

**HOLD**

TP: Rs 242 | ▼ 2%

**WIPRO**

| IT Services

| 17 April 2025

## Weak 1QFY26 signals a third year of revenue decline

- Uncertainty hit 4QFY25 and led to weaker 1QFY26 guidance. A quick tariff resolution required to avert a third successive revenue decline
- Large deal TCV growth and EBIT margin expansion marks a decent first year of Srinu Pallia. Matching peer growth is a key task ahead
- Cut revenue and earnings. Increase PE discount to 20% (15% earlier) versus TCS and retain Hold. Downside risks exist to our FY26/FY27 est.

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4QFY25 revenue growth at -0.8% in constant currency terms QoQ came in weaker than expected at the lower end of its guidance. The quarter was impacted by weakness in the second half due to client uncertainty, project pauses and some ramp downs.

For FY25 Wipro delivered a revenue decline of 2.3% in constant currency terms in IT services, a second year in succession of negative growth.

The guidance for 1Q FY26 at -3.5% to -1.5% QoQ in CC terms was weaker than what the market anticipated. A weak start for FY26 is probably a harbinger for a third successive year of negative revenue growth. It stated that uncertainty today was higher than what it was 12 months back.

The weakness has been driven by uncertainty amongst its customers because of conditions surrounding tariffs.

There have been project pauses, some ramp downs and delayed decision making. The focus of clients seems to be on cost, speed and AI based efficiency.

The key verticals impacted have been consumer and manufacturing (auto and industrial manufacturing). It talked about weakness in Europe and in discretionary demand in the BFSI space.

While the large deal TCV for FY25 has been higher by 17% YOY (including 2 mega deals), the problem has been of conversion from TCV to revenue. A long-term problem indicating possible leakage in TCV.

While the company stated that the pipeline was strong, the texture of demand seems to be different in the sense that it is cost take out and vendor consolidation oriented and price sensitive.

## Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	WPRO IN/Rs 248
Market cap	US\$ 30.2bn
Free float	27%
3M ADV	US\$ 44.4mn
52wk high/low	Rs 596/Rs 228
Promoter/FPI/DII	73%/8%/7%

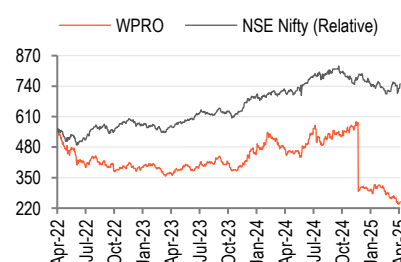
Source: NSE | Price as of 16 Apr 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	890,884	905,441	972,802
EBITDA (Rs mn)	190,397	220,012	243,500
Adj. net profit (Rs mn)	131,354	132,075	148,784
Adj. EPS (Rs)	12.5	12.6	14.2
Consensus EPS (Rs)	12.2	13.3	14.7
Adj. ROAE (%)	16.6	15.5	16.7
Adj. P/E (x)	19.8	19.7	17.5
EV/EBITDA (x)	13.4	11.6	10.2
Adj. EPS growth (%)	20.9	0.5	12.7

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



Wipro talked about usage of Gen AI more from a productivity and efficiency standpoint than from an innovation one indicating potential compression in revenue and self-cannibalization.

On the positive side the company stated that it would endeavor to keep EBIT margins in a narrow band in the 17% territory despite challenges on the revenue front.

Wipro refused to give a fresher intake number for FY26 and indicated that the timing and the extent of salary hike will depend on market conditions.

Many of the points made by Wipro echoed what TCS said a few days back. We think something similar will likely be indicated by Infosys too when it reports. We are expecting a full year's CC revenue growth guidance of Infosys in the flat to low single digits.

We believe the tariff related uncertainty will linger for a while and will likely lead to a third successive year of negative revenue growth with downside risks (as we are building in modest QoQ growth in 2H). Risks also exist to our FY27 estimates and hence we remain on 'HOLD' despite reasonable valuations from a 5 year context.

## Key Points from the quarter and the earnings call

- IT services revenue for 4Q was US\$2.6bn. In CC terms, it declined 0.8% QoQ (our estimate 0%) and 1.2% YoY. It came at the lower end of the revenue guidance for the quarter.
- Order bookings for 4Q were US\$4.0bn, up 10.5% YoY
- 4Q operating margin was 17.5%, flat QoQ (our estimate: 17.1%)
- FY25 IT services revenue stood at US\$10.51bn, representing a YoY decline of 2.3% in CC terms
- FY25 operating margin was 17.1%, an expansion of ~100 bps over FY24
  - Operational improvement efforts led to steady margin expansion over the past few quarters
- Net income grew 6% QoQ in 4Q and 19% for FY25
- For 4QFY25 Strategic Market Unit performance (CC terms)
  - Americas 1 grew 0.2% QoQ and 6% YoY; Americas 2 declined 1% QoQ and 1.8% YoY; Europe declined 2.5% QoQ and 6.9% YoY; APMEA grew 1% QoQ and declined 4.9% YoY
- Industry Sector performance (CC terms):
  - BFSI declined 0.5% QoQ and grew 0.8% YoY; Healthcare declined 3.1% QoQ and grew 0.1% YoY; Consumer declined 1.3% QoQ and was flat YoY; Technology and Communication declined 0.9% QoQ and 1.1% YoY; Energy, Manufacturing and Resources grew 1.1% QoQ and declined 7% YoY
- Capco grew 6.5% QoQ and 11.5% YoY

- 17 large deals closed in 4Q across markets and sectors with a total value of US\$1.8bn
- 63 large deals closed during FY25 totaling US\$5.4bn, reflecting a YoY growth of 17.5%
- Two mega deals won during the year

