RESULT REVIEW

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WIPRO | IT Services | 17 October 2025

New CEO continues to deliver

- **Continued business momentum reflected in total and large deal TCV and adjusted EBIT margin. Closer to industry matching growth in FY26**
- **Continued strong order inflow and the Harman DTS acquisition will likely push Wipro's growth to mid-single digits in FY27**
- **Broadly maintain estimates and Target PE multiple (15% discount to that of TCS). Retain HOLD. A dark horse**

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2QFY26 inline on revenue but better on margins: Revenue grew 0.3% QoQ in CC terms beating our estimate of no growth. This is after two successive quarters of declining growth. The margin surprise (17.2% adjusted for the one-off provision for a client bankruptcy, against our estimate of 16.2%) has likely come from better-than-expected forex gains and productivity initiatives (both of which have not been individually quantified).

Second successive quarter of strong large deal TCV: Wipro reported total TCV of US$4.7bn in 2QFY26, down 5.7% QoQ and up 31% YoY, while large-deal TCV was US$2.9bn was up 7% QoQ and 90% YoY. In 1QFY26 the total TCV and Large deal TCV were up 51% and 131% respectively YoY. We believe that the strong large deal TCVs sets up the company to deliver revenue growth closer to Industry. Conversion to revenue (a problem that Wipro has faced in the not-too-distant past) is something to be addressed for it to deliver on this on a consistent basis.

Not taken a view on wage hikes: Unlike many peers, Wipro has not taken a call on wage hikes in FY26, probably reflecting the pressure on margins from large deals and the comfortable supply side situation. H1-B is not indicated to be a problem.

Revenue acceleration in FY27 partly driven by the Harman DTS acquisition: We are estimating a pick in revenue growth to mid-single digit number for Wipro, of which ~225bps will likely be delivered by the Harman DTS acquisition.

Reduced Target PE multiple discount to TCS post 1QFY26, further growth related progress required for discount compression: While we are factoring in a 350-400bps of organic growth in FY27, our confidence is not very high. Reflecting in the 15% discount to TCS's target PE multiple. If growth picks up in 2HFY26 we may reduce the discount further.

Srini Pallia, who was made the CEO in April 2024, has started to deliver: We believe Srini has largely delivered on the revenue growth aspect while keeping margins stable. This is happening in a vastly challenging demand environment.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	WPRO IN/Rs 254
Market cap	US$ 30.3bn
Free float	27%
3M ADV	US$ 24.6mn
52wk high/low	Rs 325/Rs 228
Promoter/FPI/DII	73%/8%/8%

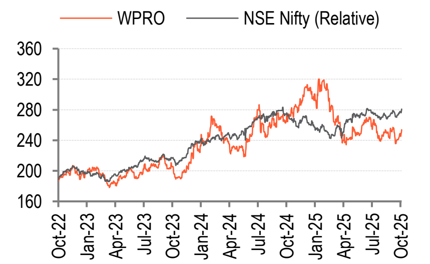
Source: NSE | Price as of 16 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	890,884	916,720	998,549
EBITDA (Rs mn)	190,397	176,374	199,069
Adj. net profit (Rs mn)	131,354	138,237	155,844
Adj. EPS (Rs)	12.5	13.2	14.8
Consensus EPS (Rs)	12.5	12.7	13.4
Adj. ROAE (%)	16.6	16.1	17.2
Adj. P/E (x)	20.3	19.3	17.1
EV/EBITDA (x)	14.2	15.9	14.7
Adj. EPS growth (%)	20.9	5.1	12.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- IT services revenue stood at US$2,604mn, up 0.3% QoQ in CC terms, in line with our estimates
- EBIT margin stood at 16.7% (against our estimate of 16.2%), contracting 53 bps QoQ and ~10 bps YoY
    - Impacted by one-off charge: Provision of Rs1,165mn (~50bps) made with respect to bankruptcy of a customer. Adjusted EBIT margin excluding the one-off charge was 17.2%, reflecting a 40 bps YoY expansion
    - 2Q margin benefited from rupee depreciation and dollar weakness. Operational positives in 2Q included improved utilization, lower attrition and better profitability in fixed price programs
- Outlook on margins
    - Headwinds expected as large deal ramp-ups continue; these began impacting margins in 2Q and will persist going forward
    - 3Q expected to be seasonally weaker due to furloughs and fewer working days, creating additional margin headwinds
    - Utilization, fixed price program profitability and SG&A are being optimized and will remain key margin levers going forward
    - Target is to maintain margins within a narrow band of 17% to 17.5%,
- Geography wise growth (CC terms):
    - Americas 1 grew 0.5% QoQ and 5% YoY, driven by strong performance in healthcare, technology and communication sectors
    - Americas 2 declined 2% QoQ and 5% YoY. Future growth is expected as earlier deal wins begin to ramp up
    - Europe grew 1.4% QoQ and declined 10.2% YoY. Returned to sequential growth led by BFSI; Phoenix deal expected to start generating revenue from 3Q
    - APMEA grew 3.1% QoQ and 2.6% YoY, driven by strong performance in India, Australia and Southeast Asia
- Vertical wise growth (CC terms):
    - BFSI grew 2.2% QoQ and declined 4% YoY. Continues to see momentum as clients prioritize cost optimization, vendor consolidation, legacy modernization and scale deployment of Agentic AI
    - Consumer declined 1.7% QoQ and 7.4% YoY
    - Energy, Manufacturing and Resources declined 1.5% QoQ and 0.5% YoY. Tariff uncertainties continued to impact consumer, energy and manufacturing sectors, leading to reevaluation of supply chains

