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Rating Information	
Price (Rs)	270
Target Price (Rs)	265
Target Date	30th Sept'18
Target Set On	21th July '17
Implied yrs of growth (DCF)	5
Fair Value (DCF)	263
Fair Value (DDM)	56
Ind Benchmark	BSE IT
Model Portfolio Position	NA

Stock Information	
Market Cap (Rs Mn)	1,309,063
Free Float (%)	26.82 %
52 Wk H/L (Rs)	284/204.05
Avg Daily Volume (1yr)	3,484,829
Avg Daily Value (Rs Mn)	859
Equity Cap (Rs Mn)	9,733
Face Value (Rs)	2
Bloomberg Code	WPRO IN

Ownership	Recent	3M	12M
Promoters	73.2 %	-0.1 %	0.0 %
DII	7.1 %	0.0 %	23.2 %
FII	10.2 %	0.0 %	0.0 %
Public	9.5 %	0.1 %	-23.2 %

Price %	1M	3M	12M
Absolute	5.8 %	7.7 %	-0.2 %
Vs Industry	4.0 %	3.1 %	4.8 %
INFY	2.7 %	4.5 %	-10.5 %
TCS	0.0 %	5.1 %	-2.0 %

Consolidated Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (17A)	4.2	4.2	4.3	4.6
EPS (18E)	4.3	4.3	4.3	4.8

Wipro Ltd.

1QFY18 Result: Estimate (↓), PT (↑), Rating(↔)

Regular Coverage

Absolute : REDUCE

Relative : BENCHMARK

2% Downside in 14 Months

Shareholder value creation to outweigh growth concerns. Retain REDUCE

IT Services

Wipro reported better than expected 1QFY18 earnings with IT services \$ revenues growing 0.9% qoq to \$ 1,972mn above our 0.5% qoq decline/\$ 1,945mn estimate and its guided range (-2% to 0%). Consolidated EBITM grew 166bps qoq while IT services margins (16.8%) declined 80 bps qoq (after adjusting for one-off in 4Q) led by 1month impact of wage hikes and rupee. Though 2Q guidance (-0.5% to 1.5% qoq growth) remains tepid and that feeble FY18e growth could lag peers, generous buyback could outweigh such concerns in the near-term. We are retaining our estimates and REDUCE rating with a TP of Rs. 265 at 14x Sep'18 TTM EPS of Rs. 18.9 (Rs. 238, 13x June'18 TTM EPS of Rs. 18.3 earlier). Multiple goes up as shareholder value creation takes precedence.

Guidance tepid but hopes to exit 4Q with industry level growth: Though growth guidance was tepid for 2Q, Wipro hopes to exit 4Q with industry level growth. Wipro anticipates growth momentum would be led by a. strong traction in banking & financial services segment, b. momentum in digital which contributed 22.5% of overall revenue and grew 3% qoq. We are largely retaining our estimates and model FY18E revenues to grow 3.9% yoy to \$ 8,397mn.

Generally broad based growth across business units: 1Q growth was led by BFS (3.2% qoq-CC growth), E&U (2.2%) and consumer (0.1%) while manufacturing (-0.9%), communications (-2.6%) and healthcare (-3.1%) were weak. From a geography perspective, India & ME (5.1%) led, APAC (2.6%) helped, Americas (0.2%) was tepid while Europe (-2.6%) was weak. Finally, growth across services was led by Analytics (3.6% qoq-CC), IMS (0.2%) and Application Services (0.6%) while BPO (-1.6%) and Product Engineering (-1.8%) were weak.

Momentum across top customers continues: Top client revenues grew 0.9% qoq while top 2-5/6-10 grew 5.1%/5.3%. Non-top 10 customer revenues were flat (0.1%) qoq. Top customer acceleration continues with robust revenue growth of 18.5% yoy on top of 11.6% yoy reported in 4Q. Top 2-5 customer revenues declined 3.1% yoy (-11.2% in 4Q) while it was better for top/non top 10 at 0.7%/2.2%.

Retain REDUCE led by growth challenges in the portfolio mix: Though management is executing along a well-articulated strategy on 6 themes and E&U recovery continues, Healthcare recovery could be prolonged due to regulatory changes in the US. Though growth remains feeble, generous buyback could outweigh such concerns in the near term. Key upside triggers could be earlier than anticipated recovery in communications, E&U and healthcare.

Change in estimates:

	Revised Estimates		% Change	
	FY18E	FY19E	FY18E	FY19E
Sales (\$ Mn)	8,397	8,756	0%	0%
Sales	554,363	591,057	-1%	0%
EBITDA	108,016	113,934	-1%	0%
EBIT	86,368	93,247	-1%	0%
PAT	86,218	96,762	-1%	2%
EPS	17.7	19.9	-1%	2%

