

# Wipro Ltd

Information Technology | 4QFY24 Result Update

**SELL**
**CMP: Rs453 | Target Price (TP): Rs422 | Downside: 7%**
**April 21, 2024**

## New CEO under the microscope...

### Key Points

- 4QFY24 revenue growth declined by 0.3% QoQ in CC terms against guidance of growth of (-)1.5% to +0.5% (our estimate +0.5%).
- 1QFY25 guidance of -1.5% to 0.5% CC QoQ growth in IT Services revenue does not come as a surprise as all IT players who have declared results so far have indicated near term demand weakness. The range-bound margin guidance at ~16% is also not surprising as Wipro wants to reinvest in growth.
- The new CEO – Srini Pallia ([Insider takes charge](#)) - indicated five pillars of his strategy – focus on large deals, to deepen relationships with larger clients & partners, focus on industry specific offerings – led by Consulting and infused with AI, talent and scale to provide AI-ready solutions and operational rigor. These do not seem to be very different from what we have heard from any other large IT Services company CEO in the recent past.
- Srini indicated that he is not going to change the organisational structure that was instituted by Thierry, the previous CEO. While the stated intent is on 'accelerating growth', he is banking on strong execution. We believe he likely has a 3-year runway to deliver industry matching – if not industry-leading – growth. However, unlike Thierry who was lucky to start his stint when demand was strong, Srini comes during a time when demand is weak.
- We maintain SELL on Wipro with TP of Rs422, which is based on an unchanged target PE multiple of 16.6x (30% discount to TCS) on March'26 EPS. The EPS has been cut by 1.5-4.5% for FY25-FY27. The high discount of 30% to TCS that we are assigning is due to its significantly below peer group revenue performance in the recent quarters and the significantly lower ROIC due to its inability to squeeze out enough value from its M&A moves.

**TCV to revenue conversion is an issue:** Wipro indicated that the discretionary spending environment is weighing on the weak revenue performance, and it is seeing project ramp-downs besides cases where existing projects which are finished are not being replenished at the same pace, thereby impacting TCV conversion to revenue. This is broadly what we heard from TCS and Infosys as well who have reported results before Wipro. While it is seeing strong deal momentum in large deals, the same cannot be said of small deals.

**Centralized growth office shut down; large deal responsibility pushed to the strategic market units:** Thierry had shut down the centralised growth office, which oversaw large deals, during the last part of his tenure. Instead of using standardised templates for large deals, it was felt that strategic market unit level nuancing was required.

Est Change	Downward
TP Change	Downward
Rating Change	No change

### Company Data and Valuation Summary

Reuters	WIPR.BO
Bloomberg	WPRO IN Equity
Mkt Cap (Rsbn/US\$bn)	2,365.7 / 28.4
52 Wk H / L (Rs)	546 / 359
ADTV-3M (mn) (Rs/US\$)	3,754.6 / 45.2
Stock performance (%) 1M/6M/1yr	(8.5) / 14.5 / 25.5
Nifty 50 performance (%) 1M/6M/1yr	0.7 / 3.2 / 25.7

Shareholding	1QFY24	2QFY24	3QFY24
Promoters	72.9	72.9	72.9
DII's	7.6	8.0	8.1
FII's	6.3	6.5	6.7
Others	10.9	10.1	9.9
Pro pledge	0.0	0.0	0.0

### Financial and Valuation Summary

Particulars (Rsbn)	FY23	FY24	FY25E	FY26E
Revenue (Rsbn)	905	898	909	990
YoY Growth (%)	14.4	(0.8)	1.2	8.9
Gross Margin (%)	28.7	29.6	28.5	27.6
EBIT (Rsbn)	140	136	146	157
EBIT (%)	15.4	15.2	16.1	15.8
Adj. PAT (Rsbn)	114	110	121	133
PAT Margin (%)	12.5	12.3	13.4	13.4
YoY Growth (%)	(7.1)	(2.7)	10.0	9.5
FDEPS (Rs)	20.7	20.7	23.2	25.4
ROE (%)	15.8	14.4	15.5	15.7
Post Tax ROCE (%)	11.4	10.3	10.9	11.0
Post Tax ROIC (%)	19.0	17.3	19.3	21.3
P/E (x)	21.9	21.8	19.5	17.8
EV/EBITDA	12.3	11.9	11.0	9.8

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

**Key Links:** Latest Sector update: [Sector Update](#)

**Event update:** [CEO Resigns. Insider takes charge](#)

**Last results note:** [3QFY24 result update](#)

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**Exhibit 1: Quarterly Performance**

Particulars (Rsmn)	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	FY24	FY25	4Q24E	Var
<b>IT Services - Net Sales (USD mn)</b>	<b>2,840</b>	<b>2,779</b>	<b>2,713</b>	<b>2,656</b>	<b>2,657</b>	<b>2,644</b>	<b>2,671</b>	<b>2,697</b>	<b>2,724</b>	<b>10,805</b>	<b>10,736</b>	<b>2,676</b>	(0.7)
<b>QoQ Change (%)</b>	<b>0.6</b>	<b>-2.1</b>	<b>-2.3</b>	<b>-2.1</b>	<b>0.0</b>	<b>-0.5</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>-3.8</b>	<b>-0.6</b>	<b>0.8</b>	-
<b>Net Sales</b>	<b>2,31,903</b>	<b>2,28,310</b>	<b>2,25,159</b>	<b>2,22,051</b>	<b>2,22,083</b>	<b>2,21,313</b>	<b>2,25,547</b>	<b>2,29,951</b>	<b>2,31,969</b>	<b>8,97,603</b>	<b>9,08,781</b>	<b>2,22,860</b>	(0.3)
<b>YoY Change (%)</b>	<b>11.2</b>	<b>6.0</b>	<b>-0.1</b>	<b>-4.4</b>	<b>-4.2</b>	<b>-3.1</b>	<b>0.2</b>	<b>3.6</b>	<b>4.5</b>	<b>-0.8</b>	<b>1.2</b>	<b>-3.9</b>	-
<b>Software Expenses</b>	<b>1,62,738</b>	<b>1,61,261</b>	<b>1,59,191</b>	<b>1,53,826</b>	<b>1,57,219</b>	<b>1,57,997</b>	<b>1,60,854</b>	<b>1,64,087</b>	<b>1,66,556</b>	<b>6,31,497</b>	<b>6,49,495</b>	<b>1,53,049</b>	2.7
<b>% of Sales</b>	<b>70.2</b>	<b>70.6</b>	<b>70.7</b>	<b>69.3</b>	<b>70.8</b>	<b>71.4</b>	<b>71.3</b>	<b>71.4</b>	<b>71.8</b>	<b>70.4</b>	<b>71.5</b>	<b>68.7</b>	-
<b>Gross Profit</b>	<b>69,165</b>	<b>67,049</b>	<b>65,968</b>	<b>68,225</b>	<b>64,864</b>	<b>63,316</b>	<b>64,693</b>	<b>65,864</b>	<b>65,413</b>	<b>2,66,106</b>	<b>2,59,286</b>	<b>69,810</b>	(7.1)
<b>Margin (%)</b>	<b>29.8</b>	<b>29.4</b>	<b>29.3</b>	<b>30.7</b>	<b>29.2</b>	<b>28.6</b>	<b>28.7</b>	<b>28.6</b>	<b>28.2</b>	<b>29.6</b>	<b>28.5</b>	<b>31.3</b>	-
<b>Operating Expenses</b>	<b>32,578</b>	<b>32,471</b>	<b>32,891</b>	<b>35,622</b>	<b>29,363</b>	<b>27,607</b>	<b>27,873</b>	<b>28,685</b>	<b>29,102</b>	<b>1,30,347</b>	<b>1,13,267</b>	<b>33,602</b>	(12.6)
<b>% of Sales</b>	<b>14.0</b>	<b>14.2</b>	<b>14.6</b>	<b>16.0</b>	<b>13.2</b>	<b>12.5</b>	<b>12.4</b>	<b>12.5</b>	<b>12.5</b>	<b>14.5</b>	<b>12.5</b>	<b>15.1</b>	-
<b>EBIT</b>	<b>37,577</b>	<b>34,516</b>	<b>33,345</b>	<b>32,865</b>	<b>35,373</b>	<b>35,709</b>	<b>36,820</b>	<b>37,179</b>	<b>36,311</b>	<b>1,36,099</b>	<b>1,46,020</b>	<b>36,208</b>	(2.3)
<b>YoY Change (%)</b>	<b>7.0</b>	<b>8.2</b>	<b>2.6</b>	<b>-12.7</b>	<b>-5.9</b>	<b>3.5</b>	<b>10.4</b>	<b>13.1</b>	<b>2.7</b>	<b>-2.5</b>	<b>7.3</b>	<b>-3.6</b>	-
<b>Margin (%)</b>	<b>16.2</b>	<b>15.1</b>	<b>14.8</b>	<b>14.8</b>	<b>15.9</b>	<b>16.1</b>	<b>16.3</b>	<b>16.2</b>	<b>15.7</b>	<b>15.2</b>	<b>16.1</b>	<b>16.2</b>	-
<b>Interest</b>	<b>-2,860</b>	<b>-3,086</b>	<b>-3,033</b>	<b>-3,125</b>	<b>-3,308</b>	<b>-2,771</b>	<b>-2,771</b>	<b>-2,771</b>	<b>-2,771</b>	<b>-12,552</b>	<b>-11,083</b>	<b>-3,089</b>	7.1
<b>Other Income</b>	<b>5,463</b>	<b>6,542</b>	<b>4,810</b>	<b>5,785</b>	<b>6,759</b>	<b>6,231</b>	<b>6,613</b>	<b>6,679</b>	<b>7,186</b>	<b>23,896</b>	<b>26,709</b>	<b>5,683</b>	18.9
<b>PBT</b>	<b>40,184</b>	<b>37,975</b>	<b>35,092</b>	<b>35,521</b>	<b>38,622</b>	<b>39,170</b>	<b>40,662</b>	<b>41,087</b>	<b>40,726</b>	<b>1,47,210</b>	<b>1,61,645</b>	<b>38,802</b>	(0.5)
<b>Tax</b>	<b>9,249</b>	<b>9,115</b>	<b>8,419</b>	<b>8,515</b>	<b>10,040</b>	<b>9,597</b>	<b>9,962</b>	<b>10,066</b>	<b>9,978</b>	<b>36,089</b>	<b>39,603</b>	<b>9,302</b>	7.9
<b>ETR (%)</b>	<b>23.0</b>	<b>24.0</b>	<b>24.0</b>	<b>24.0</b>	<b>26.0</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>24.0</b>	-
<b>Reported PAT</b>	<b>30,745</b>	<b>28,701</b>	<b>26,463</b>	<b>26,942</b>	<b>28,346</b>	<b>29,423</b>	<b>30,550</b>	<b>30,871</b>	<b>30,598</b>	<b>1,10,452</b>	<b>1,21,442</b>	<b>29,421</b>	(3.7)
<b>Adj. PAT</b>	<b>30,745</b>	<b>28,701</b>	<b>26,463</b>	<b>26,942</b>	<b>28,346</b>	<b>29,423</b>	<b>30,550</b>	<b>30,871</b>	<b>30,598</b>	<b>1,10,452</b>	<b>1,21,442</b>	<b>29,421</b>	(3.7)
<b>YoY Change (%)</b>	<b>-0.4</b>	<b>12.0</b>	<b>-0.5</b>	<b>-11.7</b>	<b>-7.8</b>	<b>2.5</b>	<b>15.4</b>	<b>14.6</b>	<b>7.9</b>	<b>-2.7</b>	<b>10.0</b>	<b>-4.3</b>	-
<b>Adj. EPS</b>	<b>5.6</b>	<b>5.1</b>	<b>5.0</b>	<b>5.2</b>	<b>5.4</b>	<b>5.6</b>	<b>5.8</b>	<b>5.9</b>	<b>5.8</b>	<b>20.7</b>	<b>23.2</b>	<b>5.6</b>	(3.7)

