

# Wipro

## Growth acceleration

We maintain ADD on Wipro, following a strong revenue performance (the best in nine years) and better-than-expected margin performance. Revenue growth of 3.4% QoQ CC was broad-based and 4Q growth guidance of +1.5-3.5% indicates continued growth momentum. The deal pipeline remains strong and the company won 12 deals of TCV greater than USD 30mn. The total TCV stood at USD 1.2bn, which includes Metro AG (TCV of USD 700mn). Wipro under the new structure will be more agile and will focus on accelerating growth, supported by large deal wins, leveraging partner ecosystem, and higher investments in talent. Key positives include (1) strong guidance, (2) pick-up in deal wins, (3) robust cash generation (OCF of ~149% of net income), and, (4) 246bps QoQ improvement in IT services margin. We increase our FY22/23E EPS by +6.6/6.3% and target multiple to 20x (vs. 18x earlier) to factor in better growth visibility. Our target price of Rs 470 is based on 20x Dec-22E EPS (~20% discount to INFY). The stock is trading at 23.2/20.8x FY21/22x EPS.

- **3QFY21 highlights:** (1) Revenue growth of 3.9% QoQ (est. of +3.5% QoQ); (2) IT Services EBIT margin at 21.7% (the highest in last 23 quarters) was supported by lower employee cost (+221bps) and operational efficiency (+25bps); (3) Growth was led by Consumer/ENU/Healthcare/Technology; (4) BFSI growth was weak but will catch up; (5) Offshoring stood at 52.7% (+270 bps QoQ) and Utilisation at 86.3% is nearing a peak; (6) Wage hike in 4Q for 80% of the employees will impact margins.
- **Outlook:** We have factored in -1.6/+8.6/+5.5% USD revenue growth for FY21/22/23E respectively; implying 4Q revenue growth of 3.2%. IT services EBIT Margin factored in at 20.6% for 4Q and 20.0/20.5% for FY22/23E, resulting in EPS CAGR of 10% over FY21-23E.

### Quarterly Financial summary

YE March (Rs bn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
IT revenue (USD Mn)	2,071	2,095	-1.1	1,992	3.9	8,120	8,256	8,123	8,820	9,305
Net Sales	156.70	154.71	1.3	151.15	3.7	585.85	610.23	620.31	683.84	735.06
EBIT	33.25	26.51	25.4	27.98	18.8	92.62	101.42	120.5	131.45	141.72
APAT	29.67	24.56	20.8	24.66	20.3	90.86	97.22	109.07	121.6	131.79
Diluted EPS (Rs)	5.2	4.3	20.8	4.3	20.3	15.9	17.0	19.8	22.1	23.9
P/E (x)						28.8	26.9	23.2	20.8	19.2
EV / EBITDA (x)						20.8	19.4	15.3	13.8	12.6
RoE (%)						17.3	17.3	19.8	21.9	22.4

Source: Company, HSIE Research, Consolidated Financials

### Change in Estimates

YE March (Rs bn)	FY21E Old	FY21E Revised	Change %	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %
IT revenue (USD Mn)	8,087	8,123	0.4	8,692	8,820	1.5	9,148	9,305	1.7
Revenue	618.03	620.31	0.4	674.68	683.84	1.4	723.41	735.06	1.6
EBIT	110.80	120.50	8.8	123.20	131.45	6.7	133.21	141.72	6.4
EBIT margin (%)	17.9	19.4	150bps	18.3	19.2	96bps	18.4	19.3	87bps
APAT	99.81	109.07	9.3	113.31	121.6	7.3	123.22	131.79	6.9
EPS (Rs)	18.2	19.8	8.6	20.7	22.1	6.6	22.5	23.9	6.3

Source: Company, HSIE Research

## ADD

CMP (as on 13 Jan 2021)	Rs 459
Target Price	Rs 470
NIFTY	14,565

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 400	Rs 470
EPS %	FY21E	FY22E
	+8.6	+6.6

### KEY STOCK DATA

Bloomberg code	WPRO IN
No. of Shares (mn)	5,715
MCap (Rs bn) / (\$ mn)	2,622/35,820
6m avg traded value (Rs mn)	5,807
52 Week high / low	Rs 467/159

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	22.0	101.6	80.0
Relative (%)	0.2	66.7	61.8

### SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	74.02	74.01
FIs & Local MFs	6.49	6.08
FPIs	8.39	8.46
Public & Others	11.10	11.45
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

### Amit Chandra

amit.chandra@hdfcsec.com  
+91-22-6171-7345

### Apurva Prasad

apurva.prasad@hdfcsec.com  
+91-22-6171-7327

### Vinesh Vala

vinesh.vala@hdfcsec.com  
+91-22-6171-7332

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfsec.com](mailto:complianceofficer@hdfsec.com) Phone: (022) 3045 3600

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## HDFC securities

### Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 [www.hdfsec.com](http://www.hdfsec.com)