



## Delivers Encouraging Results But Lowers Guidance

**Est. Vs. Actual for Q3FY23:** Revenue – **BEAT**; EBITDA Margin – **MISS**; PAT – **BEAT**; Deal Wins – **BEAT**

### Growth Estimates post Q3FY23

**FY23E/FY24E – Revenue 8%/11%; EBITDA Margins 19%/20%; PAT 13%/14%**

### Recommendation Rationale

- Improved outlook on the vertical with deepening engagement with the clients
- TCV stood strong in Q3FY23 with eight quarter-high deal wins at \$1 Bn
- The company lack revenue growth visibility going ahead we lack confidence in growth momentum going ahead as compared to peers.

**Sector Outlook:** Cautiously positive

**Company Outlook & Guidance:** Revenue growth guidance for Q4FY23 is given in the range of \$2,811-\$2,853 in CC terms which imply -0.6% to 1% QoQ growth.

**Current Valuation:** 15x FY25E P/E; Earlier Valuation: 16x FY24E

**Current TP:** 410/share (Earlier TP: Rs 440/share)

**Recommendation:** Wipro has lagged in its execution despite having better results and better deal wins. We hence maintain our **HOLD** on the stock for lacking necessary visibility.

## Financial Performance

In Q3FY23, Wipro Ltd reported revenue of Rs 20,432 Cr, up 3.2% QoQ and 0.2% QoQ (in CC terms) which stood above our expectations. The company's operating profit stood at Rs 3,554 Cr, reporting a healthy growth of 15.8% on a QoQ basis. Beating our expectations, the company's operating margins, improved by 120bps and stood at 17.4%, largely led by lower operating expenses and a favourable currency mix during the quarter. Its net profit for Q3FY23 stood at Rs 2,969 Cr, registering a growth of 14.8% QoQ.

## Outlook

From a long-term perspective, we believe Wipro has a strong deal pipeline and superior financial structure. However, it lags in execution to capitalize on growth as compared to peers. Rising concerns over the prospects of large economies along with prevailing supply-side constraints pose uncertainties over the company's short-term growth rates.

## Valuation & Recommendation

We recommend a **HOLD** rating on the stock and assign a 15x P/E multiple to its FY25E earnings of Rs 26.8/share to arrive at a TP of Rs **410/share**, implying an upside of 4% from the CMP.

### Key Financials (Consolidated)

(Rs Cr)	Q3FY23	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	23,229	3%	14%	23120	0%
EBITDA	3,535	16%	6%	3562	-1%
EBITDA Margin	15%	175 bps	(128) bps	15%	1%
Net Profit	2,929	15%	3%	2704	8%
EPS (Rs)	5.4	15%	3%	4.9	10%

Source: Company, Axis Research

(CMP as of 13 Jan 2023 )

CMP (Rs)	392
Upside /Downside (%)	4%
High/Low (Rs)	666/372
Market cap (Cr)	2,15,994
Avg. daily vol. (6m)Shrs.	33,30,248
No. of shares (Cr)	548.7

### Shareholding (%)

	Mar-22	Jun-22	Sep-22
Promoter	73.0	73.0	73.0
FIIs	8.1	7.0	6.6
MFs / UTI	3.1	3.3	2.9
Banks / FIs	0.0	0.1	0.1
Others	15.7	16.7	17.5

### Financial & Valuations

Y/E Mar (Rs Cr)	FY23E	FY24E	FY25E
Net Sales	83,019	92,109	1,02,228
EBITDA	15,254	17,501	20,446
Net Profit	12,738	13,644	15,396
EPS (Rs)	22.20	23.78	26.83
PER (x)	30	0	0
P/BV (x)	23.5	20.3	17.3
EV/EBITDA (x)	6.5	6.4	6.2
ROE (%)	22%	23%	25%

### Change in Estimates (%)

Y/E Mar	FY23E	FY24E	FY25E
Sales	-1%	-1%	-2%
EBITDA	-1%	-1%	-2%
PAT	-1%	-1%	-2%

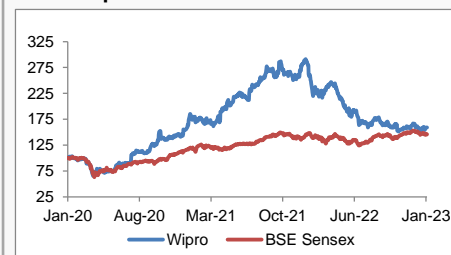
### ESG disclosure Score\*\*

Environmental Disclosure	44
Social Disclosure Score	60
Governance Disclosure	59
Total ESG Disclosure Score	51