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 2: Change in our estimates**

	New				Old				Deviation			
	FY24A	FY25E	FY26E	FY27E	FY24E	FY25E	FY26E	FY27E	FY24E	FY25E	FY26E	FY27E
INR/USD	82.8	84.3	85.7	86.8	82.7	84.3	85.7	86.8	0.1	-	-	-
IT Services USD Revenue (USD mn)	10,805	10,736	11,510	12,212	10,824	11,140	12,087	12,792	(0.2)	(3.6)	(4.8)	(4.5)
USD Revenue Growth (%)	(3.8)	(0.6)	7.2	6.1	(3.7)	2.9	8.5	5.8	-	-	-	-
Revenue (Rsbn)	898	909	990	1,063	898	942	1,038	1,113	(0.1)	(3.5)	(4.7)	(4.4)
EBIT (Rsbn)	136	146	157	170	137	149	166	182	(0.6)	(1.9)	(5.8)	(6.7)
EBIT Margin (%)	15.2	16.1	15.8	16.0	15.2	15.8	16.0	16.4	-	-	-	-
PAT (Rsbn)	110	121	133	147	112	123	139	152	(1.0)	(1.4)	(4.4)	(3.4)
FDEPS (Rs)	20.7	23.2	25.4	28.0	20.9	23.5	26.6	29.0	(1.0)	(1.4)	(4.4)	(3.5)

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: Vertical-based USD QoQ and YoY revenue growth in 4QFY24**

Verticals	Contribution to Revenue (%)	Growth-QoQ(%)	Growth-YoY(%)
Communications	3.8	(5.0)	(21.0)
Finance Solutions	33.5	2.5	(8.3)
Manufacturing	11.4	(1.0)	(11.5)
Technology	6.6	(5.9)	(2.2)
Healthcare, Life sciences and Services	14.1	1.5	8.2
Consumer Business Unit	18.7	(0.5)	(6.9)
Energy, Natural Resources and Utilities	11.9	0.9	(9.5)
<b>Total</b>	<b>100.00</b>	<b>0.0</b>	<b>-6.4</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 4: Geography- based USD QoQ and YoY revenue growth in 4QFY24

Geographies	Contribution to Revenue	Growth-QoQ(%)	Growth-YoY(%)
Americas 1	30.4	-1.9	(1.2)
Americas 2	30.7	2.4	(6.4)
Europe	27.8	0.4	(11.2)
ROW	11.1	-1.7	(7.2)
<b>Total</b>	<b>100</b>	<b>0.0</b>	<b>(6.4)</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 5: Vertical based CC QoQ and YoY revenue growth in 4QFY24

Verticals	Contribution to Revenue (%)	Growth-QoQ(%)	Growth-YoY(%)
Communications	3.8	-4.8	-19.6
Finance Solutions	33.5	2.1	-9.4
Manufacturing and Technology	11.4	-0.6	-10.8
Technology	6.6	-6.0	-2.1
Healthcare, Life sciences and Services	14.1	1.2	9.0
Consumer Business Unit	18.7	-0.6	-7.4
Energy, Natural Resources and Utilities	11.9	-0.3	-9.7
<b>Total</b>	<b>100.00</b>	<b>-0.3</b>	<b>-6.6</b>

Source: Nirmal Bang Institutional Equities Research

## Exhibit 6: Geography based CC QoQ and YoY revenue growth in 4QFY24

Geographies	Contribution to Revenue	Growth-QoQ(%)	Growth-YoY(%)
Americas 1	30.4	-1.8	0.0
Americas 2	30.7	1.9	-6.0
Europe	27.8	-0.1	-12.4
ROW	11.1	-2.2	-9.4
<b>Total</b>	<b>100.0</b>	<b>-0.3</b>	<b>-6.6</b>

Source: Nirmal Bang Institutional Equities Research

## Exhibit 7: Vertical-based USD YoY revenue growth in FY24

Verticals	Contribution to Revenue (%)	Growth-YoY(%)
Communications	4.2	(14.7)
Finance Solutions	33.4	(8.2)
Manufacturing	6.9	(3.8)
Technology	11.7	(0.4)
Healthcare, Life sciences and Services	13.2	8.9
Consumer Business Unit	18.7	(4.6)
Energy, Natural Resources and Utilities	11.9	(0.8)
<b>Total</b>	<b>100.00</b>	<b>-3.8</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 8: Geography- based USD YoY revenue growth in FY24

Geographies	Contribution to Revenue	Growth-YoY(%)
Americas 1	30.0	0.2
Americas 2	30.1	(6.0)
Europe	28.4	(4.3)
ROW	11.5	(6.9)
<b>Total</b>	<b>100</b>	<b>(3.8)</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 9: Vertical based CC YoY revenue growth in FY24

Verticals	Contribution to Revenue (%)	Growth-YoY(%)
Communications	4.2	-14.5
Finance Solutions	33.4	-8.9
Manufacturing and Technology	6.9	-4.3
Technology	11.7	-0.8
Healthcare, Life sciences and Services	13.2	8.6
Consumer Business Unit	18.7	-5.3
Energy, Natural Resources and Utilities	11.9	-1.6
<b>Total</b>	<b>100.00</b>	<b>-4.4</b>

Source: Nirmal Bang Institutional Equities Research

## Exhibit 10: Geography based CC YoY revenue growth in FY24

Geographies	Contribution to Revenue	Growth-YoY(%)
Americas 1	30.0	0.2
Americas 2	30.1	-6.1
Europe	28.4	-7.0
ROW	11.5	-4.5
<b>Total</b>	<b>100.0</b>	<b>-4.4</b>

Source: Nirmal Bang Institutional Equities Research

**View on the Indian IT Services sector:** We downgraded Indian IT Services to UW through a report on 10th April, 2022 ([Positive surprises likely low in FY23; Tier-2 risky](#)) and continued to remain underweight through our notes on 19th May, 2022 ([Customer stress shows up](#)), 8th July, 2022 ([Negatives not in price](#)), 10th October, 2022 ([Growth expectations too high](#)), 20th March, 2023 ([Sell into delayed landing outperformance](#)), 14<sup>th</sup> June 2023 ([Too early to be positive](#)), 26<sup>th</sup> September, 2023 ([Cut FY25 estimates; Slower for longer; Sell into the FOMO rally](#)), 15th December, 2023 ([No/Soft landing](#)) and 20<sup>th</sup> March 2024 ([Continued uncertainty to keep a lid on spending](#)).