### Guidance:

- Revenue guidance for IT services in 1Q FY26 projected in the range of US\$2.505bn to US\$2.557bn
  - Revenue guidance indicates sequential growth of -3.5% to -1.5% in CC terms
- Objective remains to maintain operating margins within a narrow band in upcoming quarters
- 1QFY26 guidance remains weak despite sequential headcount growth, strong deal bookings, and Capco performance. The outlook is cautious due to macroeconomic uncertainty and sectoral softness, especially in consumer manufacturing and Europe
- Guidance reflects macro uncertainty, with the lower end assuming continued weakness and the upper end factoring in potential stabilization later in the quarter

### Demand Environment:

- Macroeconomic uncertainty continues into FY26, putting downward pressure on revenues. Recent tariff hikes have added to global uncertainty, particularly in the US and Europe
- Although there's strong demand for tech reinvention, clients are focusing more on cost, speed, and AI-led efficiency
- Client behavior is shifting towards a more cautious approach on large transformation programs and discretionary spend.
- Economic uncertainty from recent tariff hikes has impacted the US and Europe. While 4Q started strong, sentiment weakened as the quarter progressed. This led to slowed transformation programs in Europe, project delays, ramp-downs, and drop in volumes. The current phase is seen as transitional; outlook depends on macro stability, especially around tariffs
- Large transformation programs are facing delays as clients await clarity on economic conditions, with rising demand for tech-driven efficiency, automation, GenAI, and vendor consolidation-led deals which come with pricing pressure
- The company anticipates margin pressure if the revenue environment remains weak, particularly due to two factors: ongoing cost-cutting deals and vendor consolidations, which bring pricing pressure, and the overall weak revenue outlook

- The pipeline remains strong across both large and small deals, with potential momentum building for subsequent quarters. However, immediate revenue visibility is impacted by client caution
- Sector-wide impacts are being observed, both directly and indirectly, across industries
  - Consumer and manufacturing, particularly automotive and industrial segments within manufacturing, are experiencing the most significant impact
  - Clients across all industries are adopting a cautious approach, focusing on scenario planning before making major business decisions
  - In BFSI, good traction is observed in the US and APMEA markets, as well as in the Capco business, both in revenue and order book
  - BFSI in Europe is facing headwinds, but a healthy deal pipeline and ongoing momentum are noted
- Key areas of opportunity in BFSI include applications and IT infrastructure modernization, BPS, and cyber security. Consulting-led opportunities, driven by Capco, are gaining traction, especially in asset and wealth management. Insurance platform digitization and payment solutions, powered by AI, are seeing increased client interest. Clients are actively exploring how to leverage AI-powered solutions across BFSI
- The pipeline in BFSI remains strong, but clients are exercising caution in spending. Discretionary spend in BFSI is seeing early signs of slowdown, with some decisions being delayed. Clients are in wait-and-watch mode due to prevailing uncertainty. If macro uncertainty reduces in the coming weeks, client decision-making on project opportunities is expected to accelerate, as the need for these initiatives remains high
- Deal-to-revenue conversion has been soft, especially outside Capco, with timing gaps between deal signings and revenue recognition, particularly for large 4Q deals that require ramp-up per client schedules. Lower discretionary spend and project ramp-downs have offset revenue from new deals. However, momentum in large deals is positive, and a pickup in medium and small deals is expected to support future growth
- Capco's performance has improved, contributing positively to margins, but Europe margins were impacted by ramp-downs outside of Capco
- Wipro stated that AI, particularly GenAI, has not yet had a significant impact on revenues or margins. Instead of reducing deal sizes, AI is often freeing up client budgets, allowing for incremental work and new opportunities.

**View on the Indian IT Services sector:** 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 12<sup>th</sup> March 2025 (**FY26 unlikely to be better than FY25**),

While both earnings (less so) and PE multiple (more so) have corrected since 1 Jan 2025, we suspect that there are further cuts possible for both FY26 and FY27 earnings under the current macro conditions which we believe could last longer than companies' sanguine commentary.

We believe the industry's structural USD 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 conditional tax breaks, the immigration push back, DOGE, etc, all point to uncertainty in the coming days which may delay decision making by customers and lead to lower spending.

**Higher for longer interest rate environment:** One of the reasons for optimism around the Indian IT Services sector in late 2024 has been the view that the US would achieve a soft landing in 2025 (which we define as 0.5-1.5% real GDP growth) 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 (due to economic slowdown concerns, not enough gains from DOGE,etc) we believe US 10-year yields rose by 50bps within a few days. 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.

However, since Trump 2.0 took office and the fact that it is putting into effect a lot of structural repair, the market seems to believe that while growth would slow there would not be a commensurate decline in Inflation. This stagflationary set up and the uncertainty induced by the back and forth on tariff pronouncements, we believe, induces significant uncertainty, slower decision making and spending by US/global corporations on IT. The tariff spat with China is particularly concerning. Discretionary spending which was beginning to look up may go back into a shell again.

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 – value compressive in the near term:** Gen AI has significantly boosted revenue in semiconductors, data centres, and hyper scalers, but IT services have seen

limited benefits. ROI remains a top concern arising from heavy investments in surrounding services.

**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.

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.