Consolidated Financials

Rs. Mn YE Mar	FY17A	FY18E	FY19E	FY20E
Sales	550,402	554,363	591,057	630,558
EBITDA	109,125	108,016	113,934	120,179
Depreciation	23,105	21,649	20,687	22,070
Interest Expense	5,183	5,964	6,942	7,417
Other Income	29,519	30,963	40,179	43,482
Reported PAT	84,895	86,218	96,762	102,932
Recurring PAT	84,895	86,218	96,762	102,932
Total Equity	520,304	611,393	678,870	746,661
Gross Debt	142,412	167,107	175,103	183,098
Cash	344,740	478,875	558,634	634,568
Rs Per Share	FY17A	FY18E	FY19E	FY20E
Earnings	17.4	17.7	19.9	21.2
Book Value	107	126	140	153
Dividends	4.1	0.0	5.0	6.0
FCFF	35.1	23.1	21.7	22.2
P/E (x)	15.5	15.2	13.6	12.8
P/B (x)	2.5	2.1	1.9	1.8
EV/EBITDA (x)	10.3	9.4	8.3	7.3
ROE (%)	17 %	15 %	15 %	14 %
Core ROIC (%)	20 %	20 %	22 %	23 %
EBITDA Margin (%)	20 %	19 %	19 %	19 %
Net Margin (%)	15 %	16 %	16 %	16 %

Exhibit 1: 1Q18 revenue beats guidance

	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18
Guidance(\$mn)	1875-1912	1901-1939	1931-1950	1916-1955	1915-1955	1915-1955
Revenue Realized(\$mn)	1,882	1931	1916	1903	1955	1972
Guidance quartile	1	4	MISS	MISS	4	Beat

Source: Company, Equirus Securities

Exhibit 2: Quarterly revenue soft compared to peers

	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Infosys \$ rev growth %	0.6%	1.6%	2.2%	3.4%	-1.4%	0.7%	3.2%
TCS \$ rev growth %	-0.3%	1.5%	3.7%	0.3%	0.3%	1.5%	3.1%
HCL Tech \$ rev growth %	0.8%	1.5%	6.5%	1.9%	1.3%	2.0%	NA
Average Tier 1 (ex-Wipro)\$ growth %	0.4%	1.5%	4.1%	1.9%	0.1%	NA	NA
Wipro IT svcs\$ rev growth %	1.1%	2.4%	2.6%	-0.8%	-0.7%	2.7%	0.9%

Source: Company, Equirus Securities

Exhibit 3(a): Client transitions were better

Client distribution change	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
\$100 M+	0	0	-1	1	0	0
\$75 M+	1	1	0	-2	1	0
\$50 M+	1	0	0	0	1	2
\$20 M+	4	2	0	-1	1	-1
\$10 M+	6	10	1	-1	-7	0
\$5 M+	1	4	6	6	4	-6
\$3 M+	6	5	5	8	5	3
\$1 M+	14	15	6	5	26	22
Total Change	33	37	17	16	31	20

Source: Company, Equirus Securities

Exhibit 3(b): Broad based growth across accounts; Additions were healthy

Revenue (Rs. mn)	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Top Client	59	51	48	50	53	57	57
QoQ Growth	3.6%	-13.6%	-5.0%	3.2%	6.9%	6.4%	0.9%
Top 2-5 Client	152	156	151	144	137	139	146
QoQ Growth	-3.2%	2.4%	-3.6%	-4.6%	-4.7%	1.3%	5.1%
Top 6-10 Client	143	136	141	142	131	135	142
QoQ Growth	-3.4%	-5.5%	4.0%	0.6%	-7.4%	2.7%	5.3%
Non-Top 10 Client	1,484	1,539	1,591	1,581	1,581	1,624	1,627
QoQ Growth	1.0%	3.8%	3.3%	-0.6%	0.0%	2.7%	0.1%
New Customers added	39	119	50	47	108	51	45

Source: Company, Equirus Securities

Exhibit 4: Both Infra and non-infra moderately grew in 1QFY18

Infra vs. Non-Infra QoQ	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Global Infra Services Growth	2.1%	0.7%	5.3%	-1.0%	0.3%	-1.1%	2.4%	1.2%
Non-Infra Growth	2.1%	0.2%	1.2%	4.0%	-1.2%	-0.6%	2.9%	0.7%

Source: Company, Equirus Securities

Exhibit 5: DSO's increased sequentially

Particulars	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Account Receivable	99,614	102,072	101,170	107,375	94,846	97,954
Unbilled revenues	48,273	52,251	48,691	46,026	45,095	46,509
Total Receivables	147,887	154,323	149,861	153,401	139,941	144,463
LTM Revenues	512,440	526,056	538,578	546,851	550,402	550,671
DSO(incl.Unbilled)	105.3	107.1	101.6	102.4	92.8	95.8

Source: Company, Equirus Securities

Exhibit 6: Significant increase in Voluntary quarterly annualized attrition

Attrition	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Voluntary Attrition	16.1%	16.5%	16.6%	16.3%	16.3%	15.9%
Voluntary Qtrly Annualized	14.9%	17.9%	17.2%	15.4%	14.8%	16.1%

Source: Company, Equirus Securities

Exhibit 7: Utilization moderated sequentially

Utilization incl Trainees	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Wipro	77.2%	73.8%	76.1%	78.8%	80.2%	80.0%	81.9%	80.3%
Infy	75.4%	74.2%	74.7%	76.5%	77.7%	77.8%	77.8%	80.2%
TCS	82.3%	80.9%	NR	NR	NR	NR	NR	NR
HCL Tech*	83.6%	84.7%	85.6%	85.8%	85.3%	84.6%	85.7%	NA

