

An opportune acquisition

WPRO has announced the acquisition of the Digital Transformation Solutions (DTS) business of HARMAN, a Samsung company. Total consideration for the deal is USD 375mn, including earn-outs, valuing the transaction at 1.2x CY24 sales (USD 315mn). DTS brings digital engineering and ER&D capabilities to WPRO's already large engineering practice. The transaction follows a number of IT Services-ER&D acquisitions in the recent past (Exhibit 1), underlining the large and underpenetrated outsourcing opportunity in the space. We reckon this acquisition makes WPRO the 9th largest ER&D Service provider globally (Exhibit 2), making it a formidable competitor. Besides, HARMAN DTS' strength in Hi-tech and Lifesciences aligns with WPRO's, enabling easier cross-sell. We have not incorporated the numbers in our estimates yet pending details around margins etc. But our back of the envelop calculation suggests it could have a 50-60bps EBIT margin impact, led largely by a) lower margin profile (20-30bps impact); b) required investments (10-15bps); c) incremental amortisation of 10-15bps – based on WPRO's purchase price allocation for CAPCO. EPS impact could be marginal (c.1%). Further, purchase consideration will represent merely c.6% of cash-on-books, not impacting future payout/buyback hopes.

- **The deal:** WPRO has announced the acquisition of Harman Connected Services Inc. and its subsidiaries and certain other assets (collectively, "DTS") from Harman International Industries, Inc. The purchase consideration, including earn-outs is USD 375mn. Revenue of DTS for CY24 was USD 314.5mn, flat since CY22. The transaction therefore value DTS at 1.2x CY24 revenues. This is less than what Cognizant (CTSH US; NR)-Belcan (1.6x), INFO-in tech (2.7x) or HCLT-ASAP (1.6x). DTS' revenue mix is 85% services and 15% product. The transaction is expected to be completed by December 31, 2025.
- **The rationale:** DTS brings robust foundation of digital engineering and ER&D to WPRO, making it the ninth largest ER&D Service providers globally (JMFe). DTS operates in Hi-Tech (Telecom, ISVs, Silicon and devices), Lifesciences (Pharma, CROs, Healthcare ISVs) and Industrial/consumers verticals. These align with WPRO's strengths as well. That should enable them to cross-sell DTS' ER&D offerings to WPRO's clientele and vice-versa. WPRO believes the combination will offer clients "the agility and precision of a specialist provider and the reach and capabilities of a global leader". DTS has 5,600 employees spread across 14 countries including India. This translates into Rev/Employees of USD 56k/year, which suggests that it already operates on a global delivery model. This should align the culture and enable easier integration, in our view.
- **The impact:** Flat revenues over the past three years are a concern. It possibly reflects the stress in DTS' end-clients', especially in Telecom/ISVs/Semicon sub-segment. That possibly explains relatively lower valuation paid by WPRO. We estimate that the acquisition could impact WPRO's full year margin by 50-60bps. This could be due to a) lower EBITDA margins (20-30bps impact); b) investments/transaction charges (10-15bps); c) higher amortisation (10-15bps) – assuming 25% of purchase consideration allocated towards intangibles (Exhibit 5). Consequently, EPS impact could be c.-1%, immaterial in our view.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	8,97,603	8,90,874	9,05,883	9,57,298	10,27,147
Sales Growth (%)	-0.8	-0.7	1.7	5.7	7.3
EBITDA	1,69,831	1,80,808	1,79,451	1,91,741	2,07,098
EBITDA Margin (%)	18.9	20.3	19.8	20.0	20.2
Adjusted Net Profit	1,10,453	1,31,344	1,43,456	1,39,544	1,43,525
Diluted EPS (INR)	10.5	12.5	13.7	14.7	16.1
Diluted EPS Growth (%)	3.1	18.7	9.2	7.5	9.2
ROIC (%)	21.1	25.6	27.2	27.4	29.7
ROE (%)	14.4	16.6	16.4	16.8	18.9
P/E (x)	23.7	20.0	18.3	17.0	15.6
P/B (x)	3.5	3.2	2.9	3.2	2.9
EV/EBITDA (x)	6.5	5.5	5.1	5.8	5.1
Dividend Yield (%)	0.4	2.4	4.4	2.4	4.8

