0.8	(3.7)	(5.9)	(6.4)	(5.5)	(2.0)	(1.0)	(0.9)	(1.5)
INR Revenue	17.9	14.6	14.4	11.2	6.0	(0.1)	(4.4)	(4.2)	(3.8)	(1.0)	0.5	1.3	0.8
Gross Profit	8.6	4.1	14.3	14.1	12.3	7.2	(1.1)	(6.2)	(1.1)	3.0	1.5	7.2	(3.4)
EBIT	(8.2)	(6.9)	5.9	7.0	8.2	2.6	(12.7)	(5.9)	(1.3)	12.6	17.2	9.3	(2.8)
Net Profit	(20.7)	(9.3)	2.8	(0.4)	12.0	(0.5)	(11.7)	(7.8)	(2.4)	22.8	22.8	24.4	9.5
QoQ Growth (%)													
USD Revenue - IT Services	1.26	2.23	0.1	0.6	(2.1)	(2.3)	(2.1)	0.0	(1.2)	1.3	(1.2)	0.2	(1.8)
INR Revenue	3.2	4.7	3.1	(0.2)	(1.5)	(1.4)	(1.4)	0.0	(1.1)	1.5	0.1	0.8	(1.6)
EBIT	(9.2)	1.9	15.8	(0.2)	(8.1)	(3.4)	(1.4)	7.6	(3.7)	10.3	2.5	0.4	(14.3)
Net Profit	(17.0)	3.7	14.8	0.7	(6.6)	(7.8)	1.8	5.2	(1.2)	16.0	1.8	6.6	(13.0)
Margins (%)													
Gross Margin	27.7	27.3	29.7	29.8	29.4	29.3	30.7	29.2	30.2	30.5	31.0	30.9	29.0
SGA	13.4	13.4	14.1	14.0	14.2	14.6	16.0	13.2	13.7	13.6	13.8	13.6	12.9
EBIT Margin- IT Services	15.0	15.1	16.3	16.3	16.0	16.1	16.0	16.4	16.5	16.8	17.5	17.5	16.2
EBIT Margin- IT Products	(2.8)	(8.2)	2.4	(5.2)	(23.2)	(31.8)	14.2	12.3	(34.3)	(27.6)	3.9	(5.3)	2.7
Total EBIT Margin	14.8	14.4	16.2	16.2	15.1	14.8	14.8	15.9	15.5	16.8	17.3	17.2	15.0
PAT	11.9	11.8	13.1	13.3	12.6	11.8	12.1	12.8	12.8	14.6	14.8	15.7	13.9