- Technology and Communication grew 0.8% QoQ and declined 1.7% YoY. Focused on accelerating AI adoption and developing industry-specific solutions, with continued emphasis on cost optimization
- Healthcare declined 0.2% QoQ and grew 3.9% YoY. Healthcare sector, particularly in the US, is undergoing structural changes; sector remains likely one of the strong performers

- Capco grew 3.2% YoY in CC terms, with momentum from newer markets such as Latam and APMEA
- Total Bookings stood at US$4.7bn (down 5.7% QoQ), including 13 large deals. Deal momentum driven by vendor consolidations, AI-powered transformations and consulting-led programs. Large deal TCV was US$2.8bn (up 7%)
- 2Q order bookings included two mega deals, one with a healthcare client and another with BFSI (largely renewal)

Guidance:

- Revenue guidance for IT Services business is US$2.59bn to US$2.64bn for 3Q. Implies sequential growth of -0.5% to +1.5% in constant currency
- Harman Digital Transformation Solutions acquisition announced in 2Q is expected to close during the course of the quarter and is not included in the guidance. In our estimates we have incorporated that in 4QFY26
- Focus remains on converting backlog into revenue while maintaining operational discipline for profitable growth
- Net new bookings in 1H have been strong compared to past trends. In 2Q, deal composition included 2 net new deals, 6 renewals, and the remainder as renewal plus expansion
- No delays observed in ramp-up of deals signed in the last six months; ramp-ups proceeding as planned
- Client-specific challenges in Europe BFSI have been addressed and are now behind
- Europe expected to show improving growth trajectory, contingent on sustaining recent deal win momentum
- Sustaining growth in Europe will require success in competitive vendor consolidation opportunities

BFSI deals commentary

- Several large deal wins in BFSI, including one in 4Q, are expected to ramp up in 3Q and are already factored into the guidance
- Few large deals in BFSI won in 1Q include a reasonable element of new business, expected to ramp up over the next 6-8 quarters

- Large BFSI deal won in 2Q is primarily a renewal, with components of renewal plus expansion
- Net new portion of the 2Q deal is expected to start ramping up in 3Q, while expansion elements will take a few quarters to scale
- Sequential BFSI growth observed in 2Q is seen as the starting point; confidence in sustaining momentum into 3Q and beyond. Future BFSI growth expected to be supported by ramp-up of large deals over time
- 2Q BFSI growth was driven largely by Europe and APMEA regions

Margin Related Commentary

- Large deal wins, particularly those from vendor consolidation-led pipelines, may be margin dilutive in the early stages. Margins expected to improve over time as committed client productivity gains begin to materialize
- Several internal initiatives are being driven to offset the margin impact of these investments
- Harman Digital acquisition is not included in current financials and will entail an additional 60 bps margin dilution upon closure

Other Points:

- Clients across industries and geographies are increasingly focused on cost optimization, contributing to vendor consolidation trends
- Clients are seeking not just cost savings, but also speed and efficiency improvements, particularly through AI adoption
- AI is being leveraged across both run-and-operate functions (application support, infrastructure, business process services) and build-and-transform functions (software/product development, package implementation)
    - Wipro Intelligence Vega platform is being used to drive productivity gains in build-and-transform services. Wings platform is used in run-and-operate services to deliver efficiency and productivity improvements
- Savings generated through AI-led efficiencies are being reinvested by clients into business innovation initiatives involving AI
- For renewals, some productivity gains are passed on as cost savings, but clients often reinvest in new projects like AI adoption, leading to scope expansion and increased bookings. While there's no real compression, standard productivity impacts are typical. There can be timing differences between deflation effects and new scope additions, which might cause short-term impacts in the second half, but the long-term outlook remains positive
- Wipro addresses potential AI-related liabilities, including hallucinations and cybersecurity risks, by embedding responsible AI guardrails within its Wipro Intelligence platform, particularly in VEGA and Wings. These safeguards ensure responsible AI implementation and differentiate their solutions. Additionally, Wipro

manages risks through contractual commitments and strong risk management controls

- Over 80% of the US workforce is localized, with about 250 H-1B workers currently employed. Dependence on H-1Bs has steadily decreased over the past five years. Expansion of US-based centers will continue based on demand
- BFSI pipeline is very strong, and positive momentum is expected to continue. The Phoenix deal will start ramping up this quarter, supporting growth. Overall, the outlook for BFSI remains positive for the coming quarters
- Healthcare remains a strong sector despite some headwinds due to structural changes. One of the recent mega deals is in this sector. Companies are adapting to policy changes, driving cost reductions and modernization. Overall, the focus is on staying strategic technology partners to Tier 1 healthcare players
- EMR (energy, manufacturing and resources vertical) has declined both sequentially and year-on-year, impacted by tariffs, especially in manufacturing and auto. Previous-generation outsourcing deals are expected to return but will be competitive. Good traction is seen in energy consulting
- Utilities remain muted, especially in the UK, but a turnaround is hoped for
- Headcount increased this quarter with freshers onboarded and higher utilization. Given strong demand and bookings in H1, hiring will continue, both lateral and campus, based on revenue conversion and deal ramp-up
- Some SAP projects were delayed due to tariffs; one key client hasn't restarted yet. But overall, SAP HANA traction is strong across industries
- The deal pipeline remains strong and well-balanced between large and small deals across sectors and geographies
- Regarding furloughs, FY26 looks similar to FY25.