Nifty IT index's TSR from 31st Dec, 2019 till 14th March, 2024 has been 163% with a 70 percentage point outperformance vs the Nifty. But the outperformance was front-loaded in the first two years of the period (CY20 and CY21). Since 31st December, 2021, the Nifty IT TSR has underperformed the Nifty by 29 percentage points.

The massive outperformance of the Nifty IT in 2020 and 2021 was on the back of pandemic-driven Digital Transformation (DT) services-based earnings acceleration and significant multiple expansion on unprecedented monetary stimulus in the US and in Europe. While DT services will continue to remain a key theme over the long term, we believe that IT spends will be curtailed by an 'ability-to-spend' problem as enterprise customers battle earnings pressure from wage inflation, reduced end customer spending power, higher interest rates and likely below-trend growth in western developed economies. Customers, we believe, had pulled forward spending into the compressed transformation phase of FY20-FY23 from future years. We believe customers are now evaluating ROIs on those projects and on spending normalization.

**Macro environment now has one good and two bad scenarios:** The good scenario is obviously the soft-landing scenario in the US where inflation, economy and employment cool off, thereby allowing the Fed to lower fed funds rate to what is considered a neutral rate – which is widely believed to be 2.5% (we are currently at 5.25-5.5%). The two bad scenarios are: (1) some sort of US recession in CY24 or (2) a strong economic growth scenario with higher than 2% inflation, which will keep fed funds rate 'high for longer'.

We persist with our 'UW' stance.

This is because:

(1) Valuations for most IT stocks in our coverage universe are expensive in relation to their 5-year or 10-year histories and we see no material upside to FY25/FY26 earnings for our coverage in the next 12 months

(2) As things stand today, while our earlier base case of a shallow US recession sometime in CY24 seems to have a low probability (though professional forecasters still give a probability of 40% for a US recession in the next 12 months based on Bloomberg consensus), chances of a 'no landing' with hotter inflation with 'higher rates for longer' scenario seems to have a better probability and is also not a positive scenario for customers.

A 'higher for longer' rates scenario could mean tepid growth in both FY25 and FY26; a shallow US recession could mean a significant deceleration in demand and consequently in revenue & earnings growth for the IT sector.

Even if one were to ignore the next 12–18 months' risks around a recession/the 'higher for longer' interest rate regime and take a 5-year view, we believe that starting valuations are expensive and can at best deliver mid to high single-digit total stock returns (including capital return to shareholders) for TCS/Infosys, as we believe that structural revenue/earnings growth is being overestimated by the street. We believe that USD revenue growth over a 5-year period (FY23-FY28) for Tier-1 IT set in aggregate will at best be at par with the FY15-FY20 period (~7%). We also expect margins for most coverage companies to remain in a narrow band at around FY24 levels and do not see a material expansion (except for Tech Mahindra where it starts from a very low base). *Ceteris Paribus*, this has valuation/return implications.

**We continue to maintain TCS as our industry valuation benchmark:** We are valuing TCS at target 12-month forward PE of 23.7x, which represents 1SD below the 5-year historical mean. This has been raised from the 20x that we had assigned earlier (10-year mean less 0.5SD). Target multiples for others are at a premium/discount to TCS. If one were to look back in history, our Target PE multiples are not overly pessimistic as PE multiples of many Tier-1 IT stocks are in fact at the higher end of the pre-pandemic PE range. We have used a higher target PE multiple not because we think that a material earnings upgrade cycle is on the cards for FY25/FY26, but to acknowledge the higher domestic inflows into equities, which have lifted valuations of the entire Indian market and particularly that of the Mid-cap and Small-cap stocks.

**The Tier-2 pack has held out better than anticipated:** Growth for well-run Tier-2 IT companies has materially decelerated from their FY22/FY23 levels, but the same has not been as bad as we had expected. That we believe is because the US macro held up better than we/consensus had anticipated. Had we seen a shallow US recession (our earlier base case scenario), growth in both Tier-1 and Tier-2 set would have come off a lot more than it eventually did in FY24.

**Tier-2 still faces significant risks:** Tier-2 set has a less diversified revenue mix (client, service line and vertical), which could throw up negative growth surprises (as has been seen in case of Mphasis in the last 12-18 months), and a larger exposure to non-Global 1000 clientele, whose profits are more vulnerable in a weaker macro environment. Indian Tier-2 IT pack is now at a PE premium of ~27% to Tier-1 compared to a discount of 25% on 1<sup>st</sup> January 2020. The premium is at the highest ever level, driven by strong flows into SMID stocks by the Indian mutual funds.

This premium reflects expectations of a big positive earnings growth gap between Tier-2 and Tier-1 IT companies over FY21-FY23 and improving return ratios sustaining beyond FY23. We do not agree with that view. We think that the earnings growth gap will compress due to slower revenue growth and next-to-no margin expansion from current levels for most Tier-2 IT companies. The high PE multiples are also a reflection of the market's view that some Tier-2 IT companies will become US\$5-10bn enterprises in the next 10-20 years. Once the 'Digital' high tide recedes, it remains to be seen which of the current Tier-2 set will continue to show promise. In the initial phase of any new tech cycle, customers tend to be open to new vendors, but as the cycle matures (post FY23 in our view), vendors that have scale – Tier-1 - tend to do better. We think customers are looking for revolutionary transformation, which Tier-1 companies with multi-vertical exposure and deeper domain/technology skills are best placed to deliver.



## Highlights from 4QFY24 results and analyst call

### Revenue comes at the mid-point of guidance.

- Revenue came in at US\$2,657mn and missed our estimate of US\$2,676mn by 0.7%. It was flat on QoQ basis and down by 6.4% on YoY basis.
- Revenue in CC terms was down by 0.3% on QoQ basis and came in close to the mid-point of the guided range of (1.5%) – 0.5%; We had estimated 0.5% QoQ CC growth. It was down 6.6% on YoY basis.
- FY24 IT Services revenue came in at US\$10.08bn, down by 3.8% on YoY basis. In CC terms, it was down by 4.4% on YoY basis.

### Margin remains range-bound.

- EBIT margin for IT Services came in at 16.4%, 20bps higher than our estimate of 16.2%. It was up by 40bps on YoY basis.
- IT Services' EBIT margin came in healthy at ~16.1% for FY24, up by 50bps on YoY basis. Wipro had guided for a 16%+. During FY24, there was a one-time restructuring charge of Rs6.8bn and 16.1% margin is excluding that.
- Wipro indicated that business transformation and focus programs have helped maintain margins. One such program is restructuring and steady reduction of low-margin businesses.
- 17% EBIT margin is the aspirational target. Margin has improved gradually as the focus has tilted towards operational efficiency across the organisation. Levers like fixed price productivity, pyramid, internal fulfilment, skilling, etc were used in 4QFY24. Synergies are expected on the G&A side as well with acquired entities.
- Commentary on pricing as a lever to improve margins – FY24 was a year that witnessed pricing pressure in efficiency-led offerings due to competition while Wipro said it was able to secure premiums from newer and specialized offerings.
- It has already improved utilization (excluding trainees) significantly in 4QFY24 by 290bps QoQ to all-time high level of 86.9%.
- Growth pick-up in Capco will also aid margin on the back of better utilization of high-cost consulting resources.

