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\*CLSA India Private Limited

8 April 2024

**India****Technology**

Reuters WIPR.BO  
Bloomberg WPRO IB  
ADR WIT.N

**Priced on 5 April 2024**

CNX Nifty @ 22,513.7

**12M hi/lo** Rs543.10/360.80

**12M price target** Rs445.00  
**±% potential** -8%

**Shares in issue** 5,470.0m

**Free float (est.)** 20.3%

**Market cap** US\$30.4bn

**3M ADV** US\$52.6m

**Foreign s'holding** 9.0%

**Major shareholders**

Azim Premji and family 73.0%  
FIIs 8.9%

**Blended ESG Score (%)\***

Overall 85.1  
Country average 59.5  
GEM sector average 60.4

\*Click to visit company page on clsa.com for details

**Stock performance (%)**

	1M	3M	12M
Absolute	(5.4)	6.2	32.3
Relative	(5.6)	2.4	3.4
Abs (US\$)	(6.1)	6.0	30.0



Source: Bloomberg

**Challenges ahead for new CEO****The trend of a new CEO every 4-5 years continues...**

On 6 April, Wipro announced the resignation of the current CEO, Thierry Delaporte, and the appointment of Srini Pallia as the new CEO. Mr Pallia has spent three decades at Wipro, recently as part of its executive board as the CEO of the Americas1 strategic market under Mr. Delaporte, and in the past headed its consumer and application services businesses. Wipro has consistently underperformed its peers since 2008 (on revenue growth, margins, and stock price performance), when Azim Premji relinquished the CEO post and passed the baton to internal leaders until 2015, after which external candidates were brought in from TCS and Capgemini. We believe the new CEO has a tough task ahead to turn Wipro around. We reiterate our SELL rating with a target price of Rs445.

**Wipro's performance under Thierry Delaporte**

Under Mr. Delaporte, Wipro underperformed its peers consistently around revenue growth, Ebit margin and, more importantly, it was unable to retain senior talent including the CFO, COO, and various business heads. Wipro spent a significant amount (c.US\$2.7bn) on acquisitions under Mr. Delaporte, one of the highest among large Indian IT companies. The resignation announcement of Mr. Delaporte, who was the highest paid CEO among Indian IT companies, 15 months before his contract was due to expire, is not surprising to us in the above context.

**Mr. Pallia's candidature looks promising, but an arduous task ahead**

Mr. Pallia has donned multiple hats at Wipro, largely in S&M functions across verticals, service lines and geographies, particularly the US and LatAm. The performance of the Americas1 strategic market over 4QFY20-3QFY24 and the consumer business unit over FY16-21, when Mr. Pallia was in charge, was slightly better than Wipro's overall performance.

**For the new CEO, formulating strategy should be simple, execution is key**

In IT services, we believe the strategy is simple: follow the client in terms of capabilities required, service lines, domain expertise and presence across geographies. Wipro possess all these traits but it appears that it has not been able to invigorate enthusiasm among its employees to start executing without thinking long term. Given this, we believe an internal candidate for the CEO position may be appropriate.

**Reiterate SELL with no change in investment thesis, estimates or target price**

We maintain our industry-lagging revenue growth and margin forecasts for Wipro with potentially volatile revenue growth/margin performance over the next 2-4 quarters. A change in CEO could potentially lead to changes one-to-two levels below.

**Financials**

Year to 31 March	22A	23A	24CL	25CL	26CL
Revenue (Rsm)	790,934	904,876	896,772	919,738	1,004,114
Net profit (Rsm)	122,191	113,549	110,457	116,997	127,928
EPS (Rs)	22.3	20.7	21.1	22.4	24.5
CL/consensus (36) (EPS%)	-	-	102	95	93
EPS growth (% YoY)	18.7	(7.1)	2.1	5.9	9.3
PE (x)	21.8	23.5	23.0	21.7	19.8
Dividend yield (%)	1.2	0.4	0.4	2.1	3.1
FCF yield (%)	12.5	6.9	5.0	4.2	4.3
PB (x)	4.0	3.4	3.4	3.1	2.9
ROE (%)	20.2	15.8	14.4	14.9	15.2
Net debt/equity (%)	(29.4)	(32.1)	(32.1)	(36.3)	(37.6)