Harman DTS acquisition

- On 21 August 2025 Wipro announced that it has entered into an agreement to acquire the Digital Transformation Solutions (DTS) business unit of HARMAN, a Samsung company
- Wipro is likely to pay US$375mn in cash (including earn outs) for a business that delivered ~315mn in revenue in CY24. A revenue multiple of 1.2x CY2024.
- Transaction expected to close by December 31, 2025, pending US antitrust and regulatory approvals.
- As part of the acquisition, Wipro will enter into a multi-year strategic agreement with HARMAN and Samsung, further deepening the relationship and creating new avenues for joint growth and transformation.
- Acquisition boosts Wipro's AI-powered digital & device engineering capabilities, spanning consumer, industrial, healthcare and aerospace sectors.

- Harman DTS has 5,600+ employees across 14 countries, including India, US, South Korea, UK, Poland, and Germany.
- It reported revenues of $315M (2022), $308.2M (2023), and $314.5M (2024), with 85% revenue from services.
- If the transaction closes on time, it will add 3% to the annualized revenue of Wipro IT services in 4QFY26.
- Considering the low sales multiple it has been sold at we guess the margins are probably lower than those of Wipro's.
- While Wipro was considered a powerhouse in ER&DS space about 25 years back, a focus on business IT services since then and multiple acquisitions has likely reduced the exposure to this area.
- In FY05, Wipro had an exposure of 37% to Technology business, which dropped to 18.5% in FY15 (If we add up Advanced Technologies & Solutions and Product Engineering). We do not have a clear idea of the exposure to this area in FY25 as this is no longer shared by the company. But we suspect that is likely in the mid to high single digits.
- There has been an increased focus on ER&DS area amongst diversified IT services players with acquisitions made by players like Cognizant, HCLT and Infosys
- Cognizant made its second-biggest acquisition after it bought US engineering R&D (ER&D) services firm Belcan for US$1.3 billion in June 2024.
- In April 2024 Infosys acquired in-tech, a German company specializing in engineering, research, and development (ER&D), for US$480 million. This acquisition followed a January 2024 purchase of InSemi, a provider of semiconductor design and embedded services, for Rs 280 crore ($33 million).
- HCL Tech acquired acquiring German automotive engineering firm ASAP for US$280 million in 2023.
- Among the Indian players HCL Tech has among the largest exposures to the ERDS space with about 17% of its US$14bn annualized revenue.
- For HCLT Tech this has been a slightly higher margin business than business IT services.

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 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 and legal immigration (the latter through the major new hurdles put in for H1-B visas), etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: 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,Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-

FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

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 19x, which is the average PE multiple of TCS over the last 10 years less 1SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

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.

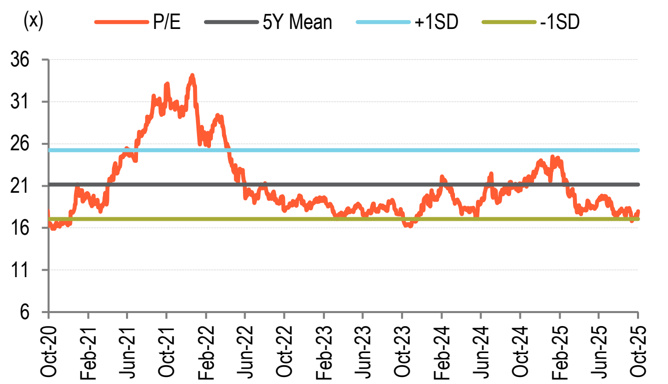
However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rs mn)	2QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	2QFY26E	Dev (%)
IT Services Revenue (USD mn)	**2,660**	**2,587**	**2,604**	**(2.1)**	**0.7**	**2,604**	**0.0**
Net Sales	**223,016**	**221,346**	**226,973**	**1.8**	**2.5**	**226,818**	**0.1**
Employee Costs	155,049	157,247	159,832	3.1	1.6	161,304	(0.9)
% of Sales	69.5	71.0	70.4			71.1	
Gross Margin	67,967	64,099	67,141	-1.3	0.9	65,514	2.5
% of Sales	30.5%	29.0%	29.6%			28.9%	
Other Expenditure	30,422	28,557	29,870	(1.8)	4.6	28,685	4.1
% of Sales	13.6	12.9	13.2			12.6	
Forex Gain / (Loss)	-396	182	558			0	
Other Operating Income	0	0	0			0	
EBIT	**37,149**	**35,724**	**37,829**	**1.8**	**5.9**	**36,829**	**2.7**
EBIT Margin (%)	**16.7**	**16.1**	**16.7**			**16.2**	
Other Income	5,629	6,859	4,995	(11.3)	(27.2)	6,334	(21.1)
PBT	42,778	42,583	42,824	0.1	0.6	43,163	(0.8)
Provision for Tax	10,512	9,218	10,200	(3.0)	10.7	10,359	(1.5)
Effective Tax Rate (%)	24.6	21.6	23.8			24.0	
Minority share in Profit / Loss	(178)	(61)	(162)			(61)	
PAT (Reported)	**32,088**	**33,304**	**32,462**	**1.2**	**(2.5)**	**32,743**	**(0.9)**
NPM (%)	**14.4**	**15.0**	**14.3**			**14.4**	