### Verticals and Geographies

- In 4QFY24 CC terms YoY basis, Healthcare & Life Sciences was the only positive vertical, growing by 9%. Communications showed the biggest decline, by 19.6% followed by Manufacturing & Hi-tech, with 10.8%. Energy, Natural Resources & Utilities declined by 9.7%, BFSI by 9.4%, Consumer by 7.4% and Technology by 2.1%.
- In CC terms on YoY basis, Europe led the decline, falling by 12.4% followed by APMEA, which fell by 9.4% and Americas 2, which fell by 6%. Americas 1 markets remained flat for the second consecutive quarter.
- The revenue decline in APMEA markets can be attributed to strategy of reducing low-margin accounts and slowly moving towards higher value transformation projects, which led to a margin increase of 235bps in FY24.
- On QoQ basis in CC terms, the Americas 2 market grew by 1.9% on the back of strong performance in Capco, BFSI, Hi-tech and Canada sectors. Almost 60% of the revenue in this segment comes from BFSI and this is now starting to return to stability.
- In Europe, Germany and the UK continue to be impacted by the slowdown in the demand environment, although there is recovery in Switzerland and Southern Europe, which grew by 1.7% and 1.6%, respectively on QoQ basis. Southern Europe as a sector grew by 14.6% on YoY basis.

## Guidance

- For 1QFY25, Wipro has given IT Services revenue guidance in the range of US\$2,617-2,670mn. This translates into QoQ CC growth of (1.5%) - 0.5%.
- It has also indicated that EBIT margin for IT Services will continue to remain range-bound at ~16% level.

## Demand Environment

- Wipro indicated that FY24 was a tough year for the IT industry, and it affected Wipro's performance too. The economic environment continues to remain uncertain and there might be some more challenges in the short term.
- It believes it is on the brink of a major technological shift and every client across all industries is eager to leverage the power of AI to shape the future of their businesses.
- It indicated that there is no change in the overall demand environment than what it was in the past 12 months and the slower discretionary spending remains a concern. This is something which was highlighted by Infosys and TCS as well.
- It indicated that Energy, Utilities & Resources and Manufacturing have remained soft - which is one reason for the underperformance in Europe as well. It has a good pipeline of orders and expects growth in 2HFY25 in these sectors.
- It indicated that the Consumer and Life Sciences sectors continue to be impacted by the overall lower spending environment amid high inflation.

## Generative AI

- Wipro indicated that it has been investing heavily in AI and in 4QFY24 it launched the enterprise AI-ready platform with IBM. It is a new service that will allow clients to create enterprise level, fully integrated and customized AI environments.
- Wipro indicated that long-term deals now have a Gen AI component in it. Gen AI is also now embedded across most of its existing solutions and offerings.
- Wipro has trained 225,000+ employees in basic AI capabilities and is planning to train many of these employees for advanced AI programs to make them project ready.

## Consulting Business

- Wipro in the 3QFY24 call had indicated some green shoots in the Consulting business and the traction continued in 4QFY24 as well as Capco revenue grew by 6.6% on QoQ basis and the order bookings grew by 43.6%.
- In terms of the strategy for Capco, it indicated that in the context of BFSI, Capco is going to be the tip of the spear. It is looking at end-to-end consulting led execution and is seeing good traction as well.
- In the last three months, it is seeing some discretionary spending come back in the context of Consulting and it is working on a lot of synergy deals to leverage the capabilities of Capco.

## Order inflow remains strong.

- Total TCV for 4QFY24 stood at US\$3.6bn, which is the 6<sup>th</sup> consecutive quarter of US\$3bn+ TCV for Wipro. This included large deal wins worth US\$1.2bn. It had 18 deals in the US\$30mn+ TCV range in 4QFY24.
- Wipro added 1 new account in the US\$75mn+ bucket, taking the total to 32 accounts. Total active clients were up for the first time after 12 months of client reduction and stood at 1,371. 22 net clients were added during the quarter.
- In 4QFY24, deal momentum in Americas 1 remained strong and Wipro booked 8 large deals here with a TCV of US\$587mn (+24.9% YoY).
- In Europe, it won 5 large deals in 4QFY24 for a TCV of US\$300mn+.
- Wipro also indicated that in 2QFY24 it had a couple of mega deals with TCV of ~US\$500mn. One of these accounts has now become its largest customer and this indicated positive momentum for Wipro in terms of scaling up accounts.

## Employee metrics

- Attrition for 4QFY24 came in at 14.2%, which was the lowest in the last 12 quarters and lower by 30bps on QoQ basis. Utilization, ex-trainees, came in at 86.9% in 4QFY24 compared to 84% in 3QFY24.
- Total headcount as of end 4QFY24 stood at 234,054, which is a net reduction of 6,180 employees on QoQ basis. This is the 6<sup>th</sup> consecutive quarter of net reduction and Wipro has lowered its employee base by 28,572 over the past six quarters. This is more than 10% of the entire workforce.
- Wipro justified that the headcount reduction is on the back of operational efficiency and as & when demand picks up, it will be able to quickly ramp up headcount as there are no issues on the supply side. It had over hired in the post-Covid era just like most other IT peers and will be more cautious in future.
- Wipro indicated that it is yet to honour some of the offers it rolled out during the pandemic phase and these would be given priority before going back to campuses for fresh hiring.

## New CEO

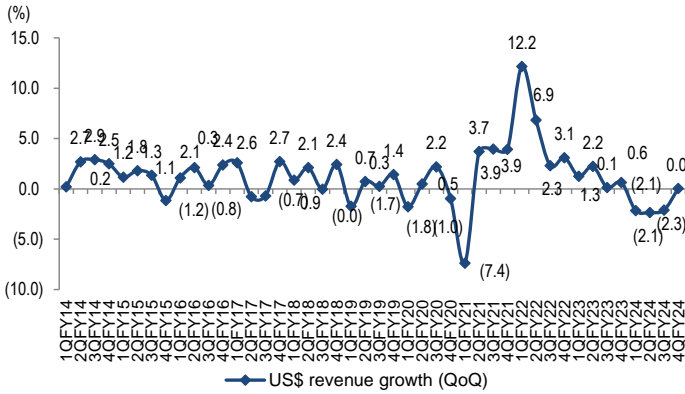
- On 6<sup>th</sup> April, 2024, Thierry Delaporte stepped down from his post after almost four years of heading Wipro. He was succeeded by Srimi Pallia, who has been working in Wipro for the past 32 years.

## Miscellaneous

- Cash flow conversion has been extremely healthy: CFO-to-net income came in at 182.6% while FCF-to-net income came in at 168.1% for 4QFY24.
- In 4QFY24, Wipro acquired a 60% stake in US-based Insurtech Aggne Global for US\$66mn, in an all-cash deal, to strengthen its proposition in the Insurance sector, particularly in the Property & Casualty (P&C) insurance space.
- In terms of M&A, Wipro indicated that it will be active, although it will be selective and will invest in new technologies, markets, and solutions for clients.

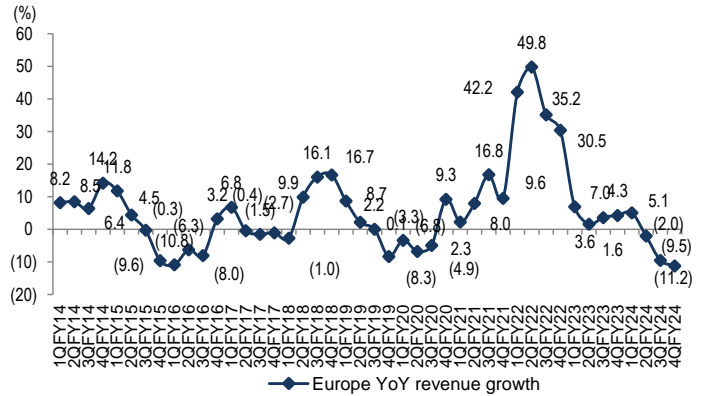


**Exhibit 11: USD revenue growth (QoQ)**



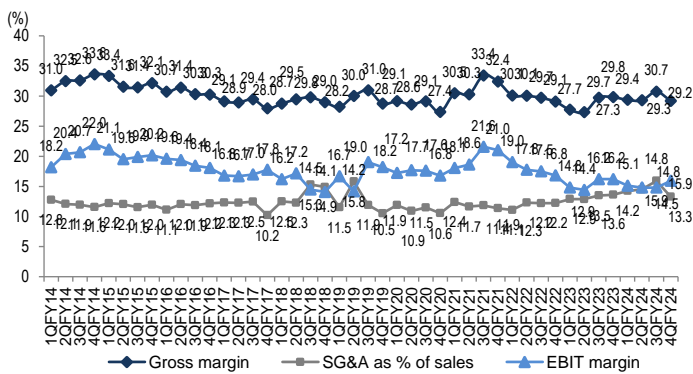
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 12: YoY Europe revenue growth (USD terms)**