Source: Bloomberg, Scale: 0.1-100

\*\*Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2020 disclosures

### Relative performance



Source: Capitaline, Axis Securities

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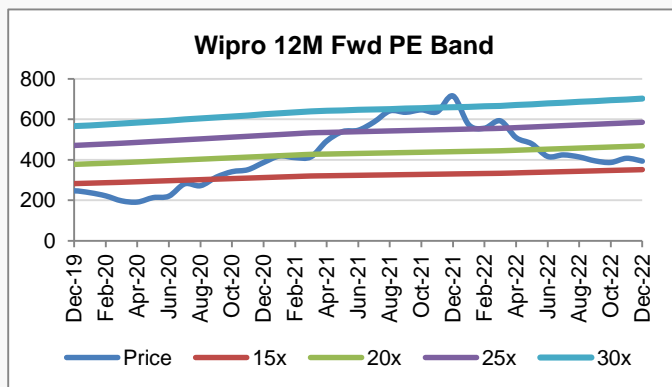
## Recommendation Rationale & Key Highlights

- Continuing strength in demand environment in the medium term:** The US is relatively better placed; the UK is seeing higher cost optimization deals (with faster decision-making) while the Europe market is impacted in the short term. As the macro environment stabilizes, the company expects a pick-up in its decision-making process.
- Broad-based vertical growth:** On the vertical front, the BFSI/Technology/Communication verticals delivered a discouraging QoQ de-growth of 0.6%/-5.9%/2.4%% respectively. Energy & Utility grew at 2% QoQ while Manufacturing and Hi-tech verticals reported flattish growth of 0.2% and 5.4% QoQ respectively. The majority of the verticals witnessed flattish growth but are likely to report growth backed by a strong deal pipeline in the near term.
- Better geographical performance:** On the geographical front, while North America (58% of revenue) improved by 20% QoQ, Europe (25.8% of revenue) grew by 25.3% QoQ, RoW (9.8% of revenue) business grew by 11% QoQ (in the CC terms). For Q3FY23, the company's free cash conversion stood at Rs 4,742 Cr.
- Wipro management has declared a dividend of Rs 1/share.**

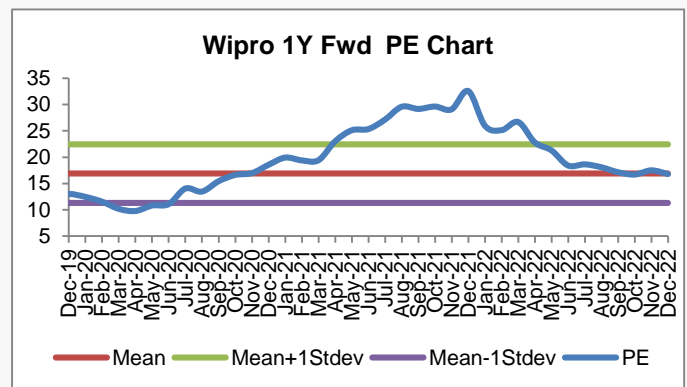
## Key Risks to our Estimates and TP

- The demand environment is uncertain because of the potential threat of recession from the world's largest economies.
- The rising subcontracting cost and cross-currency headwinds may impact the company's operating margins negatively.

Wipro 12M Fwd PE Band



Wipro 1Y Fwd PE Chart



Source: Company, Axis Securities

**Business Verticals**

	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
BFSI	35%	35%	35%	35%	35%	35%
Communications	5%	5%	5%	5%	5%	5%
Consumer Business units	12%	17%	18%	19%	19%	19%
Energy, Natural resources and Utilities	12%	12%	12%	11%	11%	11%
Health Business	12%	12%	12%	12%	12%	12%
Manufacturing	7%	7%	7%	7%	7%	7%
Technology	5%	12%	12%	12%	12%	12%

Source: Company, Axis Research

**Revenue by Geography**

	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
America1	28%	28%	28%	29%	29%	29%
America2	31%	30%	31%	31%	31%	31%
Europe	30%	30%	30%	28%	28%	29%
APMEA	12%	12%	12%	11%	11%	11%

Source: Company, Axis Research

**Revenue by Geography**

	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Employee Count	2,21,365	2,31,671	2,43,128	2,58,574	2,59,179	258744%
Utilization (%)	78%	76%	76%	73%	72%	72%
Attrition (%)	21%	23%	24%	23%	23%	21%