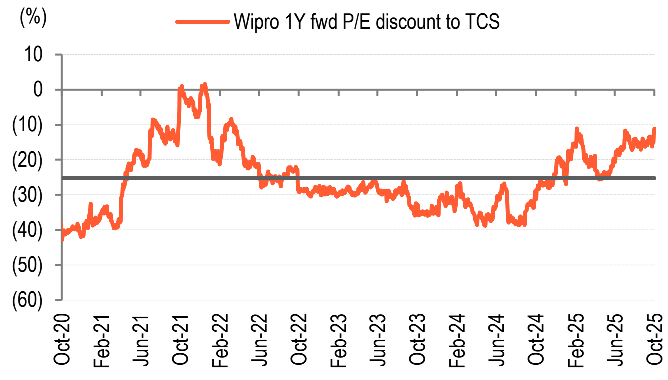
Source: BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			Deviation (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY27E
INR/USD	87.5	89.3	91.1	87.0	89.3	91.1	0.5	-	-
IT Services USD Revenue (USD mn)	10,518	11,165	11,560	10,521	11,144	11,510	(0.0)	0.2	0.4
USD Revenue Growth (%)	(0.3)	6.2	3.5	(0.3)	5.9	3.3			
Revenue (Rs bn)	917	999	1,055	917	997	1,050	(0.0)	0.2	0.4
EBIT (Rs bn)	154	171	180	150	171	181	2.8	(0.0)	(0.8)
EBIT Margin (%)	16.8	17.1	17.0	16.4	17.1	17.3			
PAT (Rs bn)	138	156	165	136	153	163	1.3	1.6	1.2
FDEPS (Rs)	13.2	14.8	15.7	13.0	14.6	15.5	1.3	1.6	1.1

Source: BOBCAPS Research

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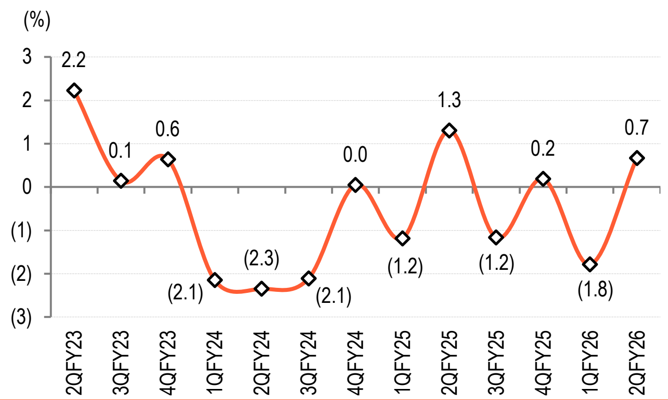
Fig 5 – P&L at a glance

(YE March)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	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	87.5	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**	**10,518**	**11,165**	**11,560**
-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)**	**(0.3)**	**6.2**	**3.5**
Net Sales - Overall	434	438	473	514	550	545	586	610	619	791	905	898	891	917	999	1055
-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)	2.9	8.9	5.6
Cost of Sales & Services	302	296	321	357	392	386	413	436	423	556	645	631	618	647	704	741
% 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	70.6	70.5	70.3
Gross profit	131	142	152	158	159	159	173	174	196	235	259	266	273	269	294	314
% 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	29.4	29.5	29.7
SG& A	61	53	56	63	73	76	80	73	76	101	124	130	122	116	124	134
% 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	12.7	12.4	12.7
EBIT	**75**	**89**	**95**	**97**	**94**	**84**	**100**	**106**	**123**	**140**	**140**	**136**	**151**	**154**	**171**	**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**	**16.8**	**17.1**	**17.0**
Interest expenses	3	3	4	6	5	6	7	7	5	5	10	13	15	14	15	15
Other income (net)	13	15	20	23	22	24	23	24	21	16	18	24	38	41	50	52
PBT	93	101	112	115	110	102	115	123	139	151	148	147	175	181	206	217
-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	19.8	20.6	20.6
Provision for tax	18	23	25	25	25	22	25	25	30	29	34	36	43	42	49	52
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	0.5	0.5	0.5
Net profit	**74**	**78**	**87**	**89**	**85**	**80**	**90**	**97**	**108**	**122**	**114**	**110**	**131**	**138**	**156**	**165**
-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**	**5.2**	**12.7**	**5.6**
-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**	**15.1**	**15.6**	**15.6**