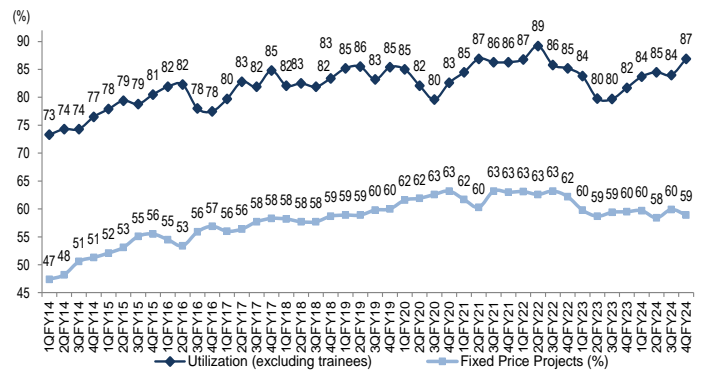
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 13: EBIT margin on QoQ basis**



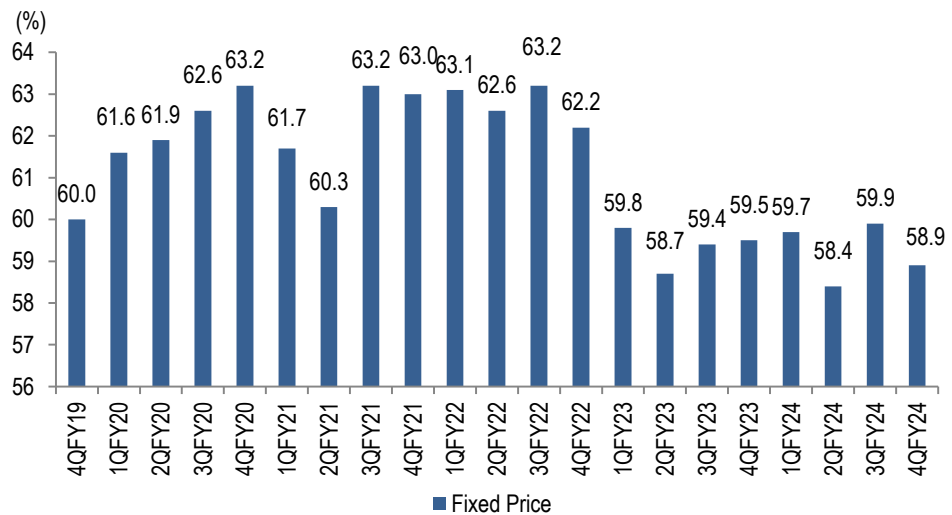
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 14: Staff utilization trend QoQ**



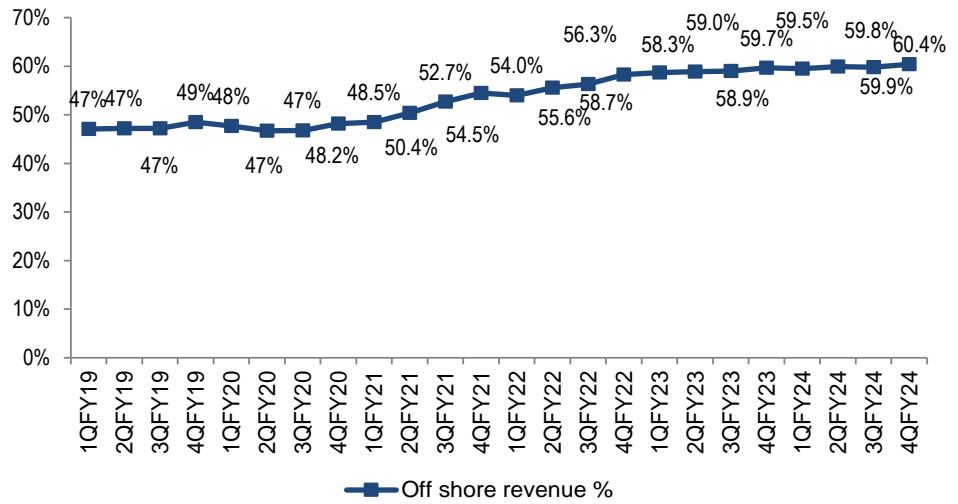
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 15: Fixed-price engagements in terms of revenue share**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 16: Offshore revenue QoQ (%)**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 17: Quarterly snapshot**

Year to 31 March (Rsmn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
<b>INR/USD</b>	<b>75.9</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>USD Revenue IT Services (USD mn)</b>	<b>2,722</b>	<b>2,756</b>	<b>2,817</b>	<b>2,821</b>	<b>2,840</b>	<b>2,779</b>	<b>2,713</b>	<b>2,656</b>	<b>2,657</b>
INR Revenue- IT Services	2,06,608	2,12,848	2,23,629	2,30,557	2,30,772	2,27,616	2,23,690	2,21,246	2,20,924
INR Revenue- IT Products	1,201	1,946	1,249	1,721	1,131	694	1,469	805	1,159
INR Revenue- ISRE	1,868	1,526	1,576	1,403	-	-	-	-	-
INR Revenue - Reconciling Items	-2	0	0	0	0	0	0	0	0
Forex gain/(loss)	-1075	-1034	-1057	-1391	-990	62	-268	-262	128
<b>Total Revenue- (Services+Products)</b>	<b>2,08,600</b>	<b>2,15,286</b>	<b>2,25,397</b>	<b>2,32,290</b>	<b>2,31,903</b>	<b>2,28,310</b>	<b>2,25,159</b>	<b>2,22,051</b>	<b>2,22,083</b>
Direct costs	1,47,965	1,55,600	1,63,835	1,63,273	1,62,738	1,61,261	1,59,191	1,53,826	1,57,219
Gross Margin	60,635	59,686	61,562	69,017	69,165	67,049	65,968	68,225	64,864
SGA	26,606	28,830	30,116	32,772	32,578	32,471	32,891	35,622	29,363
Other operating Income	7	0	0	0	0	0	0	0	0
EBIT- IT Services	35,050	31,832	33,801	37,504	37,646	36,517	36,058	35,426	36,195
EBIT- IT Products	-22	-55	-103	41	-59	-161	-467	114	143
EBIT- ISRE	171	173	146	102	20	0	0	0	0
EBIT - Reconciling Items	-88	-60	-1,341	-11	-30	-1,840	-2,246	-2,675	-965
EBIT - Unallocated	0	0	0	0	0	0	0	0	0
<b>Total EBIT</b>	<b>35111</b>	<b>31890</b>	<b>32503</b>	<b>37636</b>	<b>37577</b>	<b>34516</b>	<b>33345</b>	<b>32865</b>	<b>35373</b>
Other income (net)	2,213	1,630	1,698	2,116	2,607	3,459	1,747	2,656	3,249
PBT	37324	33520	34201	39,752	40,184	37,975	35,092	35,521	38,622
Tax	6,399	7,931	7,710	9,102	9,249	9,115	8,419	8,515	10,040
Minority Interest	-52	47	99	-121	-190	-159	-210	-64	-236
PAT	30,873	25,636	26,590	30,529	30,745	28,701	26,463	26,942	28,346
<b>YoY Growth (%)</b>									
USD Revenue IT Services	26.4%	14.1%	9.2%	6.9%	4.3%	0.8%	-3.7%	-5.9%	-6.4%
INR Revenue	28.4%	17.9%	14.6%	14.4%	11.2%	6.0%	-0.1%	-4.4%	-4.2%
Gross Profit	15.2%	8.6%	4.1%	14.3%	14.1%	12.3%	7.2%	-1.1%	-6.2%
EBIT	2.9%	-8.2%	-6.9%	5.9%	7.0%	8.2%	2.6%	-12.7%	-5.9%
Net Profit	4.0%	-20.7%	-9.3%	2.8%	-0.4%	12.0%	-0.5%	-11.7%	-7.8%
<b>QoQ Growth (%)</b>									
USD Revenue - IT Services	3.11%	1.26%	2.23%	0.1%	0.6%	-2.1%	-2.3%	-2.1%	0.0%
INR Revenue	2.7%	3.2%	4.7%	3.1%	-0.2%	-1.5%	-1.4%	-1.4%	0.0%
EBIT	-1.2%	-9.2%	1.9%	15.8%	-0.2%	-8.1%	-3.4%	-1.4%	7.6%
Net Profit	4.0%	-17.0%	3.7%	14.8%	0.7%	-6.6%	-7.8%	1.8%	5.2%
<b>Margins (%)</b>									
Gross Margin	29.1%	27.7%	27.3%	29.7%	29.8%	29.4%	29.3%	30.7%	29.2%
SGA	12.8%	13.4%	13.4%	14.1%	14.0%	14.2%	14.6%	16.0%	13.2%
EBIT Margin- IT Services	17.0	15.0	15.1	16.3	16.3	16.0	16.1	16.0	16.4
EBIT Margin- IT Products	-1.8%	-2.8%	-8.2%	2.4%	-5.2%	-23.2%	-31.8%	14.2%	12.3%
Total EBIT Margin	16.8	14.8	14.4	16.2	16.2	15.1	14.8	14.8	15.9
PAT	14.8%	11.9%	11.8%	13.1%	13.3%	12.6%	11.8%	12.1%	12.8%