Source: Company data, JM Financial. Note: Valuations as of 21/Aug/2025

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	320
Upside/(Downside)	28.0%
Previous Price Target	320
Change	0.0%

Key Data – WPRO IN

Current Market Price	INR250
Market cap (bn)	INR2,619.9/US\$30.0
Free Float	26%
Shares in issue (mn)	5,480.1
Diluted share (mn)	10,492.1
3-mon avg daily val (mn)	INR2,309.0/US\$26.5
52-week range	325/225
Sensex/Nifty	82,001/25,084
INR/US\$	87.3

Price Performance

%	1M	6M	12M
Absolute	-4.0	-18.4	-5.0
Relative*	-3.8	-25.1	-6.1

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

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ER&D acquisitions by IT services players

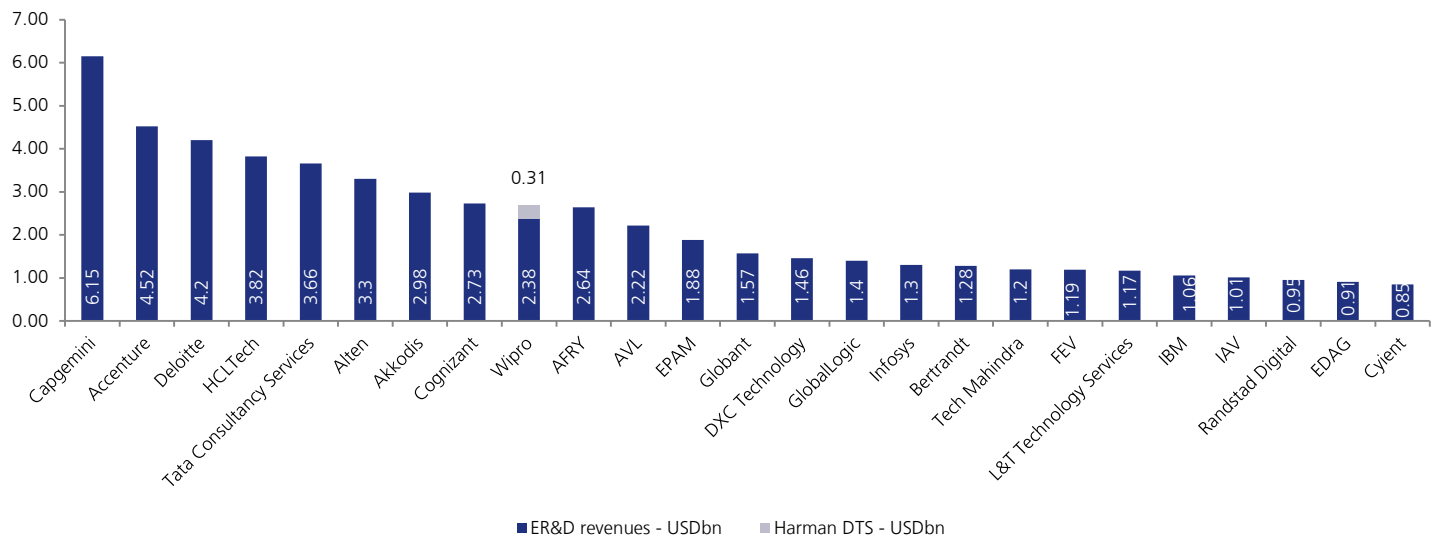
Exhibit 1. Recent acquisitions of ER&D companies by IT services players