The weaker TCV for most players in 9MFY25 (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 limited 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. We have changed this from 24.6x (which is the average PE multiple of TCS over the last five years less 1SD). The changed methodology reflects the changed outlook on growth in FY26. 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)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	4QFY25E	Dev(%)
IT Services Revenue (USD mn)	2,657	2,629	2,634	(0.9)	0.2	2,617	0.6
Net Sales	222,083	223,188	225,042	1.3	0.8	227,221	(1.0)
Employee Costs	157,219	153,922	155,525	(1.1)	1.0	157,770	(1.4)
% of Sales	70.8	69.0	69.1			69.4	
<b>Gross Margin</b>	<b>64,864</b>	<b>69,266</b>	<b>69,517</b>	<b>2.4</b>	<b>(0.2)</b>	<b>69,451</b>	<b>0.1</b>
<b>% of Sales</b>	<b>29.2</b>	<b>31.0</b>	<b>30.9</b>			<b>30.6</b>	
Other Expenditure	29,363	30,710	30,654	4.4	(0.2)	30,528	0.4
% of Sales	13.2	13.8	13.6			13.4	
Forex Gain / (Loss)	(128)	410	224			0	
Other Operating Income	0	0	0			0	
<b>EBIT</b>	<b>35,373</b>	<b>38,966</b>	<b>39,087</b>	<b>10.5</b>	<b>0.3</b>	<b>38,923</b>	<b>0.4</b>
<b>EBIT Margin (%)</b>	<b>15.9</b>	<b>17.5</b>	<b>17.4</b>			<b>17.1</b>	
Other Income	3,249	5,567	8,343	156.8	49.9	6,442	29.5
PBT	38,622	44,533	47,430	22.8	6.5	45,365	4.6
Provision for Tax	10,040	10,866	11,549	15.0	6.3	11,069	4.3
Effective Tax Rate (%)	26.0	24.4	24.3			24.4	
Minority share in Profit / Loss	(236)	(129)	(185)			(220)	
<b>PAT (Reported)</b>	<b>28,346</b>	<b>33,538</b>	<b>35,696</b>	<b>25.9</b>	<b>6.4</b>	<b>34,076</b>	<b>4.8</b>
<b>NPM (%)</b>	<b>12.8</b>	<b>15.0</b>	<b>15.9</b>			<b>15.0</b>	

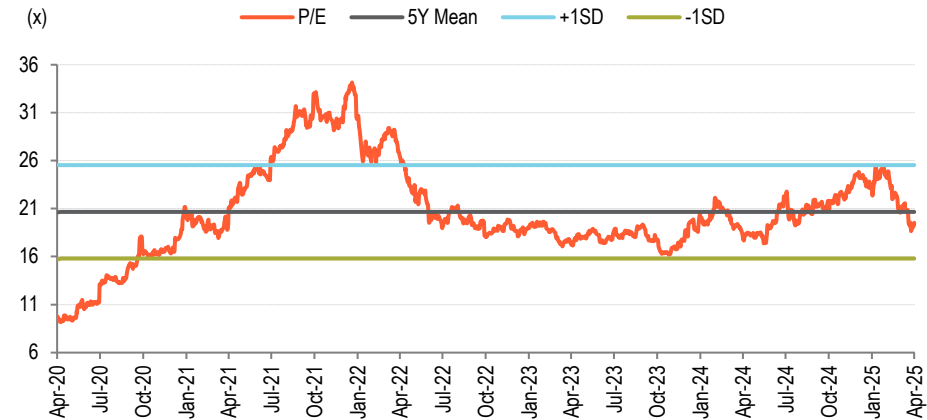
Source: Company, BOBCAPS Research

**Fig 2 – Change in estimates**

	New		Old		Deviation	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
INR/USD	87.3	89.3	87.3	89.3	-	-
IT Services USD Revenue (USD mn)	10,350	10,873	10,638	11,380	(2.7)	(4.5)
USD Revenue Growth (%)	(1.9)	5.0	0.9	7.0		
Revenue (Rsbn)	905	973	931	1,019	(2.8)	(4.5)
EBIT (Rsbn)	154	170	156	175	(1.4)	(2.7)
EBIT Margin (%)	17.0	17.5	16.7	17.2		
PAT (Rsbn)	132	149	136	154	(3.0)	(3.6)
FDEPS (Rs)	12.6	14.2	13.0	14.7	(3.1)	(3.7)