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 18: Key metrics**

Key Metrics	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Revenue (USD mn)	2,580	2,640	2,722	2,756	2,817	2,821	2,840	2,779	2,713	2,656	2,657
<b>P and L (Rsmn)</b>											
Revenue	1,96,674	2,03,136	2,08,600	2,15,286	2,25,397	2,32,290	2,31,903	2,28,310	2,25,159	2,22,051	2,22,083
EBITDA	42,730	47,386	51,103	36,145	40,999	50,358	54,503	38,563	41,370	44,889	51,557
PAT	29,307	29,690	30,873	25,636	26,590	30,529	30,745	28,701	26,463	26,942	28,346
<b>Vertical Mix (%)</b>											
BFSI	34.8	35.2	35.4	35.4	35.2	34.9	34.2	33.8	33.6	32.7	33.5
HLS	11.7	11.8	11.5	11.5	11.4	12.0	12.2	12.2	12.7	13.9	14.1
RCTG	17.3	17.7	17.9	18.5	18.8	18.9	18.8	18.7	18.7	18.8	18.7
ENU	12.3	11.7	11.5	11.1	11.2	11.4	12.3	12.2	11.6	11.8	11.9
MFG	18.9	18.6	18.9	18.5	18.5	18.2	18.0	18.5	19.1	18.8	18.0
GMT	5.0	5.0	4.8	5.0	4.9	4.6	4.5	4.6	4.3	4.0	3.8
<b>Horizontal Mix (%)</b>											
iDEAS	61.3	61.0	61.2	61.9	62.3	61.7	61.4	-	-	-	-
iCORE	38.7	39.0	38.8	38.1	37.7	38.3	38.6	-	-	-	-
<b>Geographic Mix (%)</b>											
Americas 1	27.5	28.2	28.3	29.1	29.2	29.4	28.8	28.8	29.8	31.0	30.4
Americas 2	30.6	30.4	31.0	31.3	31.3	30.8	30.7	30.0	29.9	30.0	30.7
Europe	30.2	29.7	29.3	28.3	28.1	28.8	29.3	29.5	28.6	27.7	27.8
APAC and Other Emerging Markets	11.7	11.7	11.4	11.3	11.4	11.0	11.2	11.7	11.7	11.3	11.1
<b>Project Type</b>											
T&M	37.4	36.8	37.8	40.2	41.3	40.6	40.5	40.3	41.6	40.1	41.1
Fixed Price	62.6	63.2	62.2	59.8	58.7	59.4	59.5	59.7	58.4	59.9	58.9
<b>Utilization (%) (gross)</b>	78.1	75.6	75.8	72.7	72.3	72.3	74.0	0.0	0.0	0.0	0.0
<b>Clients Concentration (%)</b>											
Top client	3.1	3.2	3.2	3.2	3.2	3.2	3.3	3.1	3.0	3.0	3.8
Top 5 clients	12.5	12.7	12.9	13.0	13.1	13.3	12.6	12.5	12.3	12.1	13.4
Top 10 clients	20.1	20.2	20.5	20.9	21.0	21.3	20.3	20.5	20.6	20.5	22.0
<b>Number of Clients</b>											
> USD 100 mn+	15	17	19	20	19	19	19	21	22	22	22
> USD 75 mn+	28	29	29	30	29	29	29	28	28	31	32
> USD 50 mn+	44	47	50	50	52	52	53	51	51	46	45
> USD 20 mn+	100	110	117	120	122	119	117	123	122	121	116
> USD 10 mn+	182	189	194	195	198	202	208	207	207	203	205
> USD 5 mn+	279	286	297	306	308	307	311	319	313	305	301
> USD 3 mn+	390	399	410	417	425	431	427	444	437	430	409
> USD 1 mn+	623	661	679	703	729	739	750	769	774	750	741
Employees	2,21,365	2,31,671	2,43,128	2,62,049	2,62,626	2,62,109	2,58,570	2,49,758	2,44,707	2,40,234	2,34,054
Net Addition	11,475	10,306	11,457	18,921	577	(517)	(3539)	(8812)	(5051)	(4473)	(6180)
TTM Attrition (%)	20.5	22.7	23.8	23.3	23	21.2	19.2	17.3	15.5	14.2	14.2
<b>P&amp;L (USD mn)</b>											
Revenue	2,580	2,640	2,722	2,756	2,817	2,821	2,840	2,779	2,713	2,656	2,657
EBIT	471	467	463	410	407	458	460	421	404	394	424
PAT	395	390	407	329	333	371	377	350	321	323	340
<b>Per Capita (Annualised) - USD mn</b>											
Revenue	46,620	45,577	44,778	42,068	42,911	43,057	43,926	44,499	44,352	44,225	45,415
EBIT	8,509	8,060	7,614	6,256	6,193	6,984	7,121	6,750	6,604	6,561	7,254
PAT	7,141	6,734	6,695	5,029	5,067	5,665	5,826	5,612	5,241	5,379	5,813
Total Direct+Opex cost per capita	38,111	37,517	37,164	35,812	36,718	36,073	36,805	37,749	37,748	37,664	38,161

Source: Company, Nirmal Bang Institutional Equities Research

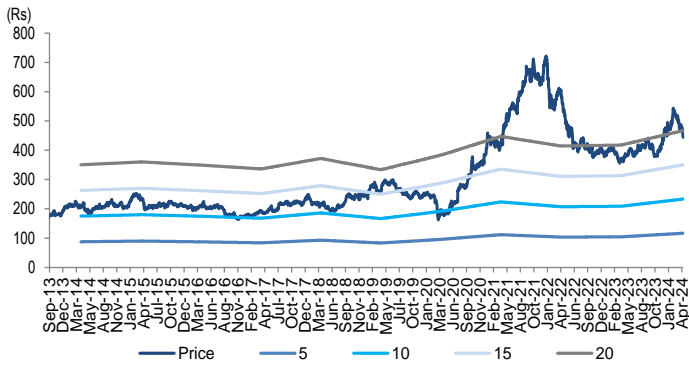
**Exhibit 19: QoQ and YoY growth of various parameters**