Date	Company	Acquired by	Deal Value (USD mn)	Service Offerings	Focus Verticals	Headcount
Aug-25	Harman connected services (Digital transformation solutions business unit) of Harman intl.	Wipro	375	AI powered digital engineering and device engineering - including design to manufacturing	Technology, Industrial, Aerospace, Healthcare and consumer industries	5,600
Jun-24	Belcan	Cognizant	1,300	Product engineering, Software and Digital engineering, Manufacturing and supply chain management	Aerospace, Defense, Space, Marine, Government Services, Automotive, and Industrial	6,500
Apr-24	In Tech	Infosys	486	Software and electronics solutions for Automotive, Railway and Smart Industry	Automotive, Railway and Smart Industry	2,200
Aug-23	Accord	Alten		Engineering services (expertise in GNSS Technology)	Defence, Space	500
Aug-23	Concept	Bertrand		Specialist in holistic consulting for the development of efficient & digitized processes		29
Jul-23	ASAP Group	HCL Tech	280	Software and Consulting services for Autonomous driving, e-Mobility and Connectivity technologies	Automotive industry	1,600
Jun-23	Altran Automotive	VDL		Engineering and R&D Services for vehicle prototyping, and unique vehicle concept designs	Automotive, Energy, Aeronautics, Space, Defense & Naval, Telecoms & Media, Rail, Infrastructure & Transportation, Industrials & Electronics, Life Sciences	90
Jun-23	CFI	Applus +		Automotive testing services	automotive industry	50+
Feb-23	Exima	Technology & Strategy		Testing services for connected, automotive security, and ADAS	automotive industry	150+
Jan-23	Mobica	Cognizant		IoT software engineering services provider with core competencies in development, implementation, testing and deployment of embedded software		900
Jan-23	Philotech	Bertrandt		Embedded software and Cyber-security services	Aerospace, Automotive, and Telecom sectors	350
Dec-22	IDEENION	MTG		Germany-based company engaged in the design, development and prototyping of vehicle components and accessories for vehicles	automotive industry	60+
Dec-22	CYRES CONSULTING	SeSa.		Technical and compliance consultancy in the field of cyber security for the automotive industry	automotive industry, high-profile technology providers, leading Tier-N suppliers, and OEMs	50+
Dec-22	DRIVE SYSTEM DESIGN	HINDUJA TECH		Engineering consultancy focused on solutions for electrified propulsion systems	automotive, commercial vehicle, off-highway, defense and aviation industries	100+
Dec-22	DYNA MORE	Ansys	139	Germany-based firm that is developing and selling explicit simulation solutions to the automotive industry	automotive industry	110+
Nov-22	FORTECH.	GlobalLogic		Software engineering services across six high-growth verticals, including automotive	Power, Distribution & Specialty Transformer Manufacturing industry	1,100+
Nov-22	adeptchips	Quest		Product engineering firm with capabilities in the semi-conductor, automotive, and hi-tech verticals		480+
Oct-22	Dialexa	IBM Consulting		PES: mechanical and electrical engineering and embedded systems development and digital services, e.g., UX design, cloud, agile development, and AI		200-400

Source: Company, JM Financial

ER&D revenue comparison

Exhibit 2. Wipro features among the top 10 ER&D service providers by revenue post DTS acquisition
ER&D Revenue, 2023 (USD bn)



Source: Everest, JM Financial

DTS Offerings – an overview

Exhibit 3. Offerings by industry - DTS unit of Harman intl.