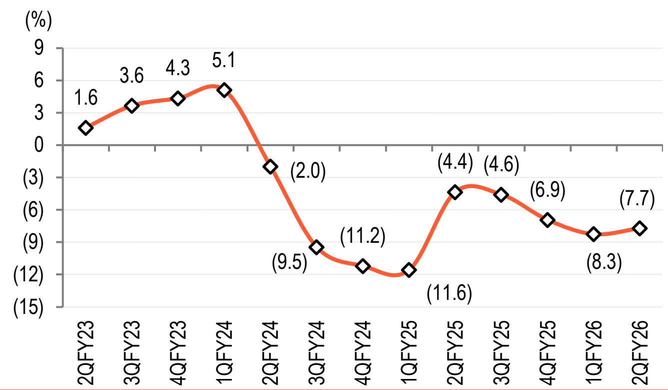
Source: Company, BOBCAPS Research

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



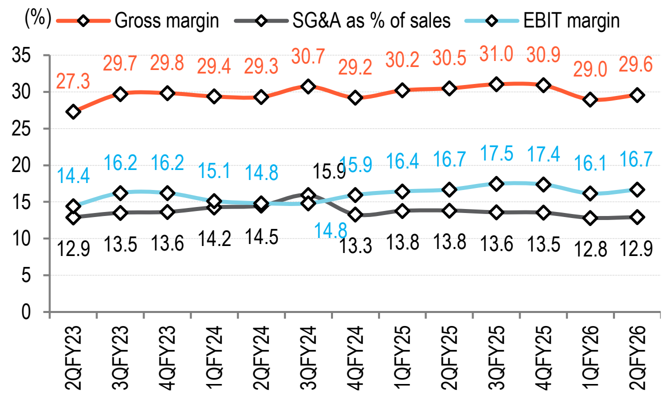
Source: Company, BOBCAPS Research

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



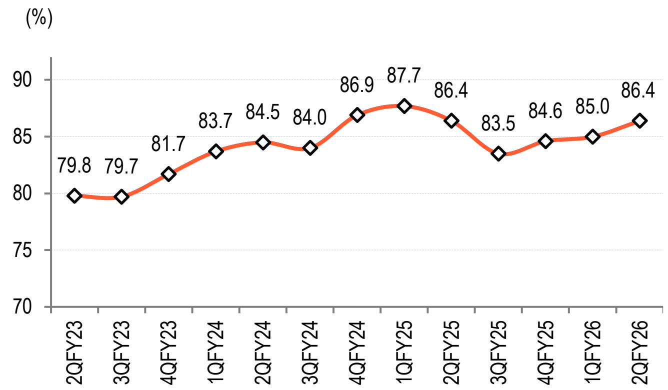
Source: Company, BOBCAPS Research

Fig 8 – Gross margin, SG&A as % of sales and EBIT margin



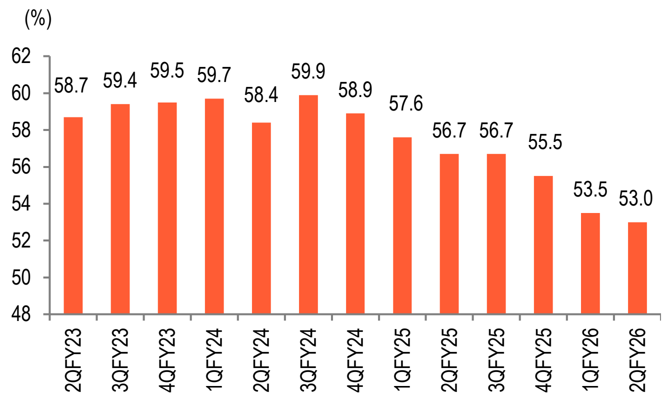
Source: Company, BOBCAPS Research

Fig 9 – Staff utilization (incl trainees) trend



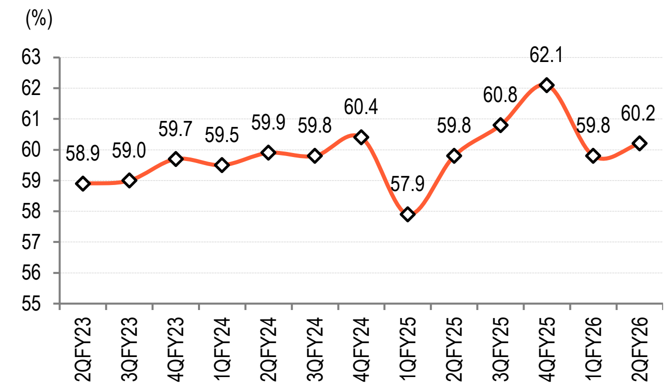
Source: Company, BOBCAPS Research

Fig 10 – Fixed price engagement in terms of revenue share



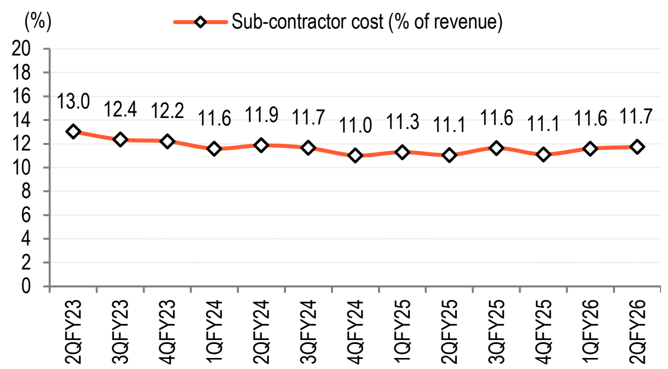
Source: Company, BOBCAPS Research

Fig 11 – Offshore revenue (%)