Source: Company, Equirus Securities



Exhibit 7a: Key metrics

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Consolidated Net Sales (\$ Mn)	1,918	1,916	1,924	1,921	1,915	1,935	2,023	2,018	2,028	1,985	2,051	2,068
Growth (%)	2.9%	-0.1%	0.4%	-0.1%	-0.3%	1.1%	4.5%	-0.3%	0.5%	-2.1%	3.3%	0.8%
Net Sales (Rs. Mn)	118,278	121,038	121,871	124,000	125,870	129,651	137,571	137,022	139,032	137,674	140,634	136,599
Growth (%)	5.0%	2.3%	0.7%	1.7%	1.5%	3.0%	6.1%	-0.4%	1.5%	-1.0%	2.2%	-2.9%
IT Services Revenue (US\$Mn)	1,772	1,795	1,775	1,794	1,832	1,838	1,882	1,931	1,916	1,903	1,955	1,972
Growth (%)	1.8%	1.3%	-1.2%	1.1%	2.1%	0.3%	2.4%	2.6%	-0.8%	-0.7%	2.7%	0.9%
EBIT Margin	18.6%	19.3%	20.0%	18.5%	19.0%	17.9%	17.4%	16.1%	15.8%	16.4%	14.3%	16.0%
USD-INR realized rate	61.7	63.2	63.4	64.5	65.7	67.0	68.0	67.9	68.6	69.4	68.6	66.1
Volume growth	3.4%	4.5%	3.2%	2.0%	3.5%	4.2%	2.7%	1.3%	0.7%	1.2%	2.4%	1.7%
Utilization	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	
Excluding Trainees and support	79.4%	78.8%	80.5%	81.9%	82.3%	78.0%	77.5%	79.7%	82.8%	81.9%	84.8%	82.1%
Including Trainees (still excl. support)	77.5%	75.9%	78.0%	79.4%	77.2%	73.8%	76.1%	78.8%	80.2%	80.0%	81.9%	80.3%
Contract Type	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	
Fixed Price	53.1%	55.0%	55.5%	54.5%	53.4%	55.9%	56.9%	56.0%	56.4%	57.7%	58.3%	58.2%
Time & Materials	46.9%	45.0%	44.5%	45.5%	46.6%	44.1%	43.1%	44.0%	43.6%	43.3%	41.7%	41.8%

Service line split of revenues (%)	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Technology Infrastructure Svcs	27.2%	27.7%	27.9%	28.0%	28.0%	28.1%	28.9%	27.9%	28.2%	28.1%	28.0%	28.1%
Wipro Analytics	7.2%	7.0%	7.1%	7.5%	7.5%	7.4%	7.2%	7.4%	7.3%	7.0%	6.9%	7.1%
Application Services	49.4%	48.7%	48.0%	47.5%	46.8%	46.7%	45.3%	44.7%	43.8%	44.4%	45.7%	45.8%
BPO	9.2%	9.5%	9.4%	9.3%	9.8%	9.8%	10.6%	12.9%	13.4%	13.3%	12.3%	12.0%
Product Engineering	7.0%	7.1%	7.6%	7.7%	7.9%	8.0%	8.0%	7.1%	7.3%	7.2%	7.1%	7.0%
R&D Business	9.7%	9.8%	10.2%	10.3%	10.5%	10.4%	10.3%	NR	NR	NR	NR	NR
Consulting	2.0%	1.9%	1.8%	1.7%	1.9%	1.6%	1.4%	NR	NR	NR	NR	NR
Geographical split of revenues (%)	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Americas	51.0%	51.4%	51.7%	52.5%	53.0%	52.8%	52.5%	53.5%	54.8%	55.5%	54.9%	54.5%
Europe	27.8%	27.6%	26.3%	25.6%	25.2%	24.8%	25.6%	25.4%	24.0%	23.6%	24.4%	24.2%
India & Mid-East	9.2%	9.6%	10.7%	10.6%	10.6%	11.0%	11.0%	10.4%	10.4%	10.9%	9.9%	10.4%
APAC & Other Emerging Mkts.	12.0%	11.4%	11.3%	11.3%	11.2%	11.4%	10.9%	10.7%	10.8%	10.0%	10.8%	10.9%
Customer Concentration (%)	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Top client	3.5%	3.8%	3.8%	3.3%	3.1%	3.2%	2.7%	2.5%	2.6%	2.8%	2.9%	2.9%
Top 2-5	9.4%	8.9%	8.8%	8.9%	8.6%	8.3%	8.3%	7.8%	7.5%	7.2%	7.1%	7.4%
Top 6-10	8.6%	8.3%	8.0%	7.9%	8.1%	7.8%	7.2%	7.3%	7.4%	6.9%	6.9%	7.2%
Non-top 10	78.5%	79.0%	79.4%	79.9%	80.2%	80.7%	81.8%	82.4%	82.5%	83.1%	83.1%	82.5%