Offerings by Industry	
Hi-Tech	Telecom: Analytics and data management for service providers. Expertise in IoT,5G, AR/VR, cloud, MLP and AI/ML. Robust network solutions - Planning, testing and optimization of LTE and 5G rollouts. Unified communications and collaboration - blend of solutions to manage voice, video, messaging and content collaboration. Deployment of smart IoT devices.
	ISV and Platform: Harman eNOVA- AI powered voice assistant, Harman Genesis- AI agent powered software development tool, BridgeX: Connectivity platform for integration of data, applications and APIs, HARMAN Valorize -Legacy transformation tool
	Silicon and Devices: Design verification, testing and simulation, Fault detection in silicon, Efficient RTL designing, Efficient physical design, timing analysis using STA tools, validating and debugging silicon
Industrial and consumer	Smart spaces: custom gateways with IoT based Azure cloud technologies for enhanced security, redesigning building management systems and enabling building management systems
	Smart energy: Managing electrical devices with OTA technology, Insights from smart meters, Home energy management dashboard design, advanced metering infrastructure
	Digital factory: Digitizing of factory assets, enabling connecting of workforce, Process RPA, Digital twin
	Retail: AI powered voice assistant, HARMAN ConnectIQ- Real time insights on retail frontline performance, Intelligent displays, IoT and computer vision for retail floor
	Hospitality: Custom collaboration and communication applications, Conversational AI assistants to provide customers information, customer data management
Lifesciences	Betting and gaming: Lottery solutions using AI-ML bots, eCommerce-based sportsbook portals, better trading solutions, integrating betting exchanges with client portals, Testing and integrating games with bookmaker portals
	Advanced solutions for pharma companies and CROs, including AI for clinical trials, IoT for patient engagement and remote monitoring and enhancing full lifecycle of operations
	Assist MedTech companies with new product development (Software as medical device and Software in medical device)
	Gen-AI powered quality assurance and regulatory compliance (QARA solution)
	AI/ML driven clinical analytics and Real World Evidence (RWE) solutions
	Solutions for healthcare ISV's - AI-driven patient engagement and population health analytics cloud migrations, interoperability and so on
	IoMT (Internet of Medical Things) based assurance automation frameworks with AI-driven test orchestration

Source: Company, JM Financial

HARMAN DTS's focus verticals include Technology, Telecom, ISVs, Semiconductor companies, Industrial, Manufacturing, Consumer and Healthcare and life sciences

Exhibit 4. Partnerships and research firm ratings

Partners	
Cloud partners	AWS, Alexa voice services, Microsoft
Solution partner	Adobe, AI21labs, Celonis, Cisco, CloudHealth, Infor, Qlik, Snowflake
Research and advisory firm ratings	
	Leader in ISG advanced analytics and AI services
ISG provider lens	Leader in Digital engineering services 2024
	Leader in Generative AI services 2024
Zinnov Zones	Leader in Zinnov Zones for ER&D services and Digital Engineering services

Source: Company, JM Financial

Exhibit 5. Purchase price allocation – Wipro-CAPCO acquisition

	Value (INR mn)	Allocation Share (% of Consideration)	Amortisation (INR mn)	% of total Consideration
Capco acquisition				
Net assets	4,326	4%	0	0.0%
Deferred tax liabilities on intangible assets	-9,418	-9%	0	0.0%
Customer-related intangibles	24,392	22%	3,252	3.0%
Marketing-related intangibles	8,083	7%	1,155	1.1%
Total	27,383	25%	4,407	4.0%
Goodwill*	82,253	75%	0	0.0%
Total purchase price	1,09,636	100%	4,407	4.0%

* Goodwill is allocated to IT Services and not deductible for income tax purposes

Amortisation Policy	INR mn	Share	Amortisation Expense	Amortisation Period
Customer-related intangibles	24,392	22%	3,252	5 to 10 years
Marketing-related intangibles	8,083	7%	1,155	7 years
Total	32,475	30%	4,407	

Source: Company, JM Financial

Our estimate of 10-15bps additional amortisation expense is based on WPRO's purchase consideration allocation for its CAPCO acquisition