Source: Company, Axis Research

**Revenue by Geography**

	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
\$100 Mn +	15	17	19	20	19	19
\$75 Mn+	28	29	29	30	29	29
\$ 50 Mn +	44	47	50	50	52	52
\$ 20Mn +	100	110	117	120	122	119
\$10 Mn+	182	189	194	195	198	202
\$ 5Mn+	279	286	297	306	308	307
\$ 3Mn +	390	399	410	417	425	431
\$1 Mn+	623	661	679	703	729	729

Source: Company, Axis Research

**Revenue by Geography**

	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
New Customer Added	116	67	116	164	128	80
Total active Customers	1284	1315	1369	1433	1471	1484

Source: Company, Axis Research

**Results Review**
**(Rs Cr)**

In Crs.	Q3FY23	Q2FY23	Q3FY22	% change (YoY)	% change (QoQ)
<b>Total Revenue</b>	<b>23,229</b>	<b>22,539</b>	<b>20,314</b>	14%	3.1%
Total Cost of Sales	16,327	16,385	16,267		
<b>Gross Profit</b>	<b>6,902</b>	<b>6,154</b>	<b>4,047</b>	71%	12%
Margin(%)	30%	27%	20%	979	241
Research & Development	1,502	1,514	1,398		
SG &A	1,704	1,498	1,205		
<b>Total Operating Expenses</b>	<b>3,206</b>	<b>3,012</b>	<b>2,603</b>		
<b>EBITDA</b>	<b>3,696</b>	<b>3,142</b>	<b>3,080</b>		
Margin(%)	16%	14%	15%		
Depreciation	112	112	116		
<b>Operating Income</b>	<b>3,764</b>	<b>3,511</b>	<b>3,554</b>	6%	7%
Margin(%)	18%	18%	17%	10	-
Total Other Income/(Expense)	404	404	301		
<b>Income Before Income Taxes</b>	<b>3,975</b>	<b>3,420</b>	<b>3,779</b>		
Total Taxes	910	771	806		
ETR (%)	23%	23%	21%	156	35
<b>Net Profit After Taxes</b>	<b>3,065</b>	<b>2,649</b>	<b>2,973</b>	3%	16%
<b>Net Income After Extraordinary Items</b>	<b>2,649</b>	<b>2,649</b>	<b>2,931</b>	-10%	0%
Margin(%)	20%	20%	21%	-123	-
<b>EPS</b>	<b>5.4</b>	<b>4.9</b>	<b>5.4</b>	1%	11%

Source: Company, Axis Securities

## Financials (consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY22A	FY23E	FY24E	FY25E
<b>Net sales</b>	<b>79,093</b>	<b>83,019</b>	<b>92,109</b>	<b>1,02,228</b>
Growth, %	28%	5%	11%	11%
Other income	219	3,361	2,808	2,840
<b>Total income</b>	<b>79,312</b>	<b>86,380</b>	<b>94,917</b>	<b>1,05,068</b>
Employee expenses	53,784	56,453	62,634	69,515
Other Operating expenses	11,935	11,312	11,974	12,267
<b>EBITDA (Core)</b>	<b>13,375</b>	<b>15,254</b>	<b>17,501</b>	<b>20,446</b>
Growth, %	1%	14%	15%	17%
Margin, %	17%	18%	19%	20%
Depreciation	2,082	2,211	2,717	2,901
<b>EBIT</b>	<b>11,293</b>	<b>13,043</b>	<b>14,784</b>	<b>17,545</b>
Growth, %	1%	15%	13%	19%
Margin, %	14%	16%	16%	17%
Interest paid	533	509	534	561
<b>Pre-tax profit</b>	<b>15,128</b>	<b>16,331</b>	<b>17,492</b>	<b>20,258</b>
Tax provided	2,895	3,593	3,848	4,862
Profit after tax	12,233	12,738	13,644	15,396
<b>Net Profit</b>	<b>12,233</b>	<b>12,738</b>	<b>13,644</b>	<b>15,396</b>