Source: Company, Equirus Securities

Exhibit 7b) Vertical wise Classification post reclassification

Customer's Industry Vertical / Domain %	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Finance Solutions	26.7%	26.2%	25.4%	25.6%	25.5%	25.5%	26.0%	26.7%
Healthcare, Life Sciences & Services	11.4%	12.0%	13.3%	15.3%	16.0%	16.0%	15.4%	14.8%
Energy & Utilities	14.7%	14.4%	14.0%	13.2%	12.9%	13.0%	13.1%	13.4%
Communications	7.6%	7.7%	7.7%	7.6%	7.5%	7.4%	6.9%	6.8%
Consumer	16.2%	16.5%	16.4%	15.8%	15.7%	15.8%	15.8%	15.8%
Manufacturing and Hitech	23.4%	23.2%	23.2%	22.5%	22.4%	22.3%	22.8%	22.5%

Source: Company, Equirus Securities

Key Concall Highlights:

- Wipro delivered revenue above the upper end of its guided range. Constant currency revenues grew 1.3% qoq.
- Digital Q1 revenues constituted about 22.5% of overall revenue and about grew 3% sequentially.
- In Q1, company trained about 15,000 additional employees on digital; the total number of skilled employees in Wipro is over 75,000.
- Company added two customers greater than \$50 million in annualized revenue.
- Focusing on localization of the workforce; Latin American operations has over 98% local and Wipro continues to localize workforce in other key markets like UK, Singapore, Saudi Arabia.
- Q1 was also impacted by lower utilization and higher costs of incremental salaries for one month. These headwinds were partially mitigated by improved profitability in India and Middle East business, and better business efficiencies.
- On Forex front, realized rate for IT services in Q1 was Rs. 66.06, as against Rs. 68.57 in 4Q.
- Company had about \$2.3 billion of forex derivative contract as hedges.
- The effective tax rate for quarter one was at 22.4%.
- Wipro generated robust operating cash flow of Rs. 29.6 billion, which was 142% of net income and free cash flow of Rs. 22.7 billion, which was 110% of net income. The cash flow includes \$ 46 million of investment made in opportunities to create derivative IT. Net cash as at the end of the quarter was \$ 3.5 billion.
- Board of Directors have approved a buyback proposal for the purchase by the company of up to 343.75 million shares from the shareholders of the company on a proportionate basis by way of a tender offer at a price of Rs. 320 per equity share, aggregating to Rs. 110 billion.

- Growth was broad based except for Healthcare which was impacted by regulation in U.S, and Communications where some softness could be seen due to project closure

Quarterly Results Table (Consolidated)

RsMn	Q1FY18	Q1FY18E	Q4FY17	Q1FY17	% Change			Comments
					Q1FY18E	Q4FY17	Q1FY17	
Net Sales IT services (\$ Mn)	1,972	1,945	1,955	1,931	1.4%	0.9%	2.1%	
Net Sales ITSvcs& Prod. (RsMn)	136,261	134,007	139,875	136,324	1.7%	-2.6%	0.0%	
COGS (Excl Depreciation)	92,168	89,320	92,592	91,539	3.2%	-0.5%	0.7%	
SG&A Expense	17,410	18,652	19,103	16,779	-6.7%	-8.9%	3.8%	
Total Expenditures								
EBITDA	109,578	107,971	111,695	108,318	1.5%	-1.9%	1.2%	
Depreciation	26,683	26,036	28,180	28,006	2.5%	-5.3%	-4.7%	
EBIT	4,943	5,298	8,179	4,304	-6.7%	-39.6%	14.8%	
Interest								
Other Income	21,740	20,737	20,001	23,702	4.8%	8.7%	-8.3%	
	1,474	1,351	1,053	1,284	9.1%	40.0%	14.8%	
PBT	6,553	7,069	10,463	6,803	-7.3%	-37.4%	-3.7%	
Tax	26,819	26,456	29,411	29,221	1.4%	-8.8%	-8.2%	
Recurring PAT	5,994	6,217	6,742	6,648	-3.6%	-11.1%	-9.8%	
Extraordinaries								
Reported PAT	20,825	20,238	22,669	22,573	2.9%	-8.1%	-7.7%	
EPS (Rs)	59	61	58	193				
EBITDA Margin	19.6%	19.4%	20.1%	20.5%	15 bps	-56 bps	-96 bps	
EBIT Margin	16.0%	15.5%	14.3%	17.4%	48 bps	166 bps	-143 bps	
PBT Margin	19.7%	19.7%	21.0%	21.4%	-6 bps	-134 bps	-175 bps	
PAT Margin	15.2%	15.1%	16.2%	16.4%	18 bps	-93 bps	-118 bps	
Tax Rate	22.3%	23.5%	22.9%	22.8%	-115 bps	-57 bps	-40 bps	

Company Snapshot

How we differ from Consensus

	-	Equirus	Consensus	% Diff	Comment
EPS	FY18E	17.7	17.4	2 %	Consensus numbers before earnings.
	FY19E	19.9	18.8	6 %	
Sales	FY18E	554,363	558,589	-1 %	
	FY19E	591,057	597,521	-1 %	
PAT	FY18E	86,218	84,598	2 %	
	FY19E	96,762	91,642	6 %	

Our Key Investment arguments:

- Restructuring of India and Middle East business likely to create challenges in near term. Healthcare spends to be affected by possible repeal of ACA.
- Large part of portfolio remains in industries facing volatility and uncertainty like Energy, Telecom.
- Scope for margin expansion could be limited due to customer specific investments, near term wage hikes and US regulatory issues.