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	8,97,603	8,90,874	9,05,883	9,57,298	10,27,147
Sales Growth	-0.8%	-0.7%	1.7%	5.7%	7.3%
Other Operating Income	0	0	0	0	0
Total Revenue	8,97,603	8,90,874	9,05,883	9,57,298	10,27,147
Cost of Goods Sold/Op. Exp	6,31,496	6,17,802	6,34,007	6,65,671	6,84,469
Personnel Cost	0	0	0	0	0
Other Expenses	1,30,347	1,21,843	1,20,407	1,29,469	1,66,395
EBITDA	1,69,831	1,80,808	1,79,451	1,91,741	2,07,098
EBITDA Margin	18.9%	20.3%	19.8%	20.0%	20.2%
EBITDA Growth	1.5%	6.5%	-0.8%	6.8%	8.0%
Depn. & Amort.	34,071	29,579	27,982	29,583	30,814
EBIT	1,35,760	1,51,229	1,51,469	1,62,159	1,76,284
Other Income	11,344	23,432	31,254	22,126	13,375
Finance Cost	0	0	0	0	0
PBT before Excep. & Forex	1,47,104	1,74,661	1,82,723	1,84,284	1,89,658
Excep. & Forex Inc./Loss(-)	340	32	482	600	500
PBT	1,47,444	1,74,693	1,83,205	1,84,884	1,90,158
Taxes	36,089	42,777	39,705	45,297	46,589
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-902	-572	-44	-44	-44
Reported Net Profit	1,10,453	1,31,344	1,43,456	1,39,544	1,43,525
Adjusted Net Profit	1,10,453	1,31,344	1,43,456	1,39,544	1,43,525
Net Margin	12.3%	14.7%	15.8%	14.6%	14.0%
Diluted Share Cap. (mn)	10,470.4	10,490.7	10,492.1	9,491.7	8,936.2
Diluted EPS (INR)	10.5	12.5	13.7	14.7	16.1
Diluted EPS Growth	3.1%	18.7%	9.2%	7.5%	9.2%
Total Dividend + Tax	12,602	75,758	1,38,909	68,544	1,29,065
Dividend Per Share (INR)	1.0	6.0	11.0	6.0	12.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,11,121	1,32,180	1,43,500	1,39,588	1,43,569
Depn. & Amort.	34,071	29,579	27,982	29,583	30,814
Net Interest Exp. / Inc. (-)	-11,344	-23,432	0	0	0
Inc (-) / Dec in WCap.	18,051	10,274	-16,369	1,14,259	1,21,637
Others	39,444	47,254	45,256	50,848	52,140
Taxes Paid	-15,360	-26,175	-39,705	-45,297	-46,589
Operating Cash Flow	1,75,983	1,69,680	1,60,664	2,88,980	3,01,572
Capex	-10,510	-14,737	-29,810	-32,071	-31,410
Free Cash Flow	1,65,473	1,54,943	1,30,854	2,56,909	2,70,162
Inc (-) / Dec in Investments	0	0	0	0	0
Others	0	0	0	0	0
Investing Cash Flow	-10,510	-14,737	-29,810	-32,071	-31,410
Inc / Dec (-) in Capital	13	27	0	0	0
Dividend + Tax thereon	-5,218	-62,750	0	0	0
Inc / Dec (-) in Loans	-1,30,557	-1,77,672	0	0	0
Others	-11,750	-8,689	0	0	0
Financing Cash Flow	-1,47,512	-2,49,084	0	0	0
Inc / Dec (-) in Cash	17,961	-94,141	1,30,854	2,56,909	2,70,162
Opening Cash Balance	91,880	96,953	1,21,974	1,63,492	-19,542
Closing Cash Balance	1,09,841	2,812	2,52,828	4,20,401	2,50,621