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY22A	FY23E	FY24E	FY25E
Cash & bank	11,755	32,943	34,972	37,433
Debtors	15,169	15,921	17,665	19,605
Other current assets	5,298	5,298	5,298	5,298
<b>Total current assets</b>	<b>60,409</b>	<b>82,592</b>	<b>86,924</b>	<b>91,950</b>
Goodwill and Intangible Assets	11,698	11,698	11,698	11,698
Net fixed assets	5,393	4,842	3,968	3,111
Capex	1,582	1,660	1,842	2,045
Other Non current assets	2,539	2,539	2,539	2,539
<b>Total Non Current Assets</b>	<b>21,212</b>	<b>20,740</b>	<b>20,047</b>	<b>19,393</b>
	0	0	0	0
<b>Total assets</b>	<b>84,868</b>	<b>1,06,501</b>	<b>1,09,959</b>	<b>1,14,128</b>
Creditors	9,903	10,211	11,242	12,323
Provisions	88	91	100	110
<b>Total current liabilities</b>	<b>23,154</b>	<b>43,939</b>	<b>46,322</b>	<b>49,147</b>
Other liabilities	526	526	526	526
Paid-up capital	1,142	1,142	1,142	1,142
Reserves & surplus	54,683	55,954	57,315	58,852
<b>Total equity &amp; liabilities</b>	<b>84,866</b>	<b>1,03,150</b>	<b>1,03,150</b>	<b>1,03,150</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E March	FY22A	FY23E	FY24E	FY25E
Pre-tax profit	15,128	16,331	17,492	18,367
Depreciation	2,082	2,211	2,717	2,853
Chg in working capital	-2,531	19,639	-66	-70
Total tax paid	2,895	3,593	3,848	4,041
<b>Cash flow from operating activities</b>	<b>14,809</b>	<b>38,311</b>	<b>20,274</b>	<b>21,287</b>
Capital expenditure	1,582	1,660	1,842	1,934
<b>Cash flow from investing activities</b>	<b>-15,464</b>	<b>-16,694</b>	<b>-17,945</b>	<b>-18,842</b>
Free cash flow	-224	1,996	49	51
Dividend (incl. tax)	10,987	11,441	12,254	12,867
<b>Cash flow from financing activities</b>	<b>-613</b>	<b>-429</b>	<b>-300</b>	<b>-315</b>
Net chg in cash	-1,267	21,188	2,028	2,130

Source: Company, Axis Securities

**Ratio Analysis**

(%)

Y/E March	FY22A	FY23E	FY24E	FY25E
<b>Per Share data</b>				
EPS (INR)	21.32	22.20	23.78	26.83
Growth, %	11%	4%	7%	13%
Book NAV/share (INR)	101.2	103.4	105.8	111.1
FDEPS (INR)	2.2	41.3	8.5	9.0
CEPS (INR)	25.0	26.1	28.5	30.0
CFPS (INR)	42.8	47.936	53.68832	56.4
DPS (INR)	20.0	20.9	22.4	23.5
<b>Return ratios</b>				
Return on assets (%)	15%	16%	16%	16%
Return on equity (%)	21%	22%	23%	25%
Return on capital employed (%)	13%	15%	17%	19%
<b>Turnover ratios</b>				
Asset turnover (x)	14.7	17.1	23.2	24.4
Sales/Total assets (x)	0.5	0.5	0.4	0.5
Receivables Days	2.1	2.2	2.3	2.4
Cash conversion cycle	70.0	70.0	70.0	73.5
<b>Liquidity ratios</b>				
Current ratio (x)	2.8	3.136	3.51232	3.9337984
Interest cover (x)	132	147.84	165.5808	185.4505
Net debt/Equity (%)				
<b>Valuation</b>				
P/E	31.6	30.3	28.3	25.1
P/S	6.6	6.5	6.4	6.2
P/BV	2.1	1.8	1.8	1.8
P/CF	28.4	23.5	20.3	17.3
BV/share	303.1	16.3	78.9	71.2

Source: Company, Axis Securities

## Wipro Price Chart and Recommendation History



Date	Reco	TP	Research
08-Dec-20	Hold	432	Initiating Coverage
23-Dec-20	Hold	432	Company Update
14-Jan-21	BUY	522	Result Update
04-Mar-21	BUY	522	Event Update
16-Apr-21	BUY	535	Result Update
16-Jul-21	BUY	655	Result Update
14-Oct-21	BUY	810	Result Update
12-Jan-22	HOLD	750	Result Update
02-May-22	BUY	600	Result Update
20-Jul-22	HOLD	450	Result Update
13-Oct-22	HOLD	440	Result Update
16-Jan-23	HOLD	410	Result Update

Source: Axis Securities

**About the analyst**

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<b>HOLD</b>	Between 10% and -10%
<b>SELL</b>	Less than -10%
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