Key parameters	FY17A	FY18E	FY19E	FY20E
USD-INR rate	68.6	66.1	67.5	67.5
IT Svcs Revenue (US\$Mn)	7,705	8,015	8,393	8,986
IT Svcs Revenue (Rs.Mn)	528,440	529,518	566,518	606,567
IT Svcs overall HC	181,482	187,687	193,936	200,186
IT Svcs HC (excl. BPO, I&ME, IFOX)	123,432	128,487	133,686	138,886
Utilization incl. trainees (%) for Global IT Svcs.	70.7%	70.4%	69.5%	69.2%
IT Svcs Blended Pricing realization (\$/manmonth)	7,657	7,349	7,166	7,088
BPO Revenue (\$Mn)	999	1,048	1,117	1,156
EBIT Margin(%)	16%	16%	16%	16%
PBT Margin(%)	20%	20%	21%	21%
PAT Margin(%)	15%	16%	16%	16%

Comparable valuation			Mkt Cap Rs. Mn.	Price Target	Target Date	EPS			P/E			BPS		P/B		RoE		Div Yield	
Company	Reco.	CMP				FY16A	FY17E	FY18E	FY16A	FY17E	FY18E	FY16A	FY17E	FY16A	FY17E	FY16A	FY17E	FY18E	FY16A
Wipro	REDUCE	270	1,309,063	265	30th Sept'18	17.4	17.7	19.9	15.5	15.2	13.6	106.5	2.1	17 %	15 %	15 %	1.5 %	0.0 %	
Infosys	LONG	969	2,236,305	1,115	30th Sep'18	62.7	61.8	69.6	15.4	15.7	13.9	301.5	2.9	22 %	20 %	20 %	2.7 %	2.8 %	
TCS	REDUCE	2,437	4,820,455	2,429	30th Sep '18	133.8	135.5	148.8	18.2	18.0	16.4	450.4	4.8	34 %	28 %	28 %	1.9 %	2.9 %	

Risk to Our View: Oil price recovery leading to increase in E&U spends, early resolution of ACA and I&MEA restructuring.

Key Triggers

- Higher discretionary spending uptick, large deals materialization, automation benefits, Top accounts recovery.

Sensitivity to Key Variables	% Change	% Impact on EPS
Rupee Appreciation	1 %	-40 bps
Utilization	1 %	+50 bps
-	-	-

DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
6.9 %	0.8	11.7 %	4.0 %	55.3 %

-	FY18E	FY19E	FY20-22E	FY23-27E	FY28-33E
Sales Growth	1 %	7 %	4 %	8 %	9 %
NOPAT Margin	12 %	12 %	12 %	12 %	12 %
IC Turnover	1.67	1.80	1.91	1.91	1.91
RoIC	19.6 %	21.7 %	23.3 %	23.3 %	23.3 %

Years of strong growth	1	2	5	10	15
Valuation as on date (Rs)	220	228	237	251	264
Valuation as of 30 th Sep '18	245	253	263	278	293

Based on DCF, assuming 10 years of 8% Sales CAGR growth and 23% average ROIC, we derive current fair value of Rs. 251 and 30th Sep '18 fair value of Rs.278.

Company Description:

Wipro is the third largest Indian IT services provider, one of the best managed and admired companies in India.