Source: www.clsa.com



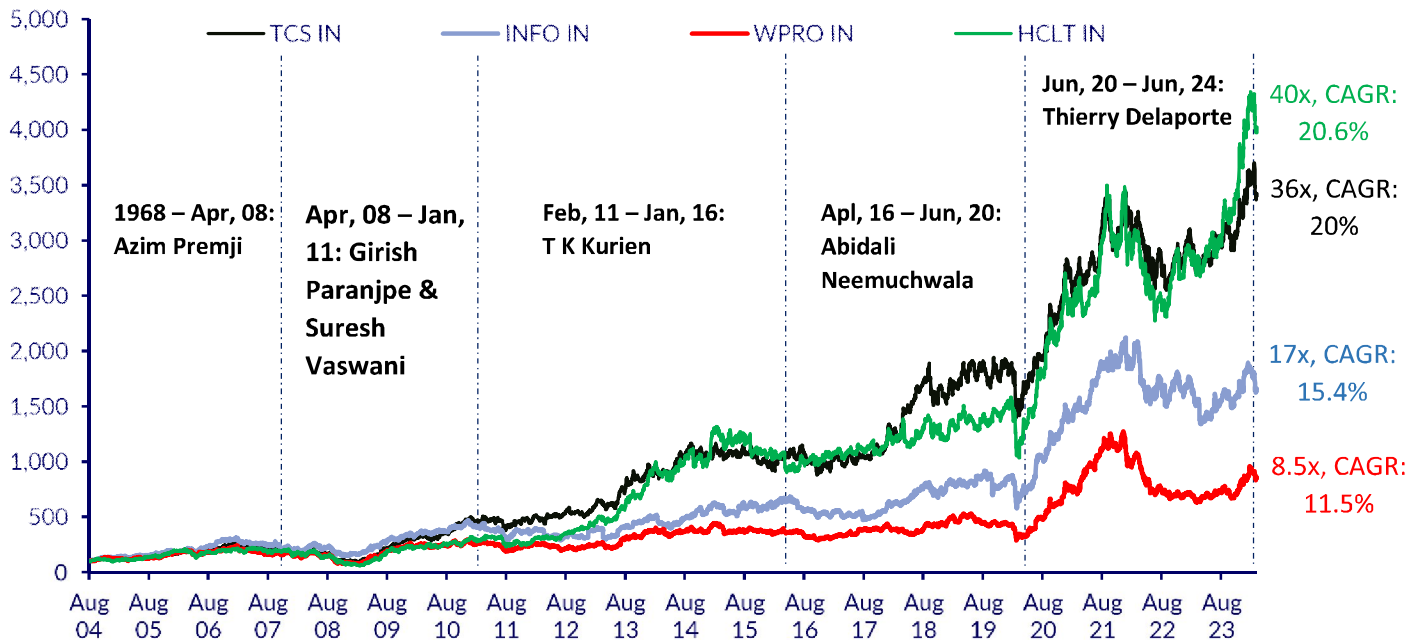
## Financials at a glance

Year to 31 March	2022A	2023A	2024CL	(% YoY)	2025CL	2026CL
<b>Profit &amp; Loss (Rsm)</b>						
Revenue	790,934	904,876	896,772	(0.9)	919,738	1,004,114
Cogs (ex-D&A)	(524,961)	(611,995)	(592,252)		(599,868)	(667,969)
<b>Gross Profit (ex-D&amp;A)</b>	<b>265,973</b>	<b>292,881</b>	<b>304,520</b>	<b>4</b>	<b>319,870</b>	<b>336,145</b>
SG&A and other expenses	(101,317)	(124,296)	(136,606)		(142,488)	(142,488)
<b>Op Ebitda</b>	<b>164,656</b>	<b>168,585</b>	<b>167,914</b>	<b>(0.4)</b>	<b>177,382</b>	<b>193,657</b>
Depreciation/amortisation	(30,911)	(33,402)	(34,712)		(37,580)	(40,558)
<b>Op Ebit</b>	<b>133,745</b>	<b>135,183</b>	<b>133,202</b>	<b>(1.5)</b>	<b>139,802</b>	<b>153,099</b>
Net interest inc/(exp)	10,932	8,108	10,523	29.8	13,451	14,538
Other non-Op items	6,598	4,415	695	(84.3)	1,032	1,032
<b>Profit before tax</b>	<b>151,275</b>	<b>147,706</b>	<b>144,420</b>	<b>(2.2)</b>	<b>154,285</b>	<b>168,668</b>
Taxation	(28,946)	(33,992)	(33,466)		(37,032)	(40,484)
<b>Profit after tax</b>	<b>122,329</b>	<b>113,714</b>	<b>110,954</b>	<b>(2.4)</b>	<b>117,253</b>	<b>128,184</b>
Minority interest	(138)	(165)	(497)		(256)	(256)
<b>Net profit</b>	<b>122,191</b>	<b>113,549</b>	<b>110,457</b>	<b>(2.7)</b>	<b>116,997</b>	<b>127,928</b>
<b>Adjusted profit</b>	<b>122,191</b>	<b>113,549</b>	<b>110,457</b>	<b>(2.7)</b>	<b>116,997</b>	<b>127,928</b>
<b>Cashflow (Rsm)</b>						
<b>Operating profit</b>	<b>133,745</b>	<b>135,183</b>	<b>133,202</b>	<b>(1.5)</b>	<b>139,802</b>	<b>153,099</b>
Depreciation/amortisation	30,911	33,402	34,712	3.9	37,580	40,558
Working capital changes	(36,488)	(14,556)	(6,842)		(3,360)	(12,344)
Other items	224,287	44,165	5,786	(86.9)	(35,435)	(40,763)
<b>Net operating cashflow</b>	<b>352,455</b>	<b>198,194</b>	<b>166,858</b>	<b>(15.8)</b>	<b>138,588</b>	<b>140,550</b>
Capital expenditure	(20,153)	(14,834)	(40,194)		(31,138)	(32,634)
<b>Free cashflow</b>	<b>332,302</b>	<b>183,360</b>	<b>126,664</b>	<b>(30.9)</b>	<b>107,451</b>	<b>107,916</b>
M&A/Others	(204,342)	(69,231)	0		0	0
<b>Net investing cashflow</b>	<b>(224,495)</b>	<b>(84,065)</b>	<b>(40,194)</b>		<b>(31,138)</b>	<b>(32,634)</b>
Increase in loans	68,310	(7,876)	0		0	0
Dividends	(6,602)	(32,814)	(10,437)		(52,185)	(78,277)
Net equity raised/other	(15,122)	(20,191)	(120,000)		0	0
<b>Net financing cashflow</b>	<b>46,586</b>	<b>(60,881)</b>	<b>(130,437)</b>		<b>(52,185)</b>	<b>(78,277)</b>
Incr/(decr) in net cash	174,546	53,248	(3,773)		55,266	29,639
Exch rate movements	1,282	2,373	-		-	-
<b>Balance sheet (Rsm)</b>						
Cash & equivalents	345,491	401,112	397,339	(0.9)	452,605	482,244
Accounts receivable	201,440	210,729	207,264	(1.6)	212,572	232,074
Other current assets	78,586	50,118	43,929	(12.3)	44,880	48,372
Fixed assets	109,768	107,361	100,651	(6.3)	107,093	115,017
Investments	19,883	21,500	23,425	9	23,425	23,425
Intangible assets	290,544	351,015	345,592	(1.5)	345,592	345,592
Other non-current assets	33,470	33,987	27,585	(18.8)	27,585	27,585
<b>Total assets</b>	<b>1,079,182</b>	<b>1,175,822</b>	<b>1,145,785</b>	<b>(2.6)</b>	<b>1,213,752</b>	<b>1,274,309</b>
Short-term debt	95,233	88,821	93,621	5.4	93,621	93,621
Accounts payable	100,980	90,644	82,462	(9)	84,573	92,332
Other current liabs	112,164	88,467	80,009	(9.6)	80,796	83,687
Long-term debt/CBs	56,463	61,272	62,126	1.4	62,126	62,126
Provisions/other LT liabs	55,669	64,865	74,594	15	74,594	74,594
Shareholder funds	658,158	781,164	752,212	(3.7)	817,024	866,675
Minorities/other equity	515	589	762	29.4	1,018	1,274
<b>Total liabs &amp; equity</b>	<b>1,079,182</b>	<b>1,175,822</b>	<b>1,145,785</b>	<b>(2.6)</b>	<b>1,213,752</b>	<b>1,274,309</b>
<b>Ratio analysis</b>						
Revenue growth (% YoY)	27.7	14.4	(0.9)		2.6	9.2
Ebitda margin (%)	20.8	18.6	18.7		19.3	19.3
Ebit margin (%)	16.9	14.9	14.9		15.2	15.2
Net profit growth (%)	13.4	(7.1)	(2.7)		5.9	9.3
Op cashflow growth (% YoY)	139.5	(43.8)	(15.8)		(16.9)	1.4
Capex/sales (%)	2.5	1.6	4.5		3.4	3.3
Net debt/equity (%)	(29.4)	(32.1)	(32.1)		(36.3)	(37.6)
Net debt/Ebitda (x)	-	-	-		-	-
ROE (%)	20.2	15.8	14.4		14.9	15.2
ROIC (%)	21.7	19.4	18.0		18.7	20.0

Source: www.clsa.com

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Figure 1

**Wipro and major competitors' stock prices since August 2004**

Source: CLSA, Bloomberg, Company. Note: All prices indexed to 100 on 25 August 2004.

Mr. Azim Premji made way for other internal leaders as CEO in April 2008

Wipro has underperformed its major peers over the past 20 years.