Source: Company, BOBCAPS Research

Fig 14 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Revenue (USD mn)	2,756	2,817	2,821	2,840	2,779	2,713	2,656	2,657	2,626	2,660	2,629	2,634	2,587
P and L (Rsmn)													
Revenue	215,286	225,397	232,290	231,903	228,310	225,159	222,051	222,083	219,638	223,016	223,188	225,042	221,346
EBITDA	36,145	40,999	50,358	54,503	38,563	41,370	44,889	51,557	40,116	45,050	50,576	54,655	39,468
PAT	25,636	26,590	30,529	30,745	28,701	26,463	26,942	28,346	30,032	32,088	33,538	35,696	33,304
Vertical Mix (%)													
BFSI	35.4	35.2	34.9	34.2	33.8	33.6	32.7	33.5	34.0	34.8	34.1	34.2	33.6
HLS	11.5	11.4	12.0	12.2	12.2	12.7	13.9	14.1	13.9	13.6	14.7	14.4	14.6
RCTG	18.5	18.8	18.9	18.8	18.7	18.7	18.8	18.7	19.2	19.2	19.0	18.9	18.6
ENU*	11.1	11.2	11.4	12.3	12.2	11.6	11.8	11.9	11.2	10.8	-	-	-
MFG AND TECH*	18.5	18.5	18.2	18.0	18.5	19.1	18.8	18.0	17.9	-	-	-	-
GMT*	5.0	4.9	4.6	4.5	4.6	4.3	4.0	3.8	3.8	-	-	-	-
Tech and Comm										15.4	15.3	15.2	15.5
Manufacturing*										6.2	-	-	-
Energy, Manufacturing and Resources*											16.9	17.3	17.7
Geographic Mix (%)													
Americas 1	29.1	29.2	29.4	28.8	28.8	29.8	31.0	30.4	30.9	30.8	32.3	32.8	33.1
Americas 2	31.3	31.3	30.8	30.7	30.0	29.9	30.0	30.7	30.8	30.6	30.6	30.6	30.4
Europe	28.3	28.1	28.8	29.3	29.5	28.6	27.7	27.8	27.6	27.9	26.7	26.1	25.7
APAC and Other Emerging Markets	11.3	11.4	11.0	11.2	11.7	11.7	11.3	11.1	10.7	10.7	10.4	10.5	10.8
Project Type													
T&M	40.2	41.3	40.6	40.5	40.3	41.6	40.1	41.1	42.4	43.3	43.3	44.5	46.5
Fixed Price	59.8	58.7	59.4	59.5	59.7	58.4	59.9	58.9	57.6	56.7	56.7	55.5	53.5
Clients Concentration (%)													
Top client	3.2	3.2	3.2	3.3	3.1	3.0	3.0	3.8	4.0	4.1	4.5	4.4	4.7
Top 5 clients	13.0	13.1	13.3	12.6	12.5	12.3	12.1	13.4	13.6	14.0	14.3	14.5	14.7
Top 10 clients	20.9	21.0	21.3	20.3	20.5	20.6	20.5	22.0	22.5	22.9	23.7	24.2	24.5
Number of Clients													
> USD 100 mn+	20	19	19	19	21	22	22	22	22	21	18	17	16
> USD 75 mn+	30	29	29	29	28	28	31	32	29	30	30	28	27
> USD 50 mn+	50	52	52	53	51	51	46	45	43	42	42	44	47
> USD 20 mn+	120	122	119	117	123	122	121	116	117	117	114	111	109
> USD 10 mn+	195	198	202	208	207	207	203	205	192	186	187	181	180
> USD 5 mn+	306	308	307	311	319	313	305	301	301	297	290	289	281
> USD 3 mn+	417	425	431	427	444	437	430	409	407	411	403	398	397
> USD 1 mn+	703	729	739	750	769	774	750	741	735	733	722	716	725
Employees	262,049	262,626	262,109	258,570	249,758	244,707	239,655	232,614	232,911	233,889	232,732	233,346	233,232
Net Addition	18,921	577	(517)	(3539)	(8812)	(5051)	(5052)	(7041)	297	978	(1157)	614	(114)
TTM Attrition (%)	23.3	23	21.2	19.2	17.3	15.5	14.2	14.2	14.1	14.5	15.3	15	15.1
P&L													
(USD mn)													
Revenue	2,756	2,817	2,821	2,840	2,779	2,713	2,656	2,657	2,626	2,660	2,629	2,634	2,587
EBIT	410	407	458	460	421	404	394	424	433	444	462	452	417
PAT	329	333	371	377	350	321	323	340	360	383	398	413	388
Per Capita (Annualised) - USD mn													
Revenue	42,068	42,911	43,057	43,926	44,499	44,352	44,332	45,696	45,097	45,493	45,187	45,152	44,368
EBIT	6,256	6,193	6,984	7,121	6,750	6,604	6,577	7,299	7,431	7,585	7,945	7,751	7,145
PAT	5,029	5,067	5,665	5,826	5,612	5,241	5,392	5,849	6,187	6,552	6,839	7,079	6,661
Total Direct+Opex cost per capita	35,812	36,718	36,073	36,805	37,749	37,748	37,755	38,398	37,666	37,908	37,241	37,400	37,223

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**897,603**	**890,884**	**905,031**	**968,164**	**1,020,007**
EBITDA	176,379	190,397	166,433	184,337	202,353
Depreciation	40,280	39,126	15,810	19,092	22,715
EBIT	136,099	151,271	150,623	165,245	179,638
Net interest inc./(exp.)	(12,552)	(14,770)	(15,825)	(16,289)	(16,289)
Other inc./(exp.)	23,663	38,456	41,900	42,798	44,132
Exceptional items	0	0	0	0	0
EBT	147,210	174,957	176,698	191,754	207,481
Income taxes	36,089	42,777	41,406	46,021	49,795
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	669	826	244	244	244
Reported net profit	**110,452**	**131,354**	**135,049**	**145,489**	**157,441**
Adjustments	0	0	0	0	0
Adjusted net profit	**110,452**	**131,354**	**135,049**	**145,489**	**157,441**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	88,566	88,252	90,452	96,250	100,943
Other current liabilities	154,671	189,976	241,147	245,390	248,824
Provisions	0	294	263	263	263
Debt funds	62,300	63,954	0	0	0
Other liabilities	93,882	111,036	110,393	110,393	110,393
Equity capital	10,450	20,944	20,965	20,965	20,965
Reserves & surplus	740,773	809,503	856,837	900,483	947,716
Shareholders' fund	751,223	830,447	877,802	921,448	968,681
Total liab. and equities	**1,150,642**	**1,283,959**	**1,320,056**	**1,373,744**	**1,429,103**
Cash and cash eq.	96,953	121,974	128,282	142,097	157,060
Accounts receivables	119,522	118,044	124,560	132,545	139,007
Inventories	907	694	571	571	571
Other current assets	140,136	147,815	163,064	170,044	175,693
Investments	333,844	439,259	434,943	434,943	434,943
Net fixed assets	52,640	55,235	81,768	106,676	134,961
CWIP	28,968	25,449	9,920	9,920	9,920
Intangible assets	348,750	352,464	354,355	354,355	354,355
Deferred tax assets, net	1,817	2,561	2,515	2,515	2,515
Other assets	27,105	20,464	20,079	20,079	20,079
Total assets	**1,150,642**	**1,283,959**	**1,320,057**	**1,373,745**	**1,429,104**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**170,637**	**190,916**	**149,810**	**176,191**	**192,705**
Capital expenditures	16,664	(4,063)	(25,391)	(44,000)	(51,000)
Change in investments	(2,848)	(105,133)	4,371	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**13,817**	**(109,196)**	**(21,020)**	**(44,000)**	**(51,000)**
Equities issued/Others	(148,000)	10,494	21	0	0
Debt raised/repaid	(8,627)	20,351	(35,051)	0	0
Interest expenses	(12,552)	(14,770)	(15,825)	(16,289)	(16,289)
Dividends paid	(5,218)	(6)	(146,894)	(101,842)	(110,209)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(174,397)**	**16,069**	**(197,749)**	**(118,131)**	**(126,498)**
Chg in cash & cash eq.	**5,073**	**25,021**	**6,041**	**13,319**	**14,467**
Closing cash & cash eq.	**96,953**	**121,974**	**128,015**	**141,601**	**156,564**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	10.4	12.6	12.9	13.9	15.0
Adjusted EPS	10.4	12.5	12.9	13.9	15.0
Dividend per share	0.5	0.0	14.0	9.7	10.5
Book value per share	71.9	79.4	83.8	88.0	92.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.0	3.0	3.0	2.7	2.5
EV/EBITDA	15.3	14.2	16.1	14.3	12.8
Adjusted P/E	25.1	20.8	20.2	18.8	17.4
P/BV	3.6	3.3	3.1	3.0	2.8