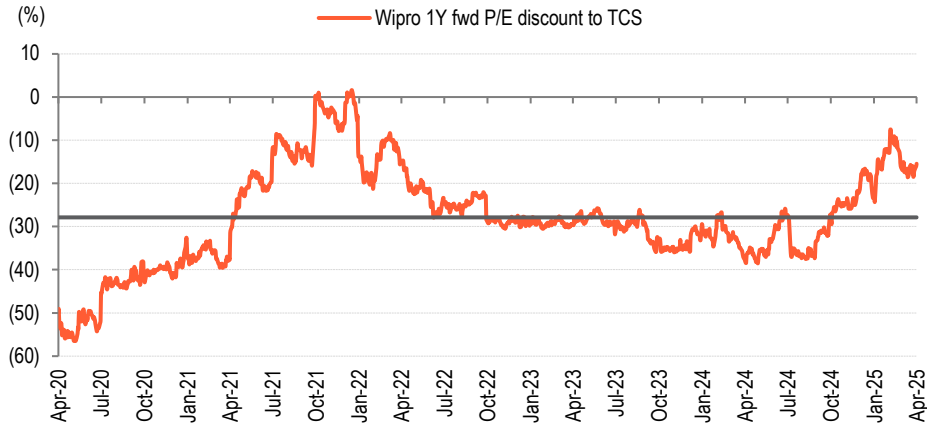
Source: Company, BOBCAPS Research

**Fig 3 – 5 Year PE trend**



Source: Company, BOBCAPS Research

**Fig 4 – Premium/ Discount to TCS**



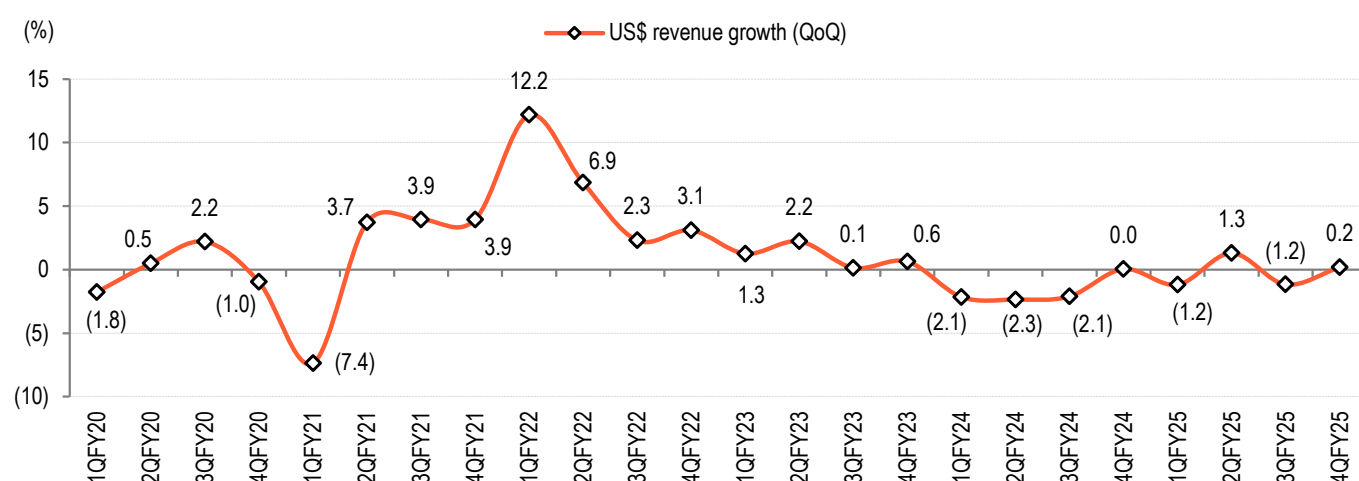
Source: Company, BOBCAPS Research



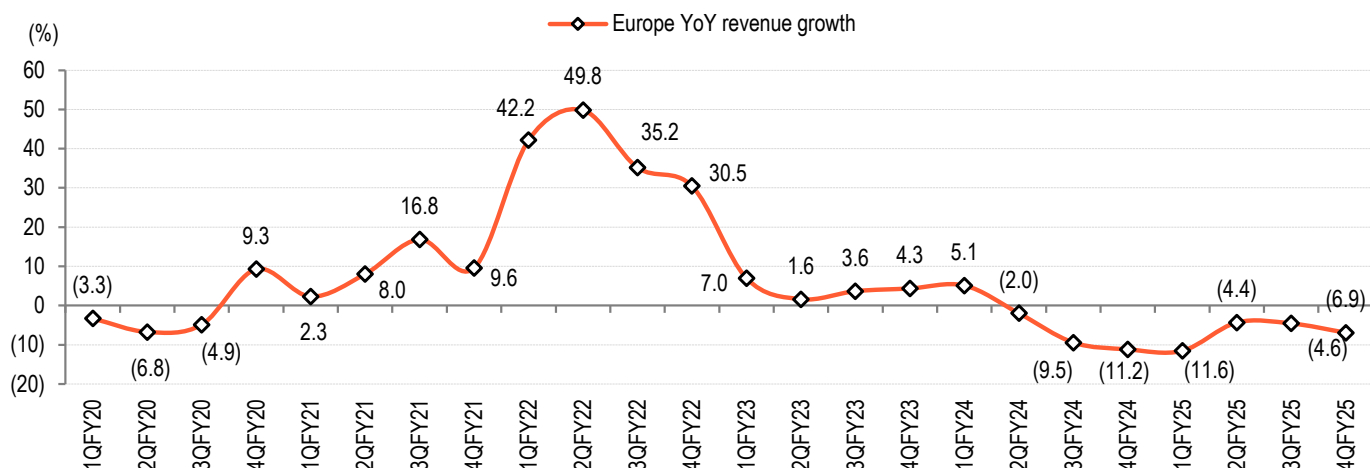
**Fig 5 – P&L at a glance**

(YE March) (Rs bn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
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	87.3	89.3
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	10,350	10,873
-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)	(1.9)	5.0
Net Sales - Overall	434	438	473	514	550	545	586	610	619	791	905	898	891	905	973
-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	7.4
Cost of Sales & Services	302	296	321	357	392	386	413	436	423	556	645	631	618	634	679
% 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	70.0	69.8
<b>Gross profit</b>	<b>131</b>	<b>142</b>	<b>152</b>	<b>158</b>	<b>159</b>	<b>159</b>	<b>173</b>	<b>174</b>	<b>196</b>	<b>235</b>	<b>259</b>	<b>266</b>	<b>273</b>	<b>271</b>	<b>294</b>
<b>% of sales</b>	<b>30.3</b>	<b>32.5</b>	<b>32.1</b>	<b>30.7</b>	<b>28.9</b>	<b>29.2</b>	<b>29.5</b>	<b>28.5</b>	<b>31.7</b>	<b>29.7</b>	<b>28.7</b>	<b>29.6</b>	<b>30.7</b>	<b>30.0</b>	<b>30.2</b>
SG&A	61	53	56	63	73	76	80	73	76	101	124	130	122	118	124
% 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	13.0	12.7