Consolidated Quarterly Earnings Forecast and Key Drivers

Rs in Mn	1Q17A	2Q17A	3Q14A	4Q17A	1Q18A	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q17E	4Q19E	FY17A	FY18E	FY19E	FY20E
Revenue	135,992	137,657	136,878	139,875	136,261	137,961	139,017	141,124	144,526	146,246	149,756	150,529	550,402	554,363	591,057	630,558
COGS (Excl Depreciation)	91,724	92,959	91,164	92,592	92,168	95,058	94,708	94,433	97,233	100,210	102,268	102,488	368,439	376,368	402,200	430,442
SG&A Expense	17,740	18,159	17,836	19,103	17,410	17,057	17,874	17,638	18,351	18,410	19,091	19,072	72,838	69,978	74,923	79,936
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	26,528	26,539	27,878	28,180	26,683	25,846	26,435	29,053	28,942	27,626	28,397	28,969	109,125	108,016	113,934	120,179
Depreciation	4,665	4,849	5,412	8,179	4,943	5,143	5,738	5,825	5,058	5,119	5,241	5,269	23,105	21,649	20,687	22,070
EBIT	21,863	21,690	22,466	20,001	21,740	20,703	20,697	23,228	23,883	22,507	23,156	23,700	86,020	86,368	93,247	98,110
Interest	1,336	1,428	1,366	1,053	1,474	1,366	1,496	1,628	1,669	1,713	1,757	1,802	5,183	5,964	6,942	7,417
Other Income	6,184	6,386	6,486	10,463	6,553	7,725	8,128	8,557	9,421	9,824	10,263	10,670	29,519	30,963	40,179	43,482
PBT	26,711	26,648	27,586	29,411	26,819	27,062	27,329	30,156	31,635	30,618	31,662	32,568	110,356	111,367	126,484	134,174
Tax	6,122	5,909	6,440	6,742	5,994	6,048	6,108	6,740	7,355	7,119	7,361	7,572	25,213	24,890	29,407	30,860
PAT bef. MI & Assoc.	20,589	20,739	21,146	22,669	20,825	21,014	21,221	23,416	24,280	23,499	24,301	24,996	85,143	86,476	97,076	103,314
Minority Interest	71	67	52	58	60	63	66	69	73	77	80	84	248	259	314	382
Profit from Assoc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recurring PAT	20,518	20,672	21,094	22,611	20,765	20,951	21,155	23,347	24,207	23,423	24,220	24,912	84,895	86,218	96,762	102,932
Extraordinaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reported PAT	20,518	20,672	21,094	22,611	20,765	20,951	21,155	23,347	24,207	23,423	24,220	24,912	84,895	86,218	96,762	102,932
EPS (Rs)	4.22	4.25	4.33	4.65	4.27	4.31	4.35	4.80	4.97	4.81	4.98	5.12	17.45	17.72	19.88	21.15
Key Drivers																
IT Services Revenue (\$Mn)	1,931	1,916	1,903	1,955	1,972	1,980	2,022	2,041	2,041	2,068	2,142	2,142	7,705	8,015	8,393	8,986
US\$-Rs. Exchange Rate	67.9	68.6	69.4	68.6	66.1	66.1	66.1	66.1	67.5	67.5	67.5	67.5	68.6	66.1	67.5	67.5
IT Svcs Headcount	173,863	174,238	179,129	181,482	181,482	185,251	186,548	187,687	189,120	191,976	193,028	193,936	181,482	187,687	193,936	200,186
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sequential Growth (%)																
Revenue	0 %	1 %	-1 %	2 %	-3 %	1 %	1 %	2 %	2 %	1 %	2 %	1 %	-	-	-	-
COGS (Excl Depreciation)	0 %	1 %	-2 %	2 %	0 %	3 %	0 %	0 %	3 %	3 %	2 %	0 %	-	-	-	-
EBITDA	-5 %	0 %	5 %	1 %	-5 %	-3 %	2 %	10 %	0 %	-5 %	3 %	2 %	-	-	-	-
EBIT	-8 %	-1 %	4 %	-11 %	9 %	-5 %	0 %	12 %	3 %	-6 %	3 %	2 %	-	-	-	-
Recurring PAT	-8 %	1 %	2 %	7 %	-8 %	1 %	1 %	10 %	4 %	-3 %	3 %	3 %	-	-	-	-
EPS	-8 %	1 %	2 %	7 %	-8 %	1 %	1 %	10 %	4 %	-3 %	3 %	3 %	-	-	-	-
Yearly Growth (%)																
Revenue	11 %	10 %	6 %	3 %	0 %	0 %	2 %	1 %	6 %	6 %	8 %	7 %	17 %	1 %	7 %	7 %
EBITDA	2 %	-3 %	4 %	1 %	1 %	-3 %	-5 %	3 %	8 %	7 %	7 %	0 %	4 %	-1 %	5 %	5 %
EBIT	-4 %	-9 %	-2 %	-16 %	-1 %	-5 %	-8 %	16 %	10 %	9 %	12 %	2 %	-6 %	0 %	8 %	5 %
Recurring PAT	-6 %	-8 %	-6 %	1 %	1 %	1 %	0 %	3 %	17 %	12 %	14 %	7 %	-2 %	2 %	12 %	6 %
EPS	-6 %	-8 %	-6 %	1 %	1 %	1 %	0 %	3 %	17 %	12 %	14 %	7 %	-2 %	2 %	12 %	6 %
Margin (%)																
EBITDA	20 %	19 %	20 %	20 %	20 %	19 %	19 %	21 %	20 %	19 %	19 %	19 %	20 %	19 %	19 %	19 %
EBIT	16 %	16 %	16 %	14 %	16 %	15 %	15 %	16 %	17 %	15 %	15 %	16 %	16 %	16 %	16 %	16 %
PBT	20 %	19 %	20 %	21 %	20 %	20 %	20 %	21 %	22 %	21 %	21 %	22 %	20 %	20 %	21 %	21 %
PAT	15 %	15 %	15 %	16 %	15 %	15 %	15 %	17 %	17 %	16 %	16 %	17 %	15 %	16 %	16 %	16 %