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.0	75.1	76.4	75.9	75.9
Interest burden (PBT/EBIT)	108.2	115.7	117.3	116.0	115.5
EBIT margin (EBIT/Revenue)	15.2	17.0	16.6	17.1	17.6
Asset turnover (Rev./Avg TA)	77.1	73.1	69.4	71.7	72.7
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.5	1.5	1.5
Adjusted ROAE	14.4	16.6	15.8	16.2	16.7

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(0.8)	(0.7)	1.6	7.0	5.4
EBITDA	(3.1)	7.9	(12.6)	10.8	9.8
Adjusted EPS	0.2	20.9	2.7	7.7	8.2
Profitability & Return ratios (%)					
EBITDA margin	19.7	21.4	18.4	19.0	19.8
EBIT margin	15.2	17.0	16.6	17.1	17.6
Adjusted profit margin	12.3	14.7	14.9	15.0	15.4
Adjusted ROAE	14.4	16.6	15.8	16.2	16.7
ROCE	10.3	10.9	10.4	11.0	11.5
Working capital days (days)					
Receivables	72	75	81	80	80
Inventory	NA	NA	NA	NA	NA
Payables	36	36	36	36	36
Ratios (x)					
Gross asset turnover	17.1	16.1	11.1	9.1	7.6
Current ratio	1.5	1.4	1.3	1.3	1.4
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	(0.1)	(0.1)	(0.2)	(0.2)

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

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

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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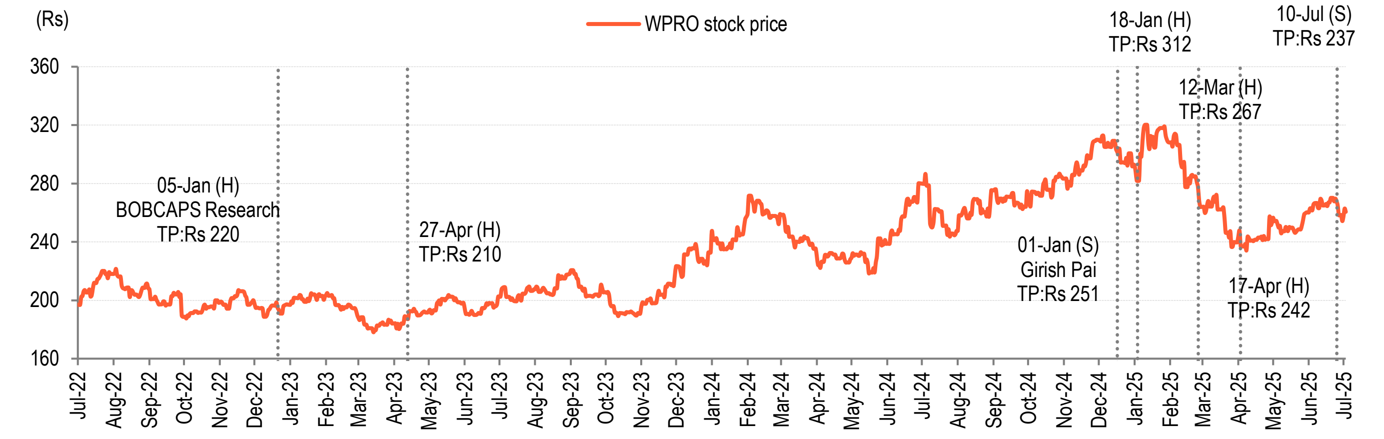
Ratings and Target Price (3-year history): WIPRO (WPRO IN)



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