Figure 2

**CEO: Azim Premji [1968 – Apr 2008] - price movement**

Source: CLSA, Bloomberg.  
Note: All prices indexed to 100 on 25 August 2004 (TCS listing date)

Click to rate this research

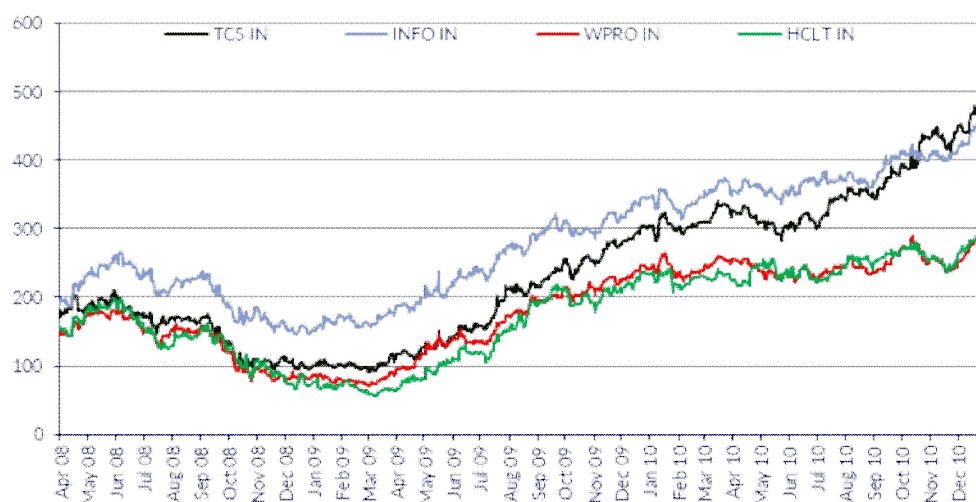


Underperformance  
continued under co-CEO  
model

Another internal candidate  
was appointed in February  
2011

Figure 3

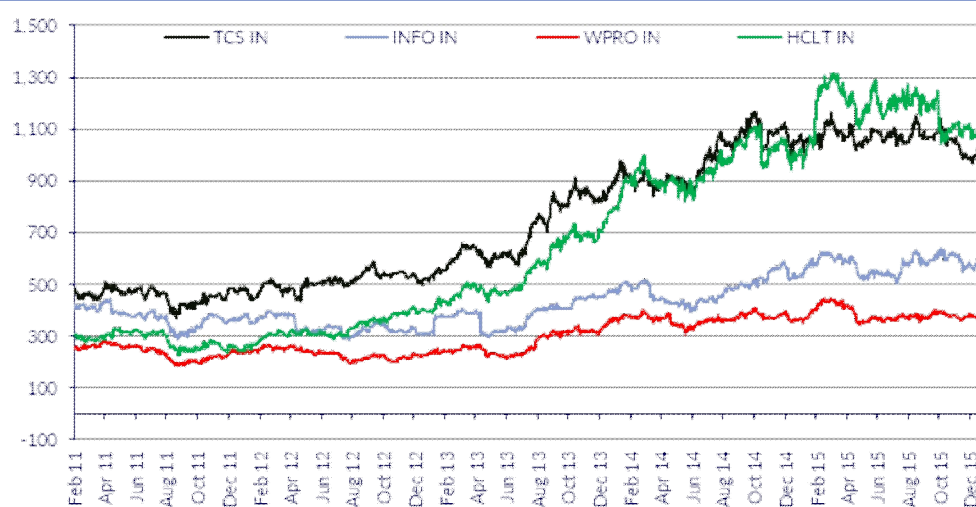
**CEO: Girish Paranjpe and Suresh Vaswani (Apr 2008 – Jan 2011) - price movement**



Source: CLSA, Bloomberg. Note: All prices indexed to 100 on 25 August 2004

Figure 4

**CEO: T K Kurien (Feb 2011 – Jan 2016) - price movement**

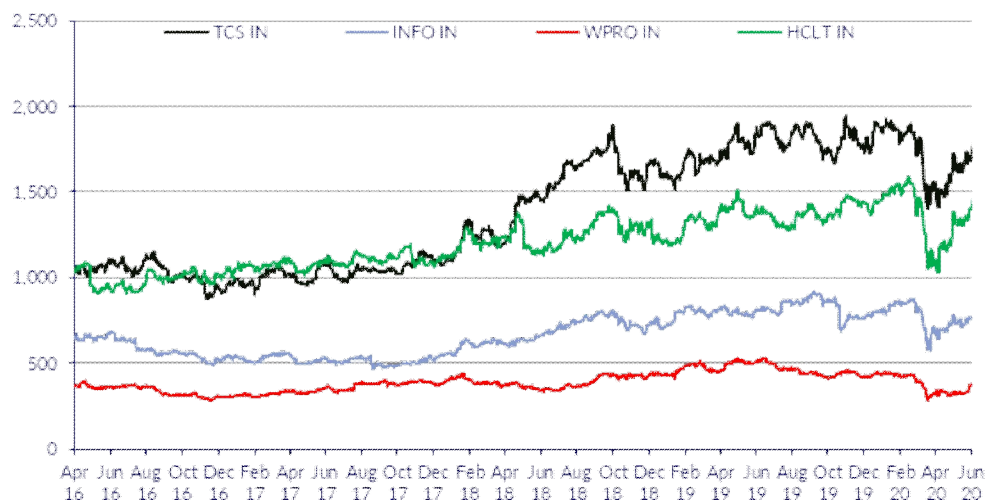


Source: CLSA, Bloomberg. Note: All prices indexed to 100 on 25 August 2004

Abidali Neemuchwala from TCS was appointed CEO in Apr 2016. He was tasked to bring in the best market practices

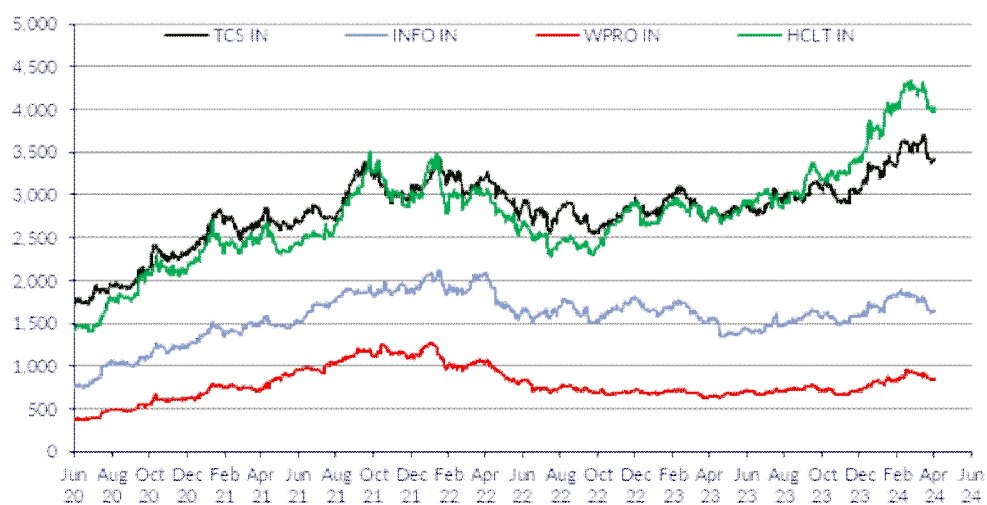
Mr. Delaporte tried to make significant changes, leading to margin and return dilution. There were several senior management departures under his tenure

Figure 5

**CEO: Abidali Neemuchwala (Apr 2016 – Jun 2020) - price movement**

Source: CLSA, Bloomberg. Note: All prices indexed to 100 on 25 August 2004

Figure 6

**CEO: Thierry Delaporte (June 2020 – Jun 2024) - price movement**

Source: CLSA, Bloomberg. Note: All prices indexed to 100 on 25 August 2004

Both organic US\$ revenue growth as well as...