<b>EBIT</b>	<b>75</b>	<b>89</b>	<b>95</b>	<b>97</b>	<b>94</b>	<b>84</b>	<b>100</b>	<b>106</b>	<b>123</b>	<b>140</b>	<b>140</b>	<b>136</b>	<b>151</b>	<b>154</b>	<b>170</b>
<b>% of sales</b>	<b>17.3</b>	<b>20.4</b>	<b>20.2</b>	<b>18.8</b>	<b>17.1</b>	<b>15.5</b>	<b>17.1</b>	<b>17.3</b>	<b>19.9</b>	<b>17.7</b>	<b>15.4</b>	<b>15.2</b>	<b>17.0</b>	<b>17.0</b>	<b>17.5</b>
Interest expenses	3	3	4	6	5	6	7	7	5	5	10	13	15	15	15
Other income (net)	13	15	20	23	22	24	23	24	21	16	18	24	38	37	42
PBT	93	101	112	115	110	102	115	123	139	151	148	147	175	176	198
-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	19.4	20.3
Provision for tax	18	23	25	25	25	22	25	25	30	29	34	36	43	43	48
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	24.3	24.3
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	0.7	0.7
<b>Net profit</b>	<b>74</b>	<b>78</b>	<b>87</b>	<b>89</b>	<b>85</b>	<b>80</b>	<b>90</b>	<b>97</b>	<b>108</b>	<b>122</b>	<b>114</b>	<b>110</b>	<b>131</b>	<b>132</b>	<b>149</b>
<b>-Growth (%)</b>	<b>23.3</b>	<b>5.3</b>	<b>11.0</b>	<b>2.9</b>	<b>(4.6)</b>	<b>(5.7)</b>	<b>12.4</b>	<b>8.0</b>	<b>11.4</b>	<b>12.8</b>	<b>(7.1)</b>	<b>(2.7)</b>	<b>18.9</b>	<b>0.5</b>	<b>12.7</b>
<b>-Net profit margin (%)</b>	<b>17.1</b>	<b>17.8</b>	<b>18.3</b>	<b>17.3</b>	<b>15.4</b>	<b>14.7</b>	<b>15.4</b>	<b>15.9</b>	<b>17.5</b>	<b>15.4</b>	<b>12.5</b>	<b>12.3</b>	<b>14.7</b>	<b>14.6</b>	<b>15.3</b>
Number of Shares (Fully Diluted) in Mn	12,032	12,032	12,032	12,032	12,032	12,032	12,032	11,407	11,049	10,974	10,980	10,470	10,491	10,491	10,491