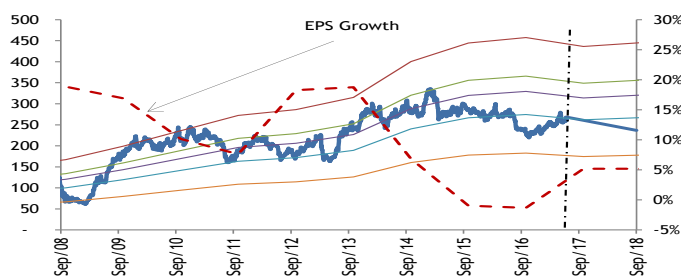
Consolidated Financials

P&L (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Revenue	550,402	554,363	591,057	630,558
Op. Expenditure	441,277	446,346	477,123	510,379
EBITDA	109,125	108,016	113,934	120,179
Depreciation	23,105	21,649	20,687	22,070
EBIT	86,020	86,368	93,247	98,110
Interest Expense	5,183	5,964	6,942	7,417
Other Income	29,519	30,963	40,179	43,482
PBT	110,356	111,367	126,484	134,174
Tax	25,213	24,890	29,407	30,860
PAT bef. MI & Assoc.	85,143	86,476	97,076	103,314
Minority Interest	248	259	314	382
Profit from Assoc.	0	0	0	0
Recurring PAT	84,895	86,218	96,762	102,932
Extraordinaires	0	0	0	0
Reported PAT	84,895	86,218	96,762	102,932
FDEPS (Rs)	17.4	17.7	19.9	21.2
DPS (Rs)	4.1	0.0	5.0	6.0
CEPS (Rs)	44.4	22.2	24.1	25.7
FCFPS (Rs)	35.1	23.1	21.7	22.2
BVPS (Rs)	106.5	125.6	139.5	153.4
EBITDAM (%)	20 %	19 %	19 %	19 %
PATM (%)	15 %	16 %	16 %	16 %
Tax Rate (%)	23 %	22 %	23 %	23 %
Sales Growth (%)	7 %	1 %	7 %	7 %
FDEPS Growth (%)	-5 %	2 %	12 %	6 %

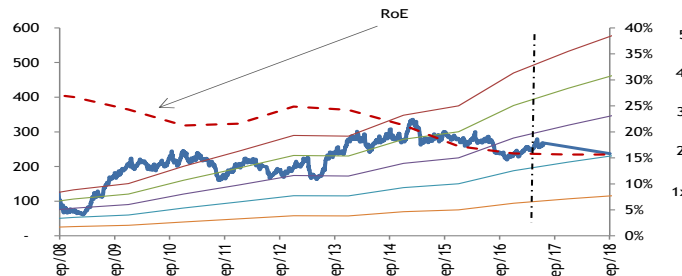
Balance Sheet (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Equity Capital	4,861	9,732	9,732	9,732
Reserve	515,443	601,661	669,138	736,929
Networth	520,304	611,393	678,870	746,661
Long Term Debt	142,412	167,107	175,103	183,098
Def Tax Liability	21,667	20,986	21,990	22,995
Minority Interest	2,391	2,650	2,964	3,346
Account Payables	65,486	66,895	71,487	76,506
Other Curr Liabi	41,256	65,219	67,549	72,064
Total Liabilities & Equity	793,516	934,250	1,017,963	1,104,670
Net Fixed Assets	85,822	58,130	50,286	42,042
Capital WIP	0	0	0	0
Others	168,796	183,416	182,709	186,585
Inventory	3,915	3,943	4,204	4,485
Account Receivables	94,846	109,354	116,592	124,384
Other Current Assets	95,397	100,532	105,537	112,607
Cash	344,740	478,875	558,634	634,568
Total Assets	793,516	934,250	1,017,963	1,104,670
Non-cash Working Capital	87,416	81,715	87,298	92,906
Cash Conv Cycle	58.0	53.8	53.9	53.8
WC Turnover	6.3	6.8	6.8	6.8
FA Turnover	6.4	9.5	11.8	15.0
Net D/E	-0.4	-0.5	-0.6	-0.6
Revenue/Capital Employed	1.0	0.9	0.8	0.8
Capital Employed/Equity	1.3	1.3	1.3	1.3

Cash Flow (Rs Mn)	FY17A	FY18E	FY19E	FY20E
PBT	85,179	111,367	126,484	134,174
Depreciation	23,105	21,649	20,687	22,070
Others	5,459	0	0	0
Taxes Paid	25,476	24,890	29,407	30,860
Change in WC	4,511	8,351	-5,269	-5,226
Operating C/F	92,778	116,476	112,494	120,158
Capex	-15,274	-8,577	-12,136	-17,701
Change in Invest	-83,684	0	0	0
Others	-17,325	0	0	0
Investing C/F	-11,582	-8,577	-12,136	-17,701
Change in Debt	13,189	24,695	7,996	7,996
Change in Equity	0	4,871	0	0
Others	-35,941	-681	-28,280	-34,137
Financing C/F	-22,752	28,885	-20,284	-26,141
Net change in cash	58,444	136,784	80,074	76,315
RoE (%)	17 %	15 %	15 %	14 %
RoC (%)	14 %	12 %	12 %	12 %
Core RoC (%)	20 %	20 %	22 %	23 %
Div Payout (%)	14 %	0 %	30 %	34 %
P/E	15.5	15.2	13.6	12.8
P/B	2.5	2.1	1.9	1.8
P/FCFF	7.7	11.7	12.4	12.1
EV/EBITDA	10.3	9.4	8.3	7.3
EV/Sales	2.1	1.8	1.6	1.4
Dividend Yield (%)	1.5 %	0.0 %	1.9 %	2.3 %