Figure 7

Organic revenue growth										
Organic USD Revenue growth	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	
TCS	25%	37%	39%	38%	39%	37%	6%	5%	29%	
INFY	38%	41%	50%	35%	44%	35%	12%	3%	25%	
HCL	17%	46%	35%	28%	42%	34%	17%	24%	31%	
Wipro	26%	46%	41%	31%	40%	48%	-15%	37%	19%	
Wipro 's CEO	Azim Premji						Girish Paranjpe & Suresh Vaswani			

Source: CLSA, Bloomberg

Figure 8

Organic revenue growth													
Organic USD Revenue growth	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24CL
TCS	24%	14%	15%	15%	7%	6%	9%	10%	5%	1%	16%	9%	4%
INFY	16%	3%	9%	5%	6%	7%	7%	6%	8%	5%	20%	11%	2%
HCL	17%	13%	14%	11%	7%	7%	6%	4%	9%	-1%	12%	9%	5%
Wipro	9%	2%	-7%	4%	2%	0%	1%	3%	-1%	-3%	17%	5%	-3%
Wipro 's CEO	T K Kurien					Abidali Neemuchwala				Thierry Delaporte			

Source: CLSA, Bloomberg

...Ebit margins for Wipro have underperformed peers since FY03

Figure 9

Ebit margins									
EBIT margins	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
TCS	22%	26%	28%	26%	25%	23%	24%	26%	28%
INFY	30%	28%	29%	28%	28%	28%	30%	31%	29%
HCL	16%	16%	18%	16%	16%	16%	17%	16%	13%
Wipro	18%	15%	19%	18%	18%	14%	15%	19%	18%
Wipro 's CEO	Azim Premji						Girish Paranjpe & Suresh Vaswani		

Source: CLSA, Bloomberg

Figure 10

Ebit margins													
EBIT margins	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24CL
TCS	28%	27%	29%	27%	26%	26%	25%	26%	25%	25%	25%	24%	24%
INFY	29%	26%	24%	26%	25%	25%	24%	23%	21%	25%	23%	21%	21%
HCL	16%	20%	24%	22%	20%	20%	20%	20%	20%	21%	19%	18%	18%
Wipro	16%	17%	20%	19%	18%	16%	15%	17%	17%	19%	17%	15%	15%
Wipro 's CEO	T K Kurien					Abidali Neemuchwala				Thierry Delaporte			

Source: CLSA, Bloomberg



Figure 11

Indian IT companies CEO salaries as of FY23 (Rsm)										
Company	CEO	Fixed	Benefits, perquisites & allowances	Commission	Variable pay	Exercise of ESOPs	Others	Total	FY23 revenue	Salary as % of revenue
TCS	Rajesh Gopinathan	17	24	250				292	2,254,580	0.013%
INFY	Salil Parekh	71			187	306		564	1,467,670	0.038%
HCL	C Vijay Kumar	161	2		115			279	1,014,560	0.027%
Wipro	Thierry Delaporte	96	36		107		585	824	904,876	0.091%

Source: Companies

Per the table above, Mr. Delaporte's salary was the highest across peers, both in absolute terms and as a percentage of annual revenue.

Below we highlight the performance of Americas1 strategic market and Consumer Business unit when the newly appointed CEO, Srini Pallia, was heading them.

Americas 1 includes Healthcare and Medical Devices, Consumer Goods and Lifesciences, Retail, Transportation and Services, Communications, Media and Information services, Technology Products and Platforms, in the US and entire business of Latin America, as per Wipro.

Figure 12

Americas1 strategic market performance when Srini Pallia was the head (US\$m)								
Geo Mix	4Q20	4Q21	4Q22	4Q23	1Q24	2Q24	3Q24	CQGR
Americas1	624	629	770	805	800	809	823	1.9%
Americas2	614	631	844	861	834	811	797	1.8%
Europe	558	611	797	827	820	776	736	1.9%
APMEA	278	282	310	330	325	317	300	0.5%
Overall Rev	2,074	2,152	2,722	2,823	2,779	2,713	2,656	1.7%
% of overall rev.	4Q20	4Q21	4Q22	4Q23	1Q24	2Q24	3Q24	
Americas1	30%	29%	28%	29%	29%	30%	31%	
Americas2	30%	29%	31%	31%	30%	30%	30%	
Europe	27%	28%	29%	29%	30%	29%	28%	
APMEA	13%	13%	11%	12%	12%	12%	11%	

Source: CLSA, Company

Figure 13

Consumer business unit performance when Srini Pallia was in charge							
US\$m	FY16	FY17	FY18	FY19	FY20	FY21	Cagr
Consumer BU	1,197	1,217	1,184	1,275	1,346	1,334	2.2%
% of overall rev	16.3%	15.8%	15.0%	15.7%	16.3%	16.4%	
Overall revenues	7,346	7,705	7,895	8,120	8,256	8,137	2.1%

Source: CLSA, Company

The performance of Americas1 was slightly better than the company average under Mr Pallia, and was the biggest strategic unit as a percentage of overall revenue

Similarly, the performance of the consumer BU under Mr. Pallia was slightly better than the company average

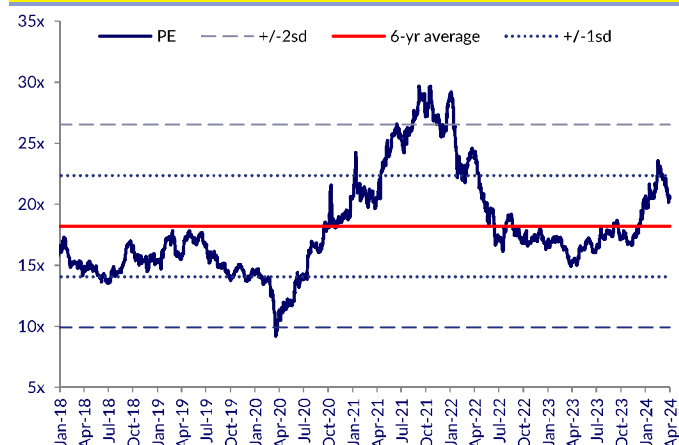
Figure 14

**Senior leadership churn at Wipro over the past two years**

Senior leadership team	Designation	Joined	Left	Comments
Stephanie Trautman	Chief Growth Officer (CGO)	Feb-21	Dec 23	Hired from Accenture by Thierry Delaporte. Changes to the post of CGO were also announced recently.
Jatin Dalal	CFO	Jul-02	Sep 23	
Mohd Haque	SVP & Sector Head - Healthcare & Medical Devices	Oct-10	Jun-23	
Ashish Saxena	SVP, and Head - Mfg. & Hi-Tech	Oct-17	Jun-23	
Satya Easwaran	India Head	Apr-22	Apr 23	
Rajan Kohli	iDEAS Business head	May-95	Apr-23	Was elevated to a bigger role during Thierry Delaporte's tenure, with two service lines rolling up to him.
Gurvinder Sahini	VP	Oct-13	Apr-23	
Nithin V Jaganmohan	CFO Americas 2	Jun-04	Feb 23	
Sanjeev Singh	COO	Nov-18	Jan 23	
Kamini Shah	CFO Americas 1	Jan-17	Jan-23	
Angan Guha	CEO Americas 2	Jan-94	Nov 22	Oversaw financial services, mfg., energy and utilities, hi-tech and Canada operations.
Mohd Areff	MD, Middle East	Sep-21	Oct 22	
Sarah Adam-George	MD, Australia and New Zealand	Apr-21	Oct-22	
Tomoaki Takeuchi	Country Head & MD, Japan	Feb-21	Sep-22	
Douglas Silva	VP & Country Head, Brazil	Jan-21	Sep-22	