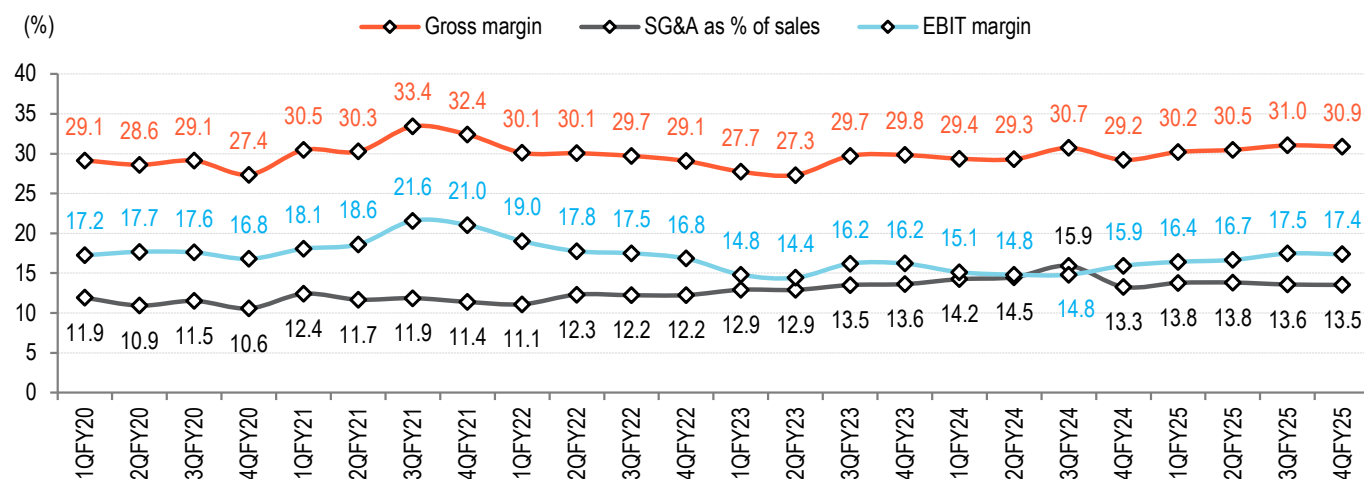
Source: Company, BOBCAPS Research

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

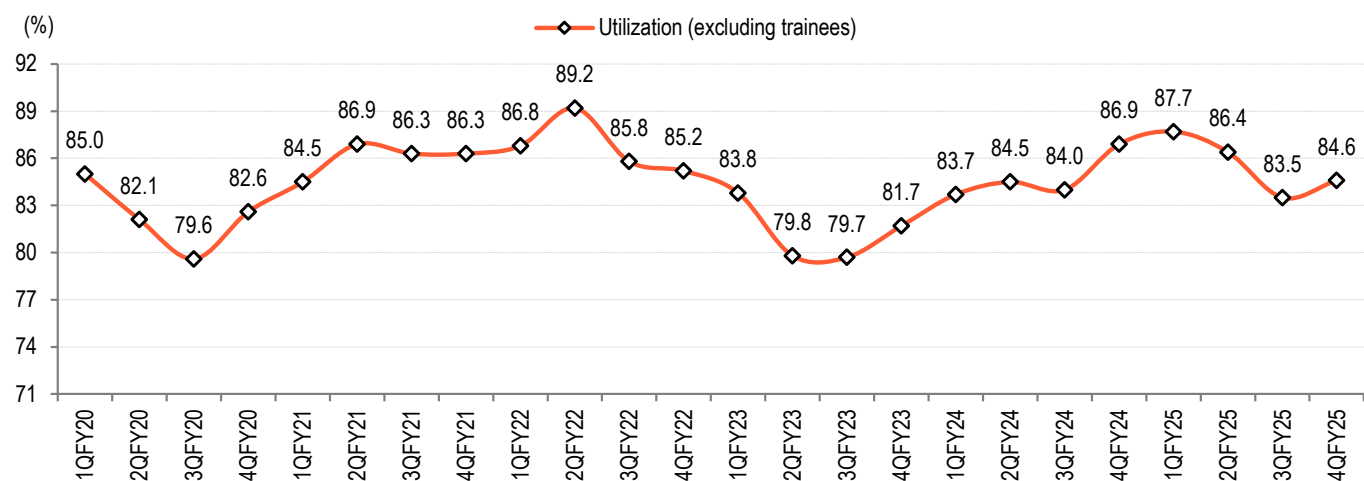
Source: Company, BOBCAPS Research

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

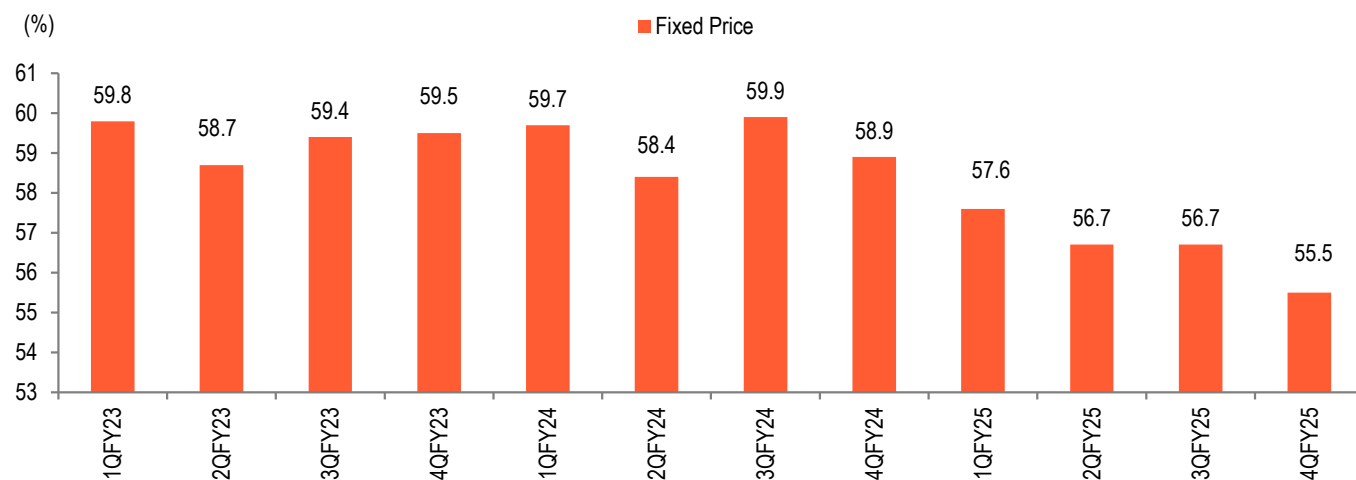
Source: Company, BOBCAPS Research

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

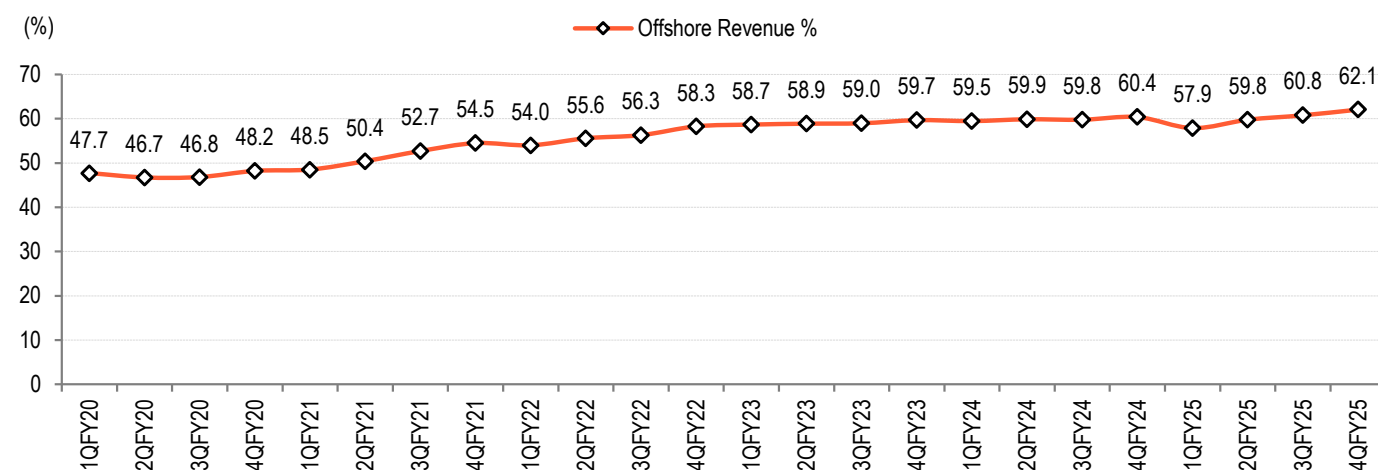
Source: Company, BOBCAPS Research

**Fig 9 – Staff utilisation trend**

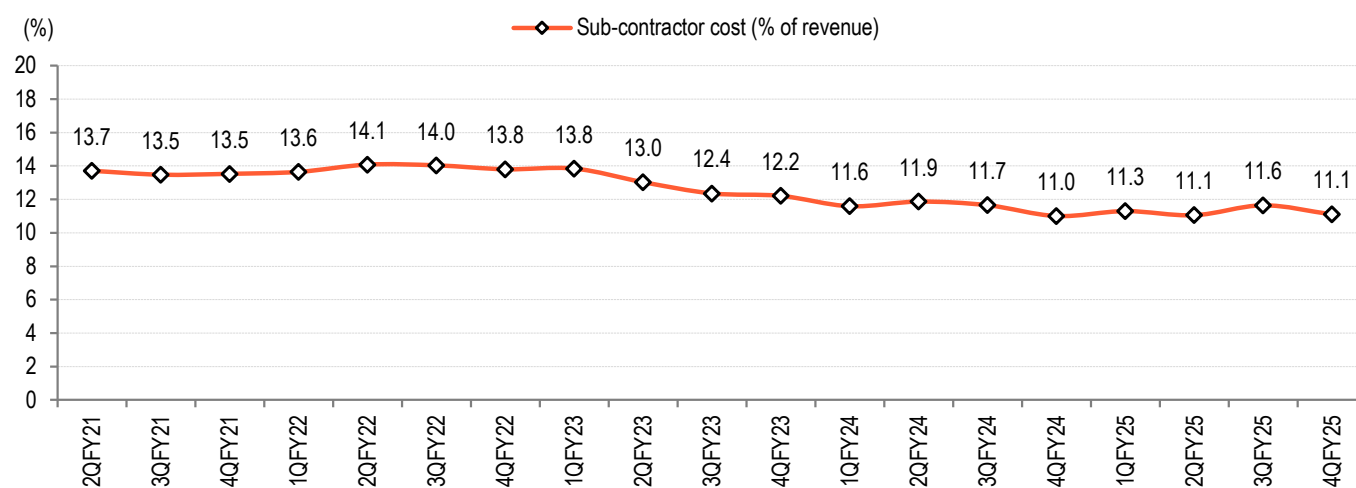
Source: Company, BOBCAPS Research

**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
Rsmn												
<b>INR/USD</b>	<b>77.8</b>	<b>79.9</b>	<b>82.2</b>	<b>81.6</b>	<b>81.9</b>	<b>82.5</b>	<b>83.4</b>	<b>83.3</b>	<b>83.4</b>	<b>83.8</b>	<b>84.3</b>	<b>86.4</b>
USD Revenue IT Services (USD mn)	2756	2817	2821	2840	2779	2713	2656	2657	2626	2660	2629	2634
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
INR Revenue- IT Products	1946	1249	1721	1131	694	1469	805	1159	469	663	747	813
Forex gain/(loss)	(1034)	(1057)	(1391)	(990)	62	(268)	(262)	128	206	396	(410)	(224)
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
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
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
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
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
EBIT- IT Products	(55)	(103)	41	(59)	(161)	(467)	114	143	(161)	(183)	29	(43)
EBIT - Reconciling Items	(60)	(1,341)	(11)	(30)	(1,840)	(2,246)	(2,675)	(965)	(1,840)	10	(53)	(211)
Total EBIT	31890	32503	37636	37577	34516	33345	32865	35373	34056	37555	38503	38652
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
PBT	33520	34201	39,752	40,184	37,975	35,092	35,521	38,622	38,203	43,184	44,070	46,995
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
Minority Interest	47	99	(121)	(190)	(159)	(210)	(64)	(236)	(334)	(178)	(129)	(185)
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
<b>YoY Growth (%)</b>												
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)
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
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
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
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
<b>QoQ Growth (%)</b>												
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)	0.19
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
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
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
<b>Margins (%)</b>												
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
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