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
<b>QoQ Growth (%)</b>												
<b>Horizontal Service Lines</b>												
iDEAS	18.7	9.0	1.8	3.4	2.4	2.9	(0.8)	0.2	0.0	0.0	0.0	0.0
iCORE	3.6	3.6	3.1	2.6	(0.6)	1.2	1.7	1.4	0.0	0.0	0.0	0.0
<b>Vertical Wise</b>												
Communications	14.4	4.8	2.3	(1.0)	5.5	0.2	(6.0)	(1.5)	0.0	(8.7)	(8.9)	(5.0)
Finance Solutions	22.8	11.3	3.5	3.7	1.3	1.7	(0.7)	(1.4)	(3.3)	(2.9)	(4.7)	2.5
Manufacturing and Technology	1.1	5.2	0.7	4.8	(0.9)	2.2	(1.5)	(0.5)	0.6	0.8	(3.6)	(4.2)
Healthcare, Life sciences and Services	2.7	5.1	3.2	0.5	1.3	1.3	5.4	2.3	(2.1)	1.7	7.1	1.5
Consumer	14.2	6.9	4.7	4.3	4.7	3.9	0.7	0.1	(2.7)	(2.3)	(1.6)	(0.5)
Energy, Natural Resources and Utilities	11.3	0.3	(2.7)	1.3	(2.3)	3.1	1.9	8.6	(2.9)	(7.1)	(0.4)	0.9
<b>Geography-wise</b>												
Americas 1	6.0	6.5	4.9	3.5	4.1	2.6	0.8	(1.4)	(2.1)	1.0	1.8	(1.9)
Americas 2	16.8	7.2	1.6	5.1	2.2	2.2	(1.5)	0.3	(4.4)	(2.7)	(1.8)	2.4
Europe	19.3	6.9	0.6	1.7	(2.2)	1.5	2.6	2.4	(1.5)	(5.3)	(5.2)	0.4
India & Middle East	-	-	-	-	-	-	-	-	-	-	-	-
APAC and Other Emerging Markets	0.2	6.9	2.3	0.5	0.4	3.1	(3.4)	2.5	2.2	(2.3)	(5.5)	(1.7)
Non Americas Total	13.3	6.9	1.1	1.4	(1.5)	2.0	0.9	2.4	(0.5)	(4.5)	(5.3)	(0.2)
<b>Customer Concentration</b>												
Top customer	6.9	2.3	6.4	1.3	2.2	0.1	0.6	0.9	(8.3)	(5.3)	0.0	26.0
Top 5	6.0	5.7	4.8	2.9	3.0	0.9	2.2	(7.3)	(3.1)	(3.7)	(1.6)	10.2
Top 10	8.5	3.9	3.6	2.8	4.2	0.6	2.1	(6.7)	(1.4)	(1.6)	(0.4)	6.8
<b>YoY Growth (%)</b>												
<b>Horizontal Service Lines</b>												
iDEAS	30.2	37.8	35.7	36.2	17.6	11.0	8.1	4.7	0.0	0.0	0.0	0.0
iCORE	19.4	18.2	16.4	13.6	9.0	6.4	5.0	3.8	0.0	0.0	0.0	0.0
<b>Vertical Wise (New from Q1FY11)</b>												
Communications	25.7	22.2	22.6	21.4	11.9	7.0	(1.7)	(2.2)	(7.2)	(15.5)	(18.1)	(21.0)
Finance Solutions	36.7	44.4	47.1	46.8	21.0	10.5	6.0	0.8	(3.7)	(8.1)	(11.8)	(8.3)
Manufacturing and Technology	11.7	18.2	13.4	12.2	10.0	6.9	4.6	(0.6)	0.8	(0.6)	(2.8)	(6.4)
Healthcare, Life sciences and Services	10.8	10.6	8.2	11.9	10.3	6.4	8.7	10.7	7.0	7.3	9.0	8.2
Consumer	36.8	38.3	37.6	33.1	22.1	18.7	14.1	9.6	1.9	(4.2)	(6.4)	(6.9)
Energy, Natural Resources and Utilities	24.7	23.5	13.8	10.2	(3.3)	(0.6)	4.1	11.6	10.8	(0.3)	(2.6)	(9.5)
<b>Geography-wise</b>												
Americas 1	18.8	19.9	22.3	22.6	20.3	16.0	11.4	6.2	(0.2)	(1.7)	(0.7)	(1.2)
Americas 2	26.5	31.6	33.2	33.8	17.1	11.7	8.3	3.3	(3.4)	(8.0)	(8.3)	(6.4)
Europe	42.2	49.8	35.2	30.5	7.0	1.6	3.6	4.3	5.1	(2.0)	(9.5)	(11.2)
India & Middle East	-	-	-	-	-	-	-	-	-	-	-	-
APAC and Other Emerging Markets / ROW	6.6	7.5	10.5	10.0	10.2	6.4	0.5	2.5	4.4	(1.2)	(3.3)	(7.2)
Non Americas Total	30.0	35.0	27.2	24.0	7.9	2.9	2.8	3.8	4.9	(1.7)	(7.8)	(10.1)
<b>Customer Concentration</b>												
Top customer	25.4	23.5	30.5	17.8	12.7	10.3	4.3	4.0	(6.7)	(11.7)	(12.3)	9.6
Top 5	27.4	32.8	35.0	20.7	17.3	12.0	9.3	(1.5)	(7.4)	(11.6)	(14.9)	1.2
Top 10	26.3	30.7	35.1	20.0	15.3	11.7	10.0	(0.2)	(5.5)	(7.7)	(9.9)	3.1

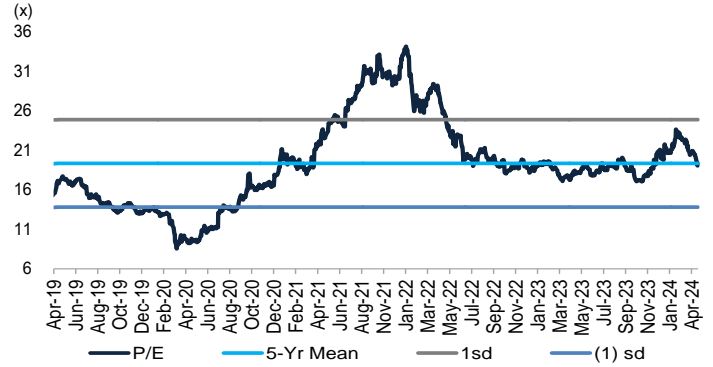
Source: Nirmal Bang Institutional Equities Research



**Exhibit 20: P/E charts**

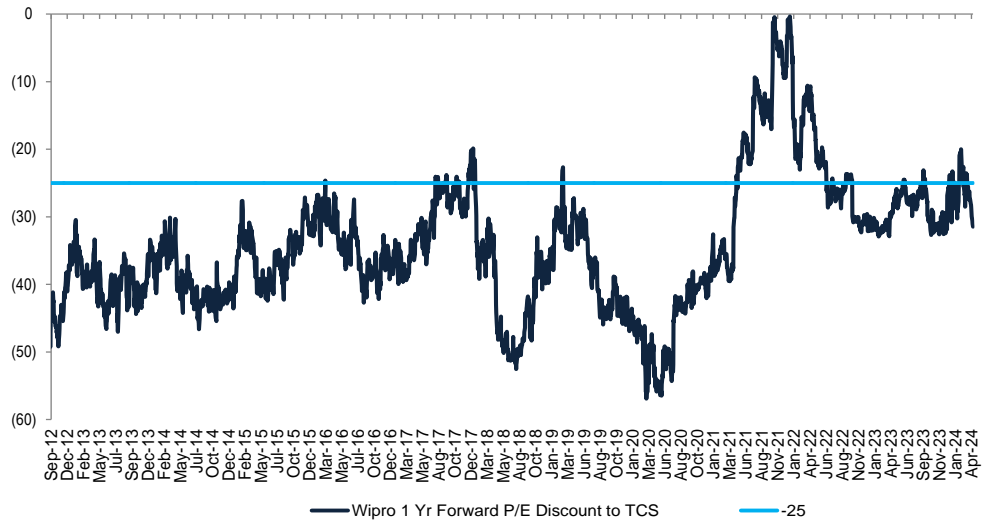


Source: Bloomberg, Nirmal Bang Institutional Equities Research



Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 21: P/E (discount)/premium of Wipro to TCSs**



Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Financials**
**Exhibit 22: Income statement**

Y/E March (Rsbn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Average INR/USD</b>	<b>80.4</b>	<b>82.8</b>	<b>84.3</b>	<b>85.7</b>	<b>86.8</b>
<b>Net Sales - IT Services (USD mn)</b>	<b>11,234</b>	<b>10,805</b>	<b>10,736</b>	<b>11,510</b>	<b>12,212</b>
<b>-Growth (%)</b>	<b>8.5</b>	<b>-3.8</b>	<b>-0.6</b>	<b>7.2</b>	<b>6.1</b>
<b>Net Sales - Overall</b>	<b>905</b>	<b>898</b>	<b>909</b>	<b>990</b>	<b>1063</b>
<b>-Growth (%)</b>	<b>14.4</b>	<b>-0.8</b>	<b>1.2</b>	<b>8.9</b>	<b>7.4</b>
Cost of Sales & Services	645	631	649	716	777
% of sales	71.3	70.4	71.5	72.4	73.1
<b>Gross profit</b>	<b>259</b>	<b>266</b>	<b>259</b>	<b>273</b>	<b>286</b>
<b>% of sales</b>	<b>28.7</b>	<b>29.6</b>	<b>28.5</b>	<b>27.6</b>	<b>26.9</b>
<b>SG&amp; A</b>	<b>124</b>	<b>130</b>	<b>113</b>	<b>116</b>	<b>116</b>
<b>% of sales</b>	<b>13.7</b>	<b>14.5</b>	<b>12.5</b>	<b>11.8</b>	<b>10.9</b>
<b>EBIT</b>	<b>140</b>	<b>136</b>	<b>146</b>	<b>157</b>	<b>170</b>
<b>% of sales</b>	<b>15.4</b>	<b>15.2</b>	<b>16.1</b>	<b>15.8</b>	<b>16.0</b>
Interest expenses	10	13	11	11	11
Other income (net)	18	24	27	31	36
PBT	148	147	162	177	195
<b>-PBT margin (%)</b>	<b>16.3</b>	<b>16.4</b>	<b>17.8</b>	<b>17.9</b>	<b>18.4</b>
Provision for tax	34	36	40	43	48
<b>Effective tax rate (%)</b>	<b>23.0</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>
Minority Interest	0.2	0.7	0.6	0.6	0.6
<b>Net profit</b>	<b>114</b>	<b>110</b>	<b>121</b>	<b>133</b>	<b>147</b>
<b>-Growth (%)</b>	<b>(7.1)</b>	<b>(2.7)</b>	<b>10.0</b>	<b>9.5</b>	<b>10.3</b>
<b>-Net profit margin (%)</b>	<b>12.5</b>	<b>12.3</b>	<b>13.4</b>	<b>13.4</b>	<b>13.8</b>
Number of Shares (Fully Diluted) in Mn	5,490	5,235	5,235	5,235	5,235