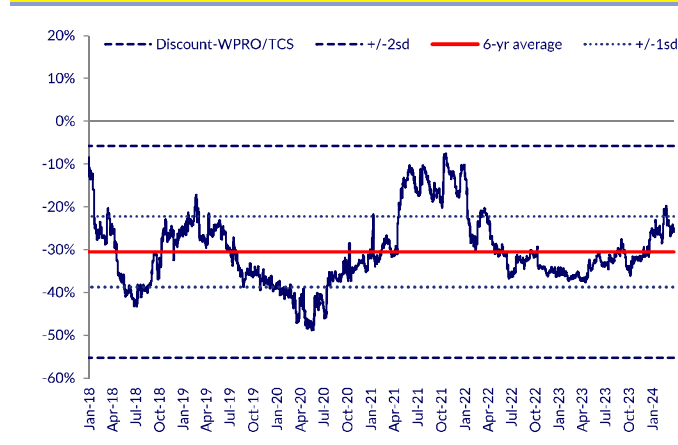
Source: CLSA, company, media articles<sup>[1]</sup> <sup>[2]</sup> <sup>[3]</sup> <sup>[4]</sup>. Note: iDEAS is Integrated Digital, Engineering & Application Services

Figure 15

**PE movement chart: WPRO**

Source: Bloomberg, CLSA

Figure 16

**Premium/discount w.r.t. TCS**

Source: Bloomberg, CLSA



**Investment thesis**

We expect Wipro to remain a laggard and continue to lose market share to its peers. This is largely due to weak execution around client stickiness with low client mining, high level of revenue leakage during periods of weak discretionary demand and sub-optimal EBIT margins despite having a significant revenue scale. High senior management churn under the recently resigned CEO is another concern which could lead to long gestation time for large deal closures and slippage in services delivery.

**Catalysts**

Revival in revenue growth to lag its peers, consulting business being discretionary in nature could have long lead-time for recovery under uncertain macro environment, pruning of low margin clients could lead to continuous revenue leakage and margins could remain range-bound under anaemic organic revenue growth

**Valuation details**

We value Wipro at 18.2x Q5-Q8 EPS. Our target multiple is at 30% discount to our target multiple for Tata Consultancy (TCS) of 26x (the average over the past six years when the current technology cycle of digitalisation/cloud migration became mainstream for Indian IT services sector. This 30% discount is closer to last 6-yr average discount of Wipro vs. TCS..

**Investment risks**

Key upside risks include: 1) Better-than-expected deal wins that could drive revenue growth ahead of our estimates; 2) Stronger than expected cost rationalisation that could potentially lead to better-than-expected margins; 3) Higher than expected INR depreciation in FY24/FY25; 4) strong demand recovery for discretionary projects particularly in Banking sector.

## Detailed financials

### Profit & Loss (Rsm)

Year to 31 March	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Revenue	610,232	619,430	790,934	904,876	896,772	919,738	1,004,114
Cogs (ex-D&A)	(415,223)	(395,549)	(524,961)	(611,995)	(592,252)	(599,868)	(667,969)
Gross Profit (ex-D&A)	195,009	223,881	265,973	292,881	304,520	319,870	336,145
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	(72,730)	(76,266)	(101,317)	(124,296)	(136,606)	(142,488)	(142,488)
Other Op Expenses ex-D&A	0	0	0	0	-	-	-
Op Ebitda	122,279	147,615	164,656	168,585	167,914	177,382	193,657
Depreciation/amortisation	(20,862)	(27,656)	(30,911)	(33,402)	(34,712)	(37,580)	(40,558)
Op Ebit	101,417	119,959	133,745	135,183	133,202	139,802	153,099
Interest income	18,945	16,614	10,932	8,108	10,523	13,451	14,538
Interest expense	0	0	0	0	0	0	0
Net interest inc/(exp)	18,945	16,614	10,932	8,108	10,523	13,451	14,538
Associates/investments	29	130	57	(57)	(35)	(16)	(16)
Forex/other income	2,121	2,124	6,541	4,472	730	1,048	1,048
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	122,512	138,827	151,275	147,706	144,420	154,285	168,668
Taxation	(24,799)	(30,365)	(28,946)	(33,992)	(33,466)	(37,032)	(40,484)
Profit after tax	97,713	108,462	122,329	113,714	110,954	117,253	128,184
Preference dividends	-	-	-	-	-	-	-
Profit for period	97,713	108,462	122,329	113,714	110,954	117,253	128,184
Minority interest	(495)	(716)	(138)	(165)	(497)	(256)	(256)
Net profit	97,218	107,746	122,191	113,549	110,457	116,997	127,928
Extraordinaries/others	0	0	0	0	0	0	0
Profit avail to ordinary shares	97,218	107,746	122,191	113,549	110,457	116,997	127,928
Dividends	(31,312)	(27,828)	(32,818)	(10,962)	(38,392)	(52,185)	(78,277)
Retained profit	65,906	79,918	89,373	102,587	72,065	64,812	49,651
Adjusted profit	97,218	107,746	122,191	113,549	110,457	116,997	127,928
EPS (Rs)	17.0	18.8	22.3	20.7	21.1	22.4	24.5
Adj EPS [pre excep] (Rs)	17.0	18.8	22.3	20.7	21.1	22.4	24.5
Core EPS (Rs)	17.0	18.8	22.3	20.7	21.1	22.4	24.5
DPS (Rs)	1.0	1.0	6.0	2.0	2.0	10.0	15.0

### Profit & loss ratios

Year to 31 March	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
<b>Growth (%)</b>							
Revenue growth (% YoY)	4.2	1.5	27.7	14.4	(0.9)	2.6	9.2
Ebitda growth (% YoY)	9.3	20.7	11.5	2.4	(0.4)	5.6	9.2
Ebit growth (% YoY)	9.8	18.3	11.5	1.1	(1.5)	5.0	9.5
Net profit growth (%)	8.0	10.8	13.4	(7.1)	(2.7)	5.9	9.3
EPS growth (% YoY)	14.1	10.1	18.7	(7.1)	2.1	5.9	9.3
Adj EPS growth (% YoY)	14.1	10.1	18.7	(7.1)	2.1	5.9	9.3
DPS growth (% YoY)	0.0	0.0	500.0	(66.7)	0.0	400.0	50.0
Core EPS growth (% YoY)	14.1	10.1	18.7	(7.1)	2.1	5.9	9.3
<b>Margins (%)</b>							
Gross margin (%)	32.0	36.1	33.6	32.4	34.0	34.8	33.5
Ebitda margin (%)	20.0	23.8	20.8	18.6	18.7	19.3	19.3
Ebit margin (%)	16.6	19.4	16.9	14.9	14.9	15.2	15.2
Net profit margin (%)	15.9	17.4	15.4	12.5	12.3	12.7	12.7
Core profit margin	15.9	17.4	15.4	12.5	12.3	12.7	12.7
Op cashflow margin	16.6	23.8	44.6	21.9	18.6	15.1	14.0
<b>Returns (%)</b>							
ROE (%)	17.3	19.4	20.2	15.8	14.4	14.9	15.2
ROA (%)	9.8	11.4	11.3	9.2	8.8	9.0	9.4
ROIC (%)	15.5	18.5	21.7	19.4	18.0	18.7	20.0
ROCE (%)	34.1	40.3	35.3	27.2	25.6	27.1	28.8
<b>Other key ratios (%)</b>							
Effective tax rate (%)	20.2	21.9	19.1	23.0	23.2	24.0	24.0
Ebitda/net int exp (x)	-	-	-	-	-	-	-
Exceptional or extraord. inc/PBT (%)	-	-	-	-	-	-	-
Dividend payout (%)	5.9	5.3	26.9	9.7	9.5	44.7	61.3