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	7,49,887	8,28,309	9,16,223	7,42,934	7,79,465
Share Capital	10,450	20,944	20,965	20,965	20,965
Reserves & Surplus	7,39,437	8,07,365	8,95,258	7,21,969	7,58,500
Preference Share Capital	0	0	0	0	0
Minority Interest	1,340	2,138	2,260	2,382	2,626
Total Loans	1,41,466	1,61,817	1,26,766	1,26,766	1,26,766
Def. Tax Liab. / Assets (-)	-1,817	-2,561	-2,515	-2,515	-2,515
Total - Equity & Liab.	8,90,876	9,89,703	10,42,734	8,69,567	9,06,342
Net Fixed Assets	4,30,358	4,33,148	4,36,867	4,39,355	4,39,951
Gross Fixed Assets	81,608	80,684	82,512	85,000	85,596
Intangible Assets	3,48,750	3,52,464	3,54,355	3,54,355	3,54,355
Less: Depn. & Amort.	0	0	0	0	0
Capital WIP	0	0	0	0	0
Investments	3,33,844	4,39,259	4,40,441	4,40,441	4,40,441
Current Assets	3,86,440	4,11,552	4,77,646	3,09,376	3,55,589
Inventories	907	694	580	612	657
Sundry Debtors	1,97,721	1,98,119	2,09,291	2,21,169	2,19,570
Cash & Bank Balances	96,953	1,21,974	1,63,492	-19,542	24,352
Loans & Advances	0	0	0	0	0
Other Current Assets	90,859	90,765	1,04,284	1,07,136	1,11,009
Current Liab. & Prov.	2,59,766	2,94,256	3,12,220	3,19,605	3,29,638
Current Liabilities	1,75,040	1,94,118	1,92,469	1,97,423	2,04,154
Provisions & Others	1,63,892	1,98,001	2,46,517	2,48,948	2,52,251
Net Current Assets	1,26,674	1,17,296	1,65,426	-10,230	25,951
Total - Assets	8,90,876	9,89,703	10,42,734	8,69,567	9,06,342

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	12.3%	14.7%	15.8%	14.6%	14.0%
Asset Turnover (x)	0.9	0.9	0.8	0.9	1.0
Leverage Factor (x)	1.3	1.3	1.3	1.3	1.3
RoE	14.4%	16.6%	16.4%	16.8%	18.9%

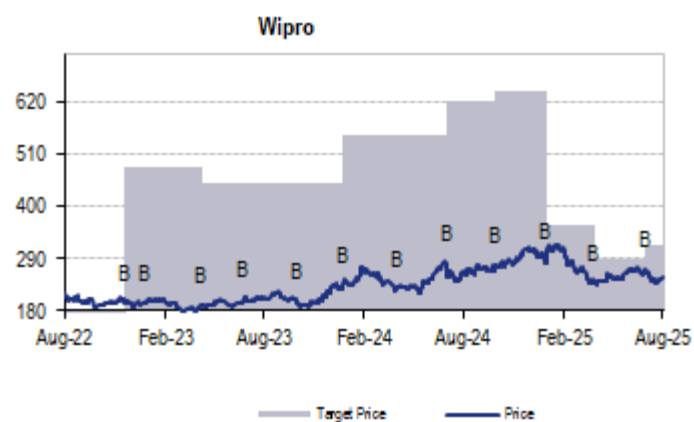
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	71.6	79.0	87.3	78.3	87.2
ROIC	21.1%	25.6%	27.2%	27.4%	29.7%
ROE	14.4%	16.6%	16.4%	16.8%	18.9%
Net Debt/Equity (x)	-0.4	-0.4	-0.5	-0.4	-0.4
P/E (x)	23.7	20.0	18.3	17.0	15.6
P/B (x)	3.5	3.2	2.9	3.2	2.9
EV/EBITDA (x)	6.5	5.5	5.1	5.8	5.1
EV/Sales (x)	1.2	1.1	1.0	1.2	1.0
Debtor days	80	81	84	84	78
Inventory days	0	0	0	0	0
Creditor days	42	44	42	42	42

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
9-Dec-22	Buy	480	
13-Jan-23	Buy	480	0.0
28-Apr-23	Buy	450	-6.3
14-Jul-23	Buy	450	0.0
19-Oct-23	Buy	450	0.0
13-Jan-24	Buy	550	22.2
20-Apr-24	Buy	550	0.0
21-Jul-24	Buy	620	12.7
18-Oct-24	Buy	640	3.2
18-Jan-25	Buy	360	-43.8
17-Apr-25	Buy	290	-19.4
18-Jul-25	Buy	320	10.3

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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