Source: Company, BOBCAPS Research

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



Source: Company, BOBCAPS Research

Fig 13 – Quarterly Snapshot

Year to 31 March	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Rs mn													
INR/USD	79.9	82.2	81.6	81.9	82.5	83.4	83.3	83.4	83.8	84.3	86.4	85.8	88.8
USD Revenue IT Services (USD mn)	2,817	2,821	2,840	2,779	2,713	2,656	2,657	2,626	2,660	2,629	2,634	2,587	2,604
INR Revenue- IT Services	223,629	230,557	230,772	227,616	223,690	221,246	220,924	219,169	222,353	222,441	224,229	220,618	225,847
INR Revenue- IT Products	1,249	1,721	1,131	694	1,469	805	1159	469	663	747	813	728	1,126
Forex gain/(loss)	(1,057)	(1,391)	(990)	62	(268)	(262)	128	206	396	(410)	(224)	(182)	(558)
Total Revenue-(Services+Products)	225,397	232,290	231,903	228,310	225,159	222,051	222,083	219,638	223,016	223,188	225,042	221,346	226,973
Direct costs	163,835	163,273	162,738	161,261	159,191	153,826	157,219	153,306	155,049	153,922	155,525	157,247	159,832
Gross Margin	61,562	69,017	69,165	67,049	65,968	68,225	64,864	66,332	67,967	69,266	69,517	64,099	67,141
SGA	30,116	32,772	32,578	32,471	32,891	35,622	29,363	30,057	30,422	30,710	30,654	28,557	29,870
EBIT- IT Services	33,801	37,504	37,646	36,517	36,058	35,426	36,195	36,057	37,332	38,937	39,130	35,704	37,728
EBIT- IT Products	(103)	41	(59)	(161)	(467)	114	143	(161)	(183)	29	(43)	20	101
EBIT - Reconciling Items	(1,341)	(11)	(30)	(1,840)	(2,246)	(2,675)	(965)	(1,840)	10	(53)	(211)	(2,430)	
Total EBIT	32,503	37,636	37,577	34516	33,345	32,865	35,373	34,056	37,555	38,503	38,652	33,112	37,271
Other income (net)	1,698	2,116	2,607	3,459	1,747	2,656	3,249	4,147	5,629	5,567	8,343	6,859	4,995
PBT	34,201	39,752	40,184	37,975	35,092	35,521	38,622	38,203	43,184	44,070	46,995	39,971	42,266
Tax	7,710	9,102	9,249	9,115	8,419	8,515	10,040	9,850	10,512	10,866	11,549	9,218	10,200
Minority Interest	99	(121)	(190)	(159)	(210)	(64)	(236)	(334)	(178)	(129)	(185)	(61)	(162)
PAT	26,590	30,529	30,745	28,701	26,463	26,942	28,346	28,019	32,494	33,075	35,261	30,692	31,904
YoY Growth (%)													
USD Revenue IT Services	9.2	6.9	4.3	0.8	(3.7)	(5.9)	(6.4)	(5.5)	(2.0)	(1.0)	(0.9)	(1.5)	(2.1)
INR Revenue	14.6	14.4	11.2	6.0	(0.1)	(4.4)	(4.2)	(3.8)	(1.0)	0.5	1.3	0.8	1.8
Gross Profit	4.1	14.3	14.1	12.3	7.2	(1.1)	(6.2)	(1.1)	3.0	1.5	7.2	(3.4)	(1.2)
EBIT	(6.9)	5.9	7.0	8.2	2.6	(12.7)	(5.9)	(1.3)	12.6	17.2	9.3	(2.8)	(0.8)
Net Profit	(9.3)	2.8	(0.4)	12.0	(0.5)	(11.7)	(7.8)	(2.4)	22.8	22.8	24.4	9.5	(1.8)
QoQ Growth (%)													
USD Revenue - IT Services	2.23	0.1	0.6	(2.1)	(2.3)	(2.1)	0.0	(1.2)	1.3	(1.2)	0.2	(1.8)	0.7
INR Revenue	4.7	3.1	(0.2)	(1.5)	(1.4)	(1.4)	0.0	(1.1)	1.5	0.1	0.8	(1.6)	2.5
EBIT	1.9	15.8	(0.2)	(8.1)	(3.4)	(1.4)	7.6	(3.7)	10.3	2.5	0.4	(14.3)	12.6
Net Profit	3.7	14.8	0.7	(6.6)	(7.8)	1.8	5.2	(1.2)	16.0	1.8	6.6	(13.0)	3.9
Margins (%)													
Gross Margin	27.3	29.7	29.8	29.4	29.3	30.7	29.2	30.2	30.5	31.0	30.9	29.0	29.6
SGA	13.4	14.1	14.0	14.2	14.6	16.0	13.2	13.7	13.6	13.8	13.6	12.9	13.2
EBIT Margin- IT Services	15.1	16.3	16.3	16.0	16.1	16.0	16.4	16.5	16.8	17.5	17.5	16.2	16.7
EBIT Margin- IT Products	(8.2)	2.4	(5.2)	(23.2)	(31.8)	14.2	12.3	(34.3)	(27.6)	3.9	(5.3)	2.7	9.0
Total EBIT Margin	14.4	16.2	16.2	15.1	14.8	14.8	15.9	15.5	16.8	17.3	17.2	15.0	16.4
PAT	11.8	13.1	13.3	12.6	11.8	12.1	12.8	12.8	14.6	14.8	15.7	13.9	14.1