Source: www.clsa.com

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## Balance sheet (Rsm)

Year to 31 March	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Cash & equivalents	144,499	169,793	345,491	401,112	397,339	452,605	482,244
Accounts receivable	152,875	142,287	201,440	210,729	207,264	212,572	232,074
Inventories	1,865	1,064	1,334	1,188	1,053	1,080	1,180
Other current assets	37,026	38,693	77,252	48,930	42,876	43,799	47,192
<b>Current assets</b>	<b>336,265</b>	<b>351,837</b>	<b>625,517</b>	<b>661,959</b>	<b>648,533</b>	<b>710,057</b>	<b>762,690</b>
Fixed assets	97,868	101,612	109,768	107,361	100,651	107,093	115,017
Investments	10,685	12,040	19,883	21,500	23,425	23,425	23,425
Goodwill	131,012	139,127	246,989	307,970	311,251	311,251	311,251
Other intangible assets	16,362	13,085	43,555	43,045	34,341	34,341	34,341
Other non-current assets	224,870	213,733	33,470	33,987	27,585	27,585	27,585
<b>Total assets</b>	<b>817,062</b>	<b>831,434</b>	<b>1,079,182</b>	<b>1,175,822</b>	<b>1,145,785</b>	<b>1,213,752</b>	<b>1,274,309</b>
Short term loans/OD	73,202	75,874	95,233	88,821	93,621	93,621	93,621
Accounts payable	78,129	78,870	100,980	90,644	82,462	84,573	92,332
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	11,731	17,324	13,231	18,846	20,138	20,138	20,138
Other current liabs	53,331	57,972	98,933	69,621	59,871	60,658	63,549
<b>Current liabilities</b>	<b>216,393</b>	<b>230,040</b>	<b>308,377</b>	<b>267,932</b>	<b>256,092</b>	<b>258,990</b>	<b>269,640</b>
Long-term debt/leases/other	4,840	7,458	56,463	61,272	62,126	62,126	62,126
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	36,496	39,343	55,669	64,865	74,594	74,594	74,594
<b>Total liabilities</b>	<b>257,729</b>	<b>276,841</b>	<b>420,509</b>	<b>394,069</b>	<b>392,812</b>	<b>395,710</b>	<b>406,360</b>
Share capital	12,702	11,672	12,530	14,665	13,285	13,285	13,285
Retained earnings	544,756	541,423	645,628	766,499	738,927	803,739	853,390
Reserves/others	0	0	0	0	0	0	0
<b>Shareholder funds</b>	<b>557,458</b>	<b>553,095</b>	<b>658,158</b>	<b>781,164</b>	<b>752,212</b>	<b>817,024</b>	<b>866,675</b>
Minorities/other equity	1,875	1,498	515	589	762	1,018	1,274
<b>Total equity</b>	<b>559,333</b>	<b>554,593</b>	<b>658,673</b>	<b>781,753</b>	<b>752,974</b>	<b>818,042</b>	<b>867,949</b>
<b>Total liab &amp; equity</b>	<b>817,062</b>	<b>831,434</b>	<b>1,079,182</b>	<b>1,175,822</b>	<b>1,145,785</b>	<b>1,213,752</b>	<b>1,274,309</b>
Total debt	78,042	83,332	151,696	150,093	155,747	155,747	155,747
Net debt	(66,457)	(86,461)	(193,795)	(251,019)	(241,592)	(296,858)	(326,497)
Adjusted EV	2,692,012	2,688,564	2,449,108	2,391,715	2,273,785	2,218,775	2,189,392
BVPS (Rs)	97.7	96.3	119.9	142.3	143.8	156.2	165.7

## Balance sheet ratios

Year to 31 March	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
<b>Key ratios</b>							
Current ratio (x)	1.6	1.5	2.0	2.5	2.5	2.7	2.8
Growth in total assets (% YoY)	(1.9)	1.8	29.8	9.0	(2.6)	5.9	5.0
Growth in capital employed (% YoY)	4.2	(3.6)	59.0	14.2	(3.6)	1.9	3.9
Net debt to operating cashflow (x)	-	-	-	-	-	-	-
Gross debt to operating cashflow (x)	0.8	0.6	0.4	0.8	0.9	1.1	1.1
Gross debt to Ebitda (x)	0.6	0.6	0.9	0.9	0.9	0.9	0.8
Net debt/Ebitda (x)	-	-	-	-	-	-	-
<b>Gearing</b>							
Net debt/equity (%)	(11.9)	(15.6)	(29.4)	(32.1)	(32.1)	(36.3)	(37.6)
Gross debt/equity (%)	14.0	15.0	23.0	19.2	20.7	19.0	17.9
Interest cover (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt cover (x)	1.3	1.8	2.3	1.3	1.1	0.9	0.9
Net cash per share (Rs)	11.7	15.1	35.3	45.7	46.2	56.8	62.4
<b>Working capital analysis</b>							
Inventory days	2.6	1.4	0.8	0.8	0.7	0.6	0.6
Debtor days	88.4	87.0	79.3	83.1	85.1	83.3	80.8
Creditor days	73.2	72.4	62.5	57.1	53.3	50.8	48.3
Working capital/Sales (%)	8.0	4.5	8.5	9.0	9.9	10.0	10.4
<b>Capital employed analysis</b>							
Sales/Capital employed (%)	201.2	211.8	170.1	170.5	175.4	176.5	185.4
EV/Capital employed (%)	887.7	919.4	526.8	450.6	444.6	425.7	404.4
Working capital/Capital employed (%)	16.0	9.5	14.4	15.4	17.3	17.7	19.3
Fixed capital/Capital employed (%)	32.3	34.7	23.6	20.2	19.7	20.5	21.2
<b>Other ratios (%)</b>							
PB (x)	5.0	5.0	4.0	3.4	3.4	3.1	2.9
EV/Ebitda (x)	22.0	18.2	14.9	14.2	13.5	12.5	11.3
EV/OCF (x)	26.6	18.3	6.9	12.1	13.6	16.0	15.6
EV/FCF (x)	34.7	21.1	7.4	13.0	18.0	20.6	20.3
EV/Sales (x)	4.4	4.3	3.1	2.6	2.5	2.4	2.2
Capex/depreciation (%)	112.6	70.8	65.2	44.4	115.8	82.9	80.5