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 24: Balance sheet**

Y/E March (Rsbn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	11	10	10	10	10
Reserves & surplus	771	741	801	868	941
Net worth	782	751	812	878	952
Deferred tax liability, net	13	16	16	16	16
Other liabilities	34	55	55	55	55
Total loans	61	62	62	62	62
Lease Liability	25	23	17	17	17
<b>Total liabilities</b>	<b>915</b>	<b>907</b>	<b>962</b>	<b>1,028</b>	<b>1,102</b>
Goodwill	308	316	316	316	316
Other intangible assets	43	33	33	33	33
Net block	89	82	60	39	14
Investments	331	334	334	334	334
Other non-current assets	35	29	29	29	29
Unbilled receivables	61	58	63	69	73
Inventories	1	1	1	1	1
Other current assets	69	64	65	68	70
Receivables	127	120	121	133	140
Cash & bank balance	92	97	168	248	342
Right-of-use Assets	19	18	16	16	16
Total current assets	368	358	433	535	642
Total current liabilities	259	243	243	257	266
Net current assets	109	114	190	278	376
<b>Total assets</b>	<b>915</b>	<b>907</b>	<b>962</b>	<b>1,028</b>	<b>1,102</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 23: Cash flow**

Y/E March (Rsbn)	FY23	FY24	FY25E	FY26E	FY27E
EBIT	140	136	146	157	170
(Inc.)/dec. in working capital	-13	6	-7	-7	-4
Cash flow from operations	126	143	139	149	166
Other income	18	24	27	31	36
Depreciation & amortisation	42	40	38	41	45
Financial expenses	-10	-13	-11	-11	-11
Tax paid	-34	-36	-40	-43	-48
Dividends paid	-5	-5	-61	-67	-73
<b>Net cash from operations</b>	<b>137</b>	<b>153</b>	<b>92</b>	<b>101</b>	<b>115</b>
Capital expenditure	-4	17	-16	-20	-20
Net cash after capex	133	170	76	81	95
Inc./dec. in debt	-2	-9	0	0	0
(Inc.)/dec. in investments	-69	-3	0	0	0
Equity issue/(buyback)	0	-148	0	0	0
<b>Cash from financial activities</b>	<b>-71</b>	<b>-159</b>	<b>0</b>	<b>0</b>	<b>0</b>
Others	-74	-5	-5	-1	-1
Opening cash	104	92	97	168	248
Closing cash	92	97	168	248	342
Change in cash	-12	5	71	80	94

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 25: Key ratios**

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
<b>Per Share (Rs)</b>					
EPS	20.7	20.9	23.3	25.5	28.1
FDEPS	20.7	20.7	23.2	25.4	28.0
Dividend Per Share	1.0	1.0	11.6	12.7	14.0
Dividend Yield (%)	0.2	0.2	2.6	2.8	3.1
Book Value	143	144	155	168	182
Dividend Payout Ratio (%)	4.8	4.7	50.0	50.0	50.0
<b>Return ratios (%)</b>					
RoE	15.8	14.4	15.5	15.7	16.0
Pre Tax RoCE	11.4	10.3	10.9	11.0	11.2
Pre Tax ROIC	19.0	17.3	19.3	21.3	23.8
<b>Turnover Ratios</b>					
Asset Turnover Ratio	0.8	0.8	0.8	0.8	0.8
Debtor Days (incl. unbilled Rev)	76	72	74	75	73
Working Capital Cycle Days	29	27	29	29	29
<b>Valuation ratios (x)</b>					
PER	21.9	21.8	19.5	17.8	16.2
P/BV	3.2	3.1	2.9	2.7	2.5
EV/EBITDA	12.3	11.9	11.0	9.8	8.6
EV/Sales	2.5	2.3	2.2	2.0	1.7
Net Debt/Equity	-0.3	-0.3	-0.4	-0.5	-0.6
M-cap/Sales	2.7	2.6	2.6	2.4	2.2

Source: Company, Nirmal Bang Institutional Equities Research

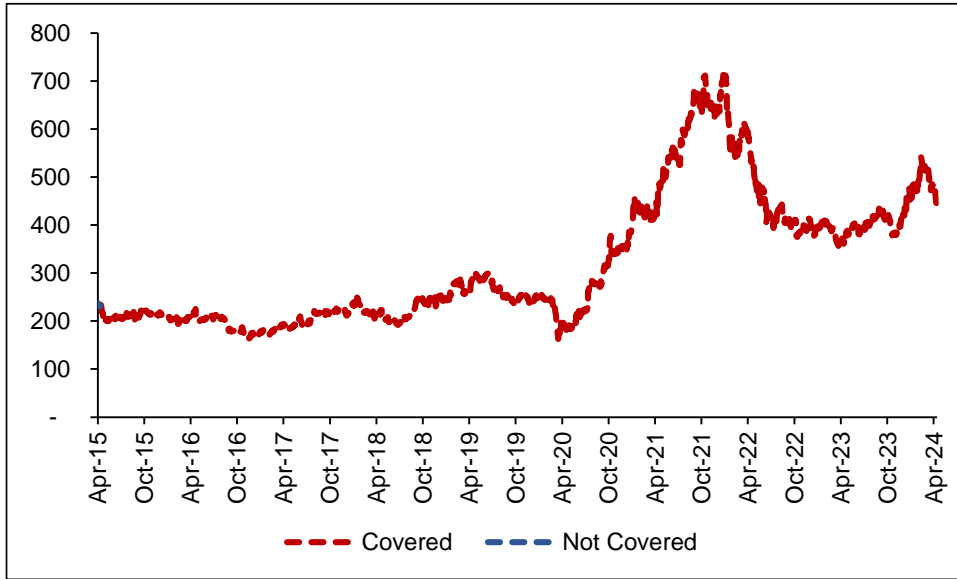
## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
13 April 2015	Sell	618	576
22 April 2015	Sell	588	546
24 July 2015	Sell	588	548
30 September 2015	Sell	587	546
23 October 2015	Sell	578	544
8 January 2016	Under Review	556	-
19 January 2016	Under Review	549	-
14 March 2016	Sell	540	498
21 April 2016	Sell	601	489
20 July 2016	Sell	549	478
24 October 2016	Sell	499	436
10 January 2017	Sell	472	410
27 January 2017	Sell	474	413
14 February 2017	Sell	474	427
26 April 2017	Sell	495	437
21 June 2017*	Sell	254	197
21 July 2017	Sell	269	235
28 September 2017	Sell	290	228
18 October 2017	Sell	290	244
26 December 2017	Under Review	302	-
22 January 2018	Under Review	329	-
17 March 2018	Accumulate	296	302
26 April 2018	Accumulate	287	303
3 July 2018	Buy	262	335
23 July 2018	Buy	282	323
5 October 2018	Buy	325	377
17 October 2018	Buy	309	364
27 December 2018	Sell	326	297
7 January 2019	Sell	324	268
21 January 2019	Sell	347	277
19 March 2019**	Sell	258	209
18 April 2019	Sell	282	219
18 July 2019	Sell	260	212
23 September 2019	Sell	239	222
15 October 2019	Sell	244	221
2 January 2020	Under Review	248	-
15 January 2020	Under Review	256	-
31 March 2020	Accumulate	186	186
16 April 2020	Accumulate	186	178
9 July 2020	Under Review	222	-
15 July 2020	Under Review	225	-
6 September 2020	Buy	276	326
28 September 2020	Accumulate	314	346
14 October 2020	Accumulate	376	382
19 November 2020	Accumulate	345	382
29 December 2020	Accumulate	383	411
14 January 2021	Accumulate	459	480
5 March 2021	Accumulate	439	461
16 April 2021	Accumulate	431	465
5 July 2021	Accumulate	536	563
16 July 2021	Accumulate	576	604
22 September 2021	Accumulate	668	698
14 October 2021	Accumulate	673	706
20 December 2021	Buy	671	790
13 January 2022	Accumulate	691	776
8 April 2022	Accumulate	581	571
1 May 2022	Accumulate	509	501
19 May 2022	Sell	481	400
8 July 2022	Sell	421	367
21 July 2022	Sell	412	362
10 October 2022	Sell	408	355
13 October 2022	Sell	408	340
14 January 2023	Sell	394	347
20 March 2023	Sell	377	351
28 April 2023	Sell	374	350
14 June 2023	Sell	396	350
14 July 2023	Sell	394	338
26 September 2023	Sell	436	358
19 October 2023	Sell	407	353
15 December 2023	Sell	434	370

14 January 2024	Sell	467	384
19 March 2024	Sell	510	441
07 April 2024	Sell	485	441
21 April 2024	Sell	453	422

\* Post 1:1 bonus share issue, \* Post 1:3 bonus share issue

## Rating track graph



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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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