TTM P/E vs. 2 yr forward EPS growth



TTM P/B vs. 2 yr forward RoE



Historical Consolidated Financials

P&L (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Revenue	434,269	469,545	512,440	550,402
Op. Expenditure	337,170	364,936	404,402	441,277
EBITDA	97,099	104,609	108,038	109,125
Depreciation	11,106	12,823	14,965	23,105
EBIT	85,993	91,786	93,073	86,020
Interest Expense	2,891	3,599	5,582	5,183
Other Income	17,903	23,496	27,364	29,519
PBT	101,005	111,683	114,855	110,356
Tax	22,601	24,624	25,356	25,213
PAT bef. MI & Assoc.	78,404	87,059	89,499	85,143
Minority Interest	438	531	493	248
Profit from Assoc.	0	0	0	0
Recurring PAT	77,966	77,966	77,966	77,966
Extraordinaires	0	0	0	0
Reported PAT	77,966	77,966	77,966	77,966
EPS (Rs)	16.0	17.8	18.3	17.4
DPS (Rs)	6.0	20.0	26.8	4.1
CEPS (Rs)	36.1	40.2	42.1	44.4
FCFPS (Rs)	27.2	22.4	20.1	35.1
BVPS (Rs)	69.6	75.0	94.0	106.5
EBITDAM (%)	22 %	22 %	21 %	20 %
PATM (%)	18 %	18 %	17 %	15 %
Tax Rate (%)	22 %	22 %	22 %	23 %
Sales growth (%)	16 %	8 %	9 %	7 %
FDEPS growth (%)	27 %	11 %	3 %	-5 %

Balance Sheet (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Equity Capital	4,933	4,937	4,941	4,861
Reserve	338,567	365,983	460,219	515,443
Networth	343,500	370,920	465,160	520,304
Long Term Debt	51,592	77,148	125,221	142,412
Def Tax Liability	10,053	4,015	20,697	21,667
Minority Interest	1,386	1,646	2,224	2,391
Account Payables	52,256	58,486	68,187	65,486
Other Curr Liabi	43,517	71,553	42,514	41,256
Total Liabilities & Equity	502,304	583,768	724,003	793,516
Net Fixed Assets	51,449	54,275	81,053	85,822
Capital WIP	0	0	0	0
Others	96,169	97,303	140,125	168,796
Inventory	2,293	4,849	5,390	3,915
Account Receivables	85,392	91,548	99,614	94,846
Other Current Assets	92,243	117,686	94,528	95,397
Cash	174,758	218,107	303,293	344,740
Total Assets	502,304	583,768	724,003	793,516
Non-cash Working Capital	84,155	84,044	88,831	87,416
Cash Conv Cycle	70.7	65.3	63.3	58.0
WC Turnover	5.2	5.6	5.8	6.3
FA Turnover	8.4	8.7	6.3	6.4
Net D/E	-0.4	-0.4	-0.4	-0.4
Revenue/Capital Employed	1.2	1.2	1.2	1.0
Capital Employed/Equity	1.3	1.2	1.2	1.3

Cash Flow (Rs Mn)	FY14A	FY15A	FY16A	FY17A
PBT	101,005	112,241	89,571	85,179
Depreciation	11,106	13,076	14,965	23,105
Others	-12,490	-15,418	7,264	5,459
Taxes Paid	21,773	24,266	26,935	25,476
Change in WC	-10,134	-7,229	-5,988	4,511
Operating C/F	67,714	78,404	78,877	92,778
Capex	-7,800	-11,413	-13,172	-15,274
Change in Invest	-3,718	-15,400	-104,311	-83,684
Others	8,745	856	-20,673	-17,325
Investing C/F	-2,773	-25,957	-33,455	-11,582
Change in Debt	-12,412	21,107	35,251	13,189
Change in Equity	6	5	4	0
Others	-31,972	-30,210	-36,842	-35,941
Financing C/F	-44,378	-9,098	-1,587	-22,752
Net change in cash	20,563	43,349	43,835	58,444
RoE (%)	25 %	24 %	21 %	17 %
RolC (%)	21 %	21 %	17 %	14 %
Core RolC (%)	29 %	30 %	26 %	20 %
Div Payout (%)	22 %	67 %	87 %	14 %
P/E	16.9	15.2	14.8	15.5
P/B	3.9	3.6	2.9	2.5
P/FCFF	9.9	12.1	13.4	7.7
EV/EBITDA	12.4	11.2	10.9	10.3
EV/Sales	2.8	2.5	2.3	2.1
Dividend Yield (%)	5.2 %	2.2 %	7.4 %	9.9 %

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Rating & Coverage Definitions: Absolute Rating <ul style="list-style-type: none"> • LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap > Rs 5 billion and ATR >= 20% for rest of the companies • ADD: ATR >= 5% but less than Ke over investment horizon • REDUCE: ATR >= negative 10% but <5% over investment horizon • SHORT: ATR < negative 10% over investment horizon Relative Rating <ul style="list-style-type: none"> • OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon • BENCHMARK: likely to perform in line with the benchmark • UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon Investment Horizon Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter. Lite vs. Regular Coverage vs. Spot Coverage We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.				Registered Office: Equirus Securities Private Limited Unit No. 1201, 12th Floor, C Wing, Marathon Futurex, N M Joshi Marg, Lower Parel, Mumbai-400013. Tel. No: +91 - (0)22 - 4332 0600 Fax No: +91- (0)22 - 4332 0601		
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