Source: www.clsa.com

## Cashflow (Rsm)

Year to 31 March	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Operating profit	101,417	119,959	133,745	135,183	133,202	139,802	153,099
Operating adjustments	(3,704)	(11,692)	(11,416)	(263,176)	(331,464)	(359,783)	(349,247)
Depreciation/amortisation	20,862	27,656	30,911	33,402	34,712	37,580	40,558
Working capital changes	(23,856)	22,922	(36,488)	(14,556)	(6,842)	(3,360)	(12,344)
Interest paid / other financial expenses	-	-	-	-	-	-	-
Tax paid	18,415	5,430	3,260	3,774	0	0	(3,452)
Other non-cash operating items	(12,100)	(17,120)	232,443	303,567	337,249	324,348	311,936
<b>Net operating cashflow</b>	<b>101,034</b>	<b>147,155</b>	<b>352,455</b>	<b>198,194</b>	<b>166,858</b>	<b>138,588</b>	<b>140,550</b>
Capital expenditure	(23,497)	(19,577)	(20,153)	(14,834)	(40,194)	(31,138)	(32,634)
<b>Free cashflow</b>	<b>77,537</b>	<b>127,578</b>	<b>332,302</b>	<b>183,360</b>	<b>126,664</b>	<b>107,451</b>	<b>107,916</b>
Acq/inv/disposals	33,305	7,688	(216,619)	(83,346)	-	-	-
Int, invt & associate div	24,204	19,628	12,277	14,115	-	-	-
<b>Net investing cashflow</b>	<b>34,012</b>	<b>7,739</b>	<b>(224,495)</b>	<b>(84,065)</b>	<b>(40,194)</b>	<b>(31,138)</b>	<b>(32,634)</b>
Increase in loans	(26,038)	6,212	68,310	(7,876)	0	0	0
Dividends	(1,415)	(960)	(6,602)	(32,814)	(10,437)	(52,185)	(78,277)
Net equity raised/others	(123,545)	(134,092)	(15,122)	(20,191)	(120,000)	0	0
<b>Net financing cashflow</b>	<b>(150,998)</b>	<b>(128,840)</b>	<b>46,586</b>	<b>(60,881)</b>	<b>(130,437)</b>	<b>(52,185)</b>	<b>(78,277)</b>
Incr/(decr) in net cash	(15,952)	26,054	174,546	53,248	(3,773)	55,266	29,639
Exch rate movements	1,922	(760)	1,282	2,373	-	-	-
<b>Opening cash</b>	<b>158,529</b>	<b>144,499</b>	<b>169,663</b>	<b>345,491</b>	<b>401,112</b>	<b>397,339</b>	<b>452,605</b>
<b>Closing cash</b>	<b>144,499</b>	<b>169,793</b>	<b>345,491</b>	<b>401,112</b>	<b>397,339</b>	<b>452,605</b>	<b>482,244</b>
OCF PS (Rs)	17.7	25.6	64.2	36.1	31.9	26.5	26.9
FCF PS (Rs)	13.6	22.2	60.6	33.4	24.2	20.5	20.6

## Cashflow ratio analysis

Year to 31 March	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
<b>Growth (%)</b>							
Op cashflow growth (% YoY)	(10.0)	45.6	139.5	(43.8)	(15.8)	(16.9)	1.4
FCF growth (% YoY)	(13.4)	64.5	160.5	(44.8)	(30.9)	(15.2)	0.4
Capex growth (%)	3.1	(16.7)	2.9	(26.4)	171.0	(22.5)	4.8
<b>Other key ratios (%)</b>							
Capex/sales (%)	3.9	3.2	2.5	1.6	4.5	3.4	3.3
Capex/op cashflow (%)	23.3	13.3	5.7	7.5	24.1	22.5	23.2
Operating cashflow payout ratio (%)	5.6	3.9	9.3	5.5	6.3	37.7	55.8
Cashflow payout ratio (%)	31.0	18.9	9.3	5.5	23.0	37.7	55.7
Free cashflow payout ratio (%)	40.4	21.8	9.9	6.0	30.3	48.6	72.5

## DuPont analysis

Year to 31 March	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Ebit margin (%)	16.6	19.4	16.9	14.9	14.9	15.2	15.2
Asset turnover (x)	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Interest burden (x)	1.2	1.2	1.1	1.1	1.1	1.1	1.1
Tax burden (x)	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Return on assets (%)	9.8	11.4	11.3	9.2	8.8	9.0	9.4
Leverage (x)	1.5	1.5	1.6	1.6	1.5	1.5	1.5
ROE (%)	17.3	19.4	20.2	15.8	14.4	14.9	15.2

## EVA® analysis

Year to 31 March	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Ebit adj for tax	80,888	93,721	108,153	104,073	102,336	106,246	116,352
Average invested capital	520,964	507,061	498,050	537,382	568,325	567,452	582,487
ROIC (%)	15.5	18.5	21.7	19.4	18.0	18.7	20.0
Cost of equity (%)	15.1	15.1	15.1	15.1	15.1	15.1	15.1
Cost of debt (adj for tax)	4.8	4.7	4.9	4.6	4.6	4.6	4.6
Weighted average cost of capital (%)	13.0	13.0	13.1	13.0	13.0	13.0	13.0
EVA/IC (%)	2.5	5.5	8.7	6.4	5.0	5.7	7.0
EVA (Rsm)	12,949	27,694	43,136	34,171	28,420	32,500	40,652

Source: www.clsa.com



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## Companies mentioned

Wipro (WPRO IB - RS485.20 - SELL)

Accenture (N-R)

Capgemini (N-R)

HCL Tech (HCLT IB - RS1,545.5 - U-PF)

Infosys (INFO IB - RS1,479.5 - O-PF)

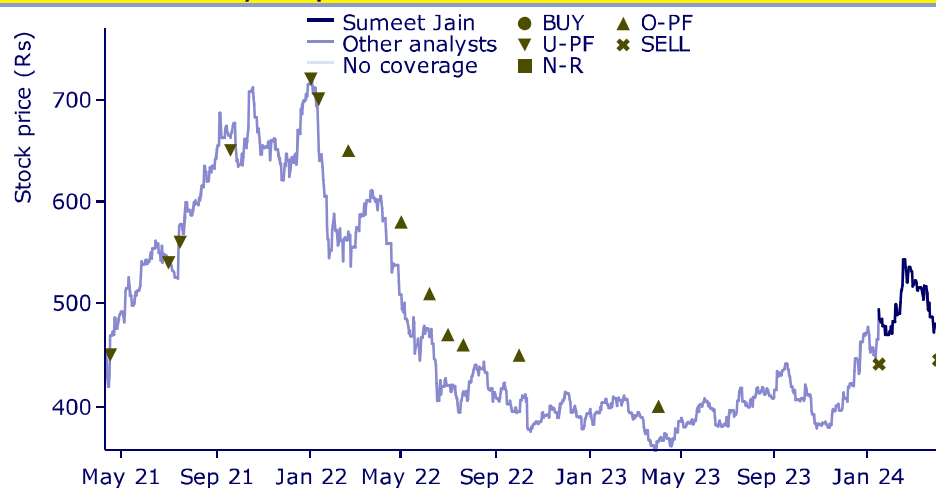
Tata Consultancy (TCS IB - RS3,979.6 - U-PF)