Source: Company, BOBCAPS Research

Fig 14 – Key Metrics

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Revenue (USD mn)	2,817	2,821	2,840	2,779	2,713	2,656	2,657	2,626	2,660	2,629	2,634	2,587	2,604
P and L (Rsmn)													
Revenue	225,397	232,290	231,903	228,310	225,159	222,051	222,083	219,638	223,016	223,188	225,042	221,346	226,973
EBITDA	40,999	50,358	54,503	38,563	41,370	44,889	51,557	40,116	45,050	50,576	54,655	39,468	45,150
PAT	26,590	30,529	30,745	28,701	26,463	26,942	28,346	30,032	32,088	33,538	35,696	33,304	32,462
Vertical Mix (%)													
BFSI	35.2	34.9	34.2	33.8	33.6	32.7	33.5	34.0	34.8	34.1	34.2	33.6	34.3
HLS	11.4	12.0	12.2	12.2	12.7	13.9	14.1	13.9	13.6	14.7	14.4	14.6	14.5
RCTG	18.8	18.9	18.8	18.7	18.7	18.8	18.7	19.2	19.2	19.0	18.9	18.6	18.2
ENU*	11.2	11.4	12.3	12.2	11.6	11.8	11.9	11.2	10.8	-	-	-	-
MFG AND TECH*	18.5	18.2	18.0	18.5	19.1	18.8	18.0	17.9	-	-	-	-	-
GMT*	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	15.6
Manufacturing*									6.2	-	-	-	-
Energy, Manufacturing and Resources*										16.9	17.3	17.7	17.4
Geographic Mix (%)													
Americas 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	33.0
Americas 2	31.3	30.8	30.7	30.0	29.9	30.0	30.7	30.8	30.6	30.6	30.6	30.4	29.6
Europe	28.1	28.8	29.3	29.5	28.6	27.7	27.8	27.6	27.9	26.7	26.1	25.7	26.3
APAC and Other Emerging Markets	11.4	11.0	11.2	11.7	11.7	11.3	11.1	10.7	10.7	10.4	10.5	10.8	11.1
Project Type													
T&M	41.3	40.6	40.5	40.3	41.6	40.1	41.1	42.4	43.3	43.3	44.5	46.5	47.0
Fixed Price	58.7	59.4	59.5	59.7	58.4	59.9	58.9	57.6	56.7	56.7	55.5	53.5	53.0
Clients Concentration (%)													
Top client	3.2	3.2	3.3	3.1	3.0	3.0	3.8	4.0	4.1	4.5	4.4	4.7	4.8
Top 5 clients	13.1	13.3	12.6	12.5	12.3	12.1	13.4	13.6	14.0	14.3	14.5	14.7	14.4
Top 10 clients	21.0	21.3	20.3	20.5	20.6	20.5	22.0	22.5	22.9	23.7	24.2	24.5	24.0
Number of Clients													
> USD 100 mn+	19	19	19	21	22	22	22	22	21	18	17	16	16
> USD 75 mn+	29	29	29	28	28	31	32	29	30	30	28	27	29
> USD 50 mn+	52	52	53	51	51	46	45	43	42	42	44	47	45
> USD 20 mn+	122	119	117	123	122	121	116	117	117	114	111	109	104
> USD 10 mn+	198	202	208	207	207	203	205	192	186	187	181	180	177
> USD 5 mn+	308	307	311	319	313	305	301	301	297	290	289	281	272
> USD 3 mn+	425	431	427	444	437	430	409	407	411	403	398	397	393
> USD 1 mn+	729	739	750	769	774	750	741	735	733	722	716	725	730
Employees	262,626	262,109	258,570	249,758	244,707	239,655	232,614	232,911	233,889	232,732	233,346	233,232	235,492
Net Addition	577	(517)	(3539)	(8812)	(5051)	(5052)	(7041)	297	978	(1157)	614	(114)	2260
TTM Attrition (%)	23	21.2	19.2	17.3	15.5	14.2	14.2	14.1	14.5	15.3	15	15.1	14.9
P&L													
(USD mn)													
Revenue	2,817	2,821	2,840	2,779	2,713	2,656	2,657	2,626	2,660	2,629	2,634	2,587	2,604
EBIT	407	458	460	421	404	394	424	433	444	462	452	417	426
PAT	333	371	377	350	321	323	340	360	383	398	413	388	366
Per Capita (Annualised) - USD mn													
Revenue	42,911	43,057	43,926	44,499	44,352	44,332	45,696	45,097	45,493	45,187	45,152	44,368	44,236
EBIT	6,193	6,984	7,121	6,750	6,604	6,577	7,299	7,431	7,585	7,945	7,751	7,145	7,238
PAT	5,067	5,665	5,826	5,612	5,241	5,392	5,849	6,187	6,552	6,839	7,079	6,661	6,211
Total Direct+Opex cost per capita	36,718	36,073	36,805	37,749	37,748	37,755	38,398	37,666	37,908	37,241	37,400	37,223	36,998