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
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)
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
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

Source: Company, BOBCAPS Research

**Fig 14 – Key Metrics**

Key Metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
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
<b>P and L (Rs mn)</b>												
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
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
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
<b>Vertical Mix (%)</b>												
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
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
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
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
Manufacturing*										6.2	-	-
Energy, Manufacturing and Resources*											16.9	17.3
<b>Geographic Mix (%)</b>												
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
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
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
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
<b>Project Type</b>												
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
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
<b>Clients Concentration (%)</b>												
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
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
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
<b>Number of Clients</b>												
> USD 100 mn+	20	19	19	19	21	22	22	22	22	21	18	17
> USD 75 mn+	30	29	29	29	28	28	31	32	29	30	30	28
> USD 50 mn+	50	52	52	53	51	51	46	45	43	42	42	44
> USD 20 mn+	120	122	119	117	123	122	121	116	117	117	114	111
> USD 10 mn+	195	198	202	208	207	207	203	205	192	186	187	181
> USD 5 mn+	306	308	307	311	319	313	305	301	301	297	290	289
> USD 3 mn+	417	425	431	427	444	437	430	409	407	411	403	398
> USD 1 mn+	703	729	739	750	769	774	750	741	735	733	722	716
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
Net Addition	18,921	577	(517)	(3539)	(8812)	(5051)	(5052)	(7041)	297	978	(1157)	614
TTM Attrition (%)	23.3	23	21.2	19.2	17.3	15.5	14.2	14.2	14.1	14.5	15.3	15
<b>P&amp;L</b>												
(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
EBIT	410	407	458	460	421	404	394	424	433	444	462	452
PAT	329	333	371	377	350	321	323	340	360	383	398	413
<b>Per Capita (Annualised) - USD mn</b>												
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
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
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
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

Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Total revenue</b>	<b>904,876</b>	<b>897,603</b>	<b>890,884</b>	<b>905,441</b>	<b>972,802</b>
EBITDA	182,005	176,379	190,397	220,012	243,500
Depreciation	42,399	40,280	39,126	66,335	73,182
EBIT	139,606	136,099	151,271	153,677	170,318
Net interest inc./(exp.)	(10,077)	(12,552)	(14,770)	(14,709)	(14,709)
Other inc./(exp.)	18,128	23,663	38,456	36,596	42,043
Exceptional items	0	0	0	0	0
EBT	147,657	147,210	174,957	175,564	197,652
Income taxes	33,992	36,089	42,777	42,749	48,127
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	165	669	826	740	740
<b>Reported net profit</b>	<b>113,500</b>	<b>110,452</b>	<b>131,354</b>	<b>132,075</b>	<b>148,784</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>113,500</b>	<b>110,452</b>	<b>131,354</b>	<b>132,075</b>	<b>148,784</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	89,054	88,566	88,252	90,642	97,602
Other current liabilities	170,079	154,671	189,976	191,466	195,806
Provisions	0	0	294	294	294
Debt funds	61,272	62,300	63,954	63,954	63,954
Other liabilities	71,564	93,882	111,036	111,036	111,036
Equity capital	10,976	10,450	20,944	20,944	20,944
Reserves & surplus	770,777	740,773	809,503	849,125	893,761
Shareholders' fund	781,753	751,223	830,447	870,069	914,705
<b>Total liab. and equities</b>	<b>1,173,722</b>	<b>1,150,642</b>	<b>1,283,959</b>	<b>1,327,461</b>	<b>1,383,397</b>
Cash and cash eq.	91,880	96,953	121,974	215,808	308,923
Accounts receivables	127,213	119,522	118,044	121,241	130,551
Inventories	1,188	907	694	694	694
Other current assets	148,083	140,136	147,815	140,622	147,314
Investments	330,732	333,844	439,259	439,259	439,259
Net fixed assets	37,338	52,640	55,235	25,505	(27,677)
CWIP	51,321	28,968	25,449	8,844	8,844
Intangible assets	351,015	348,750	352,464	352,464	352,464
Deferred tax assets, net	2,100	1,817	2,561	2,561	2,561
Other assets	32,852	27,105	20,464	20,464	20,464
<b>Total assets</b>	<b>1,173,722</b>	<b>1,150,642</b>	<b>1,283,959</b>	<b>1,327,461</b>	<b>1,383,397</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Cash flow from operations</b>	<b>152,840</b>	<b>170,637</b>	<b>190,916</b>	<b>212,244</b>	<b>232,714</b>
Capital expenditures	(4,425)	16,664	(4,063)	(20,000)	(20,000)
Change in investments	(69,188)	(2,848)	(105,133)	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(73,613)</b>	<b>13,817</b>	<b>(109,196)</b>	<b>(20,000)</b>	<b>(20,000)</b>
Equities issued/Others	12	(148,000)	10,494	0	0
Debt raised/repaid	(1,603)	(8,627)	20,351	0	0
Interest expenses	(10,077)	(12,552)	(14,770)	(14,709)	(14,709)
Dividends paid	(5,480)	(5,218)	(6)	(92,452)	(104,149)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(17,148)</b>	<b>(174,397)</b>	<b>16,069</b>	<b>(107,161)</b>	<b>(118,858)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(11,921)</b>	<b>5,073</b>	<b>25,021</b>	<b>93,834</b>	<b>93,115</b>
<b>Closing cash &amp; cash eq.</b>	<b>91,915</b>	<b>96,953</b>	<b>121,974</b>	<b>215,808</b>	<b>308,923</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	10.4	10.4	12.6	12.6	14.2
Adjusted EPS	10.3	10.4	12.5	12.6	14.2
Dividend per share	0.5	0.5	0.0	8.8	10.0
Book value per share	71.3	71.9	79.4	83.2	87.4

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	2.7	2.8	2.9	2.8	2.6
EV/EBITDA	13.7	14.5	13.4	11.6	10.2
Adjusted P/E	23.9	23.9	19.8	19.7	17.5
P/BV	3.5	3.4	3.1	3.0	2.8

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	76.9	75.0	75.1	75.2	75.3
Interest burden (PBT/EBIT)	105.8	108.2	115.7	114.2	116.0
EBIT margin (EBIT/Revenue)	15.4	15.2	17.0	17.0	17.5
Asset turnover (Rev./Avg TA)	80.3	77.1	73.1	69.2	71.6
Leverage (Avg TA/Avg Equity)	1.6	1.5	1.5	1.5	1.5
Adjusted ROAE	15.8	14.4	16.6	15.5	16.7

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	14.4	(0.8)	(0.7)	1.6	7.4
EBITDA	1.2	(3.1)	7.9	15.6	10.7
Adjusted EPS	(7.2)	0.2	20.9	0.5	12.7
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	20.1	19.7	21.4	24.3	25.0
EBIT margin	15.4	15.2	17.0	17.0	17.5
Adjusted profit margin	12.5	12.3	14.7	14.6	15.3
Adjusted ROAE	15.8	14.4	16.6	15.5	16.7
ROCE	11.4	10.3	10.9	10.3	11.0

### Working capital days (days)

Receivables	76	72	75	75	76
Inventory	NA	NA	NA	NA	NA
Payables	35	36	36	36	36

### Ratios (x)

Gross asset turnover	24.2	17.1	16.1	35.5	(35.1)
Current ratio	1.4	1.5	1.4	1.7	2.0
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	0.0	(0.1)	(0.2)	(0.3)

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

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**BUY** – Expected return >+15%

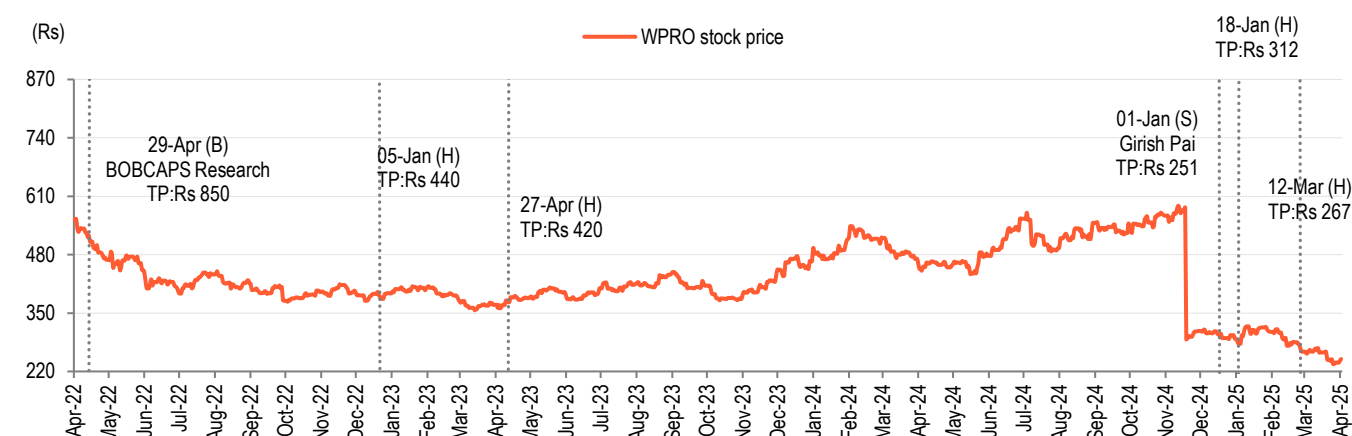
**HOLD** – Expected return from -6% to +15%

**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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