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## Important disclosures

### Recommendation history of Wipro Ltd WPRO IB



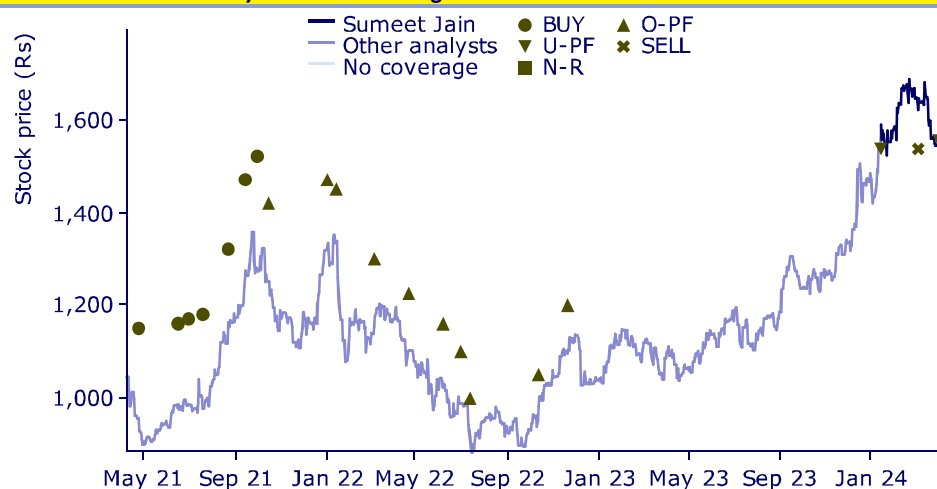
Date	Rec	Target	Date	Rec	Target
02 Apr 2024	SELL	445.00	21 Feb 2022	O-PF	650.00
15 Jan 2024	SELL	441.00	13 Jan 2022	U-PF	700.00
02 Apr 2023	O-PF	400.00	03 Jan 2022	U-PF	720.00
02 Oct 2022	O-PF	450.00	20 Sep 2021	U-PF	650.00
21 Jul 2022	O-PF	460.00	16 Jul 2021	U-PF	560.00
01 Jul 2022	O-PF	470.00	01 Jul 2021	U-PF	540.00
07 Jun 2022	O-PF	510.00	16 Apr 2021	U-PF	450.00
01 May 2022	O-PF	580.00			

Source: CLSA

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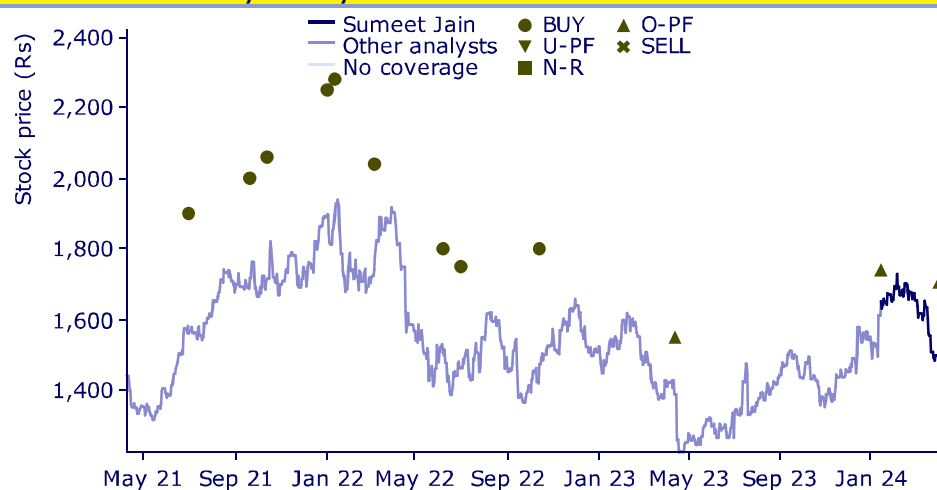
## Recommendation history of HCL Technologies Ltd HCLT IB



Date	Rec	Target	Date	Rec	Target
02 Apr 2024	U-PF	1,553.00	15 Jan 2022	O-PF	1,450.00
05 Mar 2024	SELL	1,536.00	03 Jan 2022	O-PF	1,470.00
15 Jan 2024	U-PF	1,536.00	16 Oct 2021	O-PF	1,420.00
21 Nov 2022	O-PF	1,200.00	01 Oct 2021	BUY	1,520.00
13 Oct 2022	O-PF	1,050.00	15 Sep 2021	BUY	1,470.00
13 Jul 2022	O-PF	1,000.00	23 Aug 2021	BUY	1,320.00
01 Jul 2022	O-PF	1,100.00	20 Jul 2021	BUY	1,180.00
07 Jun 2022	O-PF	1,160.00	01 Jul 2021	BUY	1,170.00
22 Apr 2022	O-PF	1,225.00	17 Jun 2021	BUY	1,160.00
07 Mar 2022	O-PF	1,300.00	25 Apr 2021	BUY	1,150.00

Source: CLSA

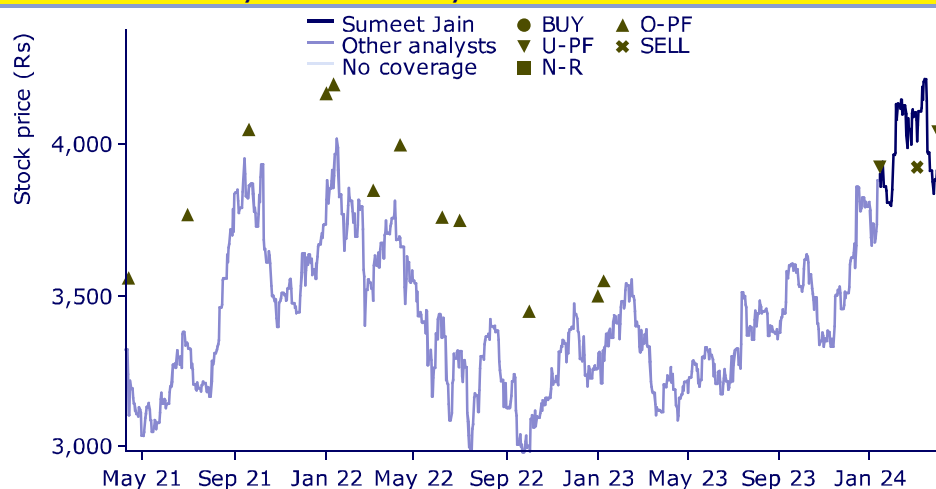
## Recommendation history of Infosys Ltd INFO IB



Date	Rec	Target	Date	Rec	Target
02 Apr 2024	O-PF	1,706.00	07 Mar 2022	BUY	2,040.00
15 Jan 2024	O-PF	1,741.00	13 Jan 2022	BUY	2,280.00
14 Apr 2023	O-PF	1,550.00	03 Jan 2022	BUY	2,250.00
14 Oct 2022	BUY	1,800.00	14 Oct 2021	BUY	2,060.00
01 Jul 2022	BUY	1,750.00	21 Sep 2021	BUY	2,000.00
07 Jun 2022	BUY	1,800.00	01 Jul 2021	BUY	1,900.00

Source: CLSA

## Recommendation history of Tata Consultancy Services Ltd TCS IB



Date	Rec	Target	Date	Rec	Target
02 Apr 2024	U-PF	4,043.00	12 Apr 2022	O-PF	4,000.00
05 Mar 2024	SELL	3,925.00	07 Mar 2022	O-PF	3,850.00
15 Jan 2024	U-PF	3,925.00	13 Jan 2022	O-PF	4,200.00
10 Jan 2023	O-PF	3,550.00	03 Jan 2022	O-PF	4,170.00
02 Jan 2023	O-PF	3,500.00	21 Sep 2021	O-PF	4,050.00
02 Oct 2022	O-PF	3,450.00	01 Jul 2021	O-PF	3,770.00
01 Jul 2022	O-PF	3,750.00	13 Apr 2021	O-PF	3,560.00
07 Jun 2022	O-PF	3,760.00			

Source: CLSA

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