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**897,603**	**890,884**	**916,720**	**998,549**	**1,054,570**
EBITDA	176,379	190,397	176,374	199,069	217,196
Depreciation	40,280	39,126	22,185	28,491	37,490
EBIT	136,099	151,271	154,189	170,578	179,705
Net interest inc./(exp.)	(12,552)	(14,770)	(14,493)	(14,547)	(14,547)
Other inc./(exp.)	23,663	38,456	41,424	49,738	52,063
Exceptional items	0	0	0	0	0
EBT	147,210	174,957	181,119	205,769	217,222
Income taxes	36,089	42,777	42,389	49,384	52,133
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	669	826	493	540	540
Reported net profit	**110,452**	**131,354**	**138,237**	**155,844**	**164,549**
Adjustments	0	0	0	0	0
Adjusted net profit	**110,452**	**131,354**	**138,237**	**155,844**	**164,549**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	88,566	88,252	93,851	100,858	105,983
Other current liabilities	154,671	189,976	245,631	250,338	253,781
Provisions	0	294	228	228	228
Debt funds	62,300	63,954	0	0	0
Other liabilities	93,882	111,036	111,175	111,175	111,175
Equity capital	10,450	20,944	20,968	20,968	20,968
Reserves & surplus	740,773	809,503	863,393	910,147	959,511
Shareholders’ fund	751,223	830,447	884,361	931,115	980,479
Total liab. and equities	**1,150,642**	**1,283,959**	**1,335,247**	**1,393,714**	**1,451,645**
Cash and cash eq.	96,953	121,974	248,814	275,441	307,919
Accounts receivables	119,522	118,044	124,221	133,495	140,278
Inventories	907	694	740	740	740
Other current assets	140,136	147,815	150,801	157,858	163,019
Investments	333,844	439,259	424,999	424,999	424,999
Net fixed assets	52,640	55,235	(13,498)	1,472	14,982
CWIP	28,968	25,449	11,537	12,076	12,076
Intangible assets	348,750	352,464	364,525	364,525	364,525
Deferred tax assets, net	1,817	2,561	3,692	3,692	3,692
Other assets	27,105	20,464	19,416	19,416	19,416
Total assets	**1,150,642**	**1,283,959**	**1,335,247**	**1,393,714**	**1,451,645**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**170,637**	**190,916**	**172,933**	**194,804**	**213,749**
Capital expenditures	16,664	(4,063)	68,473	(44,000)	(51,000)
Change in investments	(2,848)	(105,133)	14,519	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**13,817**	**(109,196)**	**82,992**	**(44,000)**	**(51,000)**
Equities issued/Others	(148,000)	10,494	24	0	0
Debt raised/repaid	(8,627)	20,351	(33,310)	0	0
Interest expenses	(12,552)	(14,770)	(14,493)	(14,547)	(14,547)
Dividends paid	(5,218)	(6)	(103,090)	(109,091)	(115,184)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(174,397)**	**16,069**	**(150,870)**	**(123,637)**	**(129,731)**
Chg in cash & cash eq.	**5,073**	**25,021**	**127,055**	**26,427**	**32,278**
Closing cash & cash eq.	**96,953**	**121,974**	**249,029**	**275,241**	**307,719**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	10.4	12.6	13.2	14.9	15.7
Adjusted EPS	10.4	12.5	13.2	14.8	15.7
Dividend per share	0.5	0.0	9.8	10.4	11.0
Book value per share	71.9	79.4	84.4	88.9	93.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.0	3.0	3.1	2.9	2.8
EV/EBITDA	15.3	14.2	15.9	14.7	13.6
Adjusted P/E	24.5	20.3	19.3	17.1	16.2
P/BV	3.5	3.2	3.0	2.9	2.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.0	75.1	76.3	75.7	75.8
Interest burden (PBT/EBIT)	108.2	115.7	117.5	120.6	120.9
EBIT margin (EBIT/Revenue)	15.2	17.0	16.8	17.1	17.0
Asset turnover (Rev./Avg TA)	77.1	73.1	69.8	73.0	73.9
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.5	1.5	1.5
Adjusted ROAE	14.4	16.6	16.1	17.2	17.2

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(0.8)	(0.7)	2.9	8.9	5.6
EBITDA	(3.1)	7.9	(7.4)	12.9	9.1
Adjusted EPS	0.2	20.9	5.1	12.7	5.6
Profitability & Return ratios (%)					
EBITDA margin	19.7	21.4	19.2	19.9	20.6
EBIT margin	15.2	17.0	16.8	17.1	17.0
Adjusted profit margin	12.3	14.7	15.1	15.6	15.6
Adjusted ROAE	14.4	16.6	16.1	17.2	17.2
ROCE	10.3	10.9	10.6	11.3	11.4
Working capital days (days)					
Receivables	72	75	78	77	77
Inventory	NA	NA	NA	NA	NA
Payables	36	36	37	36	36
Ratios (x)					
Gross asset turnover	17.1	16.1	(67.9)	678.3	70.4
Current ratio	1.5	1.4	1.5	1.6	1.7
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	(0.1)	(0.3)	(0.3)	(0.3)

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

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

BUY – Expected return >+15%

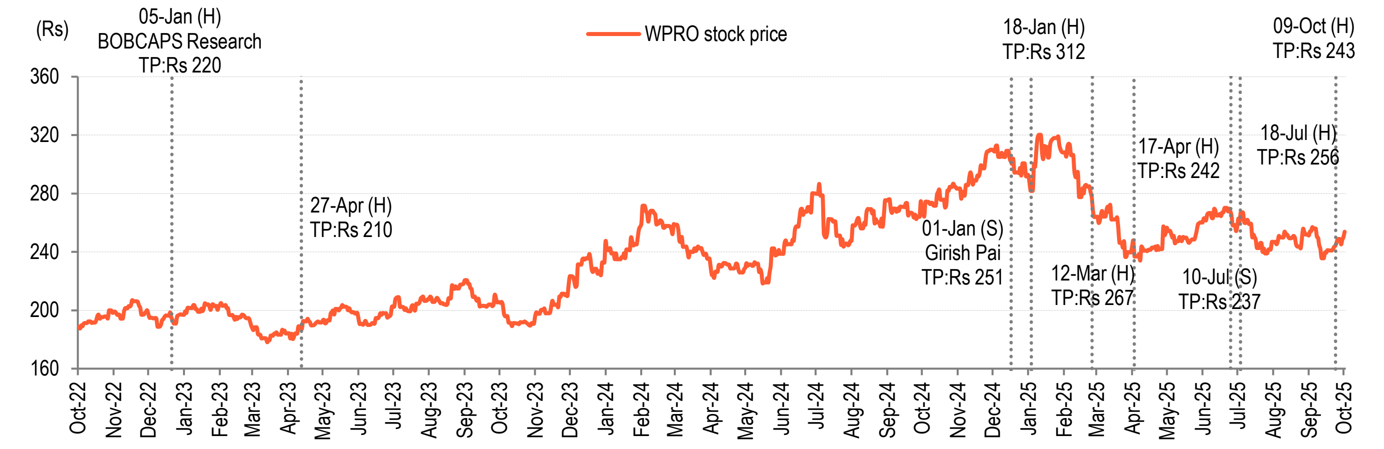
HOLD – Expected return from -6% to +15%

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.

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



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

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