

Bloomberg Code	WPRO IN
No of share O/S (in crs)	571.5
Market Cap (in Rs. crs)	2,14,739.86
Face Value (in Rs.)	2
Dividend Yield (%)	0.27
52 Wk High/Low	381.7/159.6

Shareholding (%)	
Promoters	74.02
Institutional	15.86
Public	10.12
Total	100.00

### Key Highlights:

Wipro Ltd reported net revenue of Rs. 15,097 cr, which was a growth of 1.2% on a sequential basis, whereas on a YoY basis it marked a marginal decline of 0.2%. IT service revenue stood at USD 1,992.4 mn during the quarter; this was a growth of 2% in constant currency (CC) terms. The revenue growth was led by a robust pickup in volumes. The EBITDA Margin improved to 22.8%. IT Services Operating Margin for the quarter stood at 19.2%, an expansion of 20 bps QoQ. This was mainly aided by operational management improvement (+80 bps) and was offset by appreciation in the rupee (impact -60 bps). The higher offshore mix of 50.4% as against 48.5% in previous quarter, improved utilization, lower employee attrition, and the benefits of lower subcontracting aided the operational improvements.

### Market Share and Segmental Performance:

The BFSI segment, which is the highest revenue contributor with a 31.2% share, reported a growth of 3.7% on a QoQ basis (in CC terms) during the quarter. The company remains optimistic on the financial services unit, despite it being impacted by furloughs. Its business unit reported a growth of 4.5% QoQ (in CC terms). Going forward, the company expects faster growth in the consumer sector on the back of solid deal wins. Energy and utilities and technology sectors which declined by 2.4% and 4.7% respectively, are expected to return to growth in Q3FY21. The attrition rate decreased on a YoY basis to 11% for Q2FY21 against 17% in Q2FY20. The company also hired over 13,000 people during the quarter.



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**Concall Highlights:**

- The company has guided for revenue from IT services to grow in the range of 1.5% to 3.5% in constant currency terms which will be aided by momentum in volume aspect.
- The board has approved, subject to the shareholder approval, a buyback of Rs. 9,500 crores. This would consist of a buyback of upto 23,75,00,000 equity shares of Rs. 2 each (being 4.16% of total paid-up equity share capital) from the shareholders of the Company on a proportionate basis at a price of Rs. 400/ share.
- The company entered into a definitive agreement to acquire Eximius Design, LLC and Eximius Design India Private Limited, a leading engineering services company with expertise in semiconductor, software and systems design for a total consideration of USD 80 mn. The acquisition is subject to customary closing conditions and regulatory approvals and is expected to be concluded in the quarter ending December 31st, 2020.
- Operating Cash Flow for the company stood at Rs. 44.1 billion, which is 179% of Net Income. Free Cash Flows as a percentage of Net Income for H1FY21 was at 160.7% of Net income. At the end of Q2FY21, the company had a net cash of \$4.6 billion.
- The company believes, while the traditional IT services will continue to be important, the next big wave of opportunity will be driven by next-gen services of cloud, digital transformation, IoT, 5G.

**Valuation**

At the CMP of Rs. 375.75 the stock is trading at a 19.7x P/E with an estimated FY22 EPS of Rs. 19.

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## Financial Summary

Revenues grew by 1.2% on QoQ basis mainly aided by robust pick up in volumes.

EBITDA margins improved to 22.8%. IT Services Operating Margin for the quarter stood at 19.2%, an expansion of 20 bps QoQ. This was mainly aided by operational management improvement (+80 bps) and was offset by appreciation in rupee impact (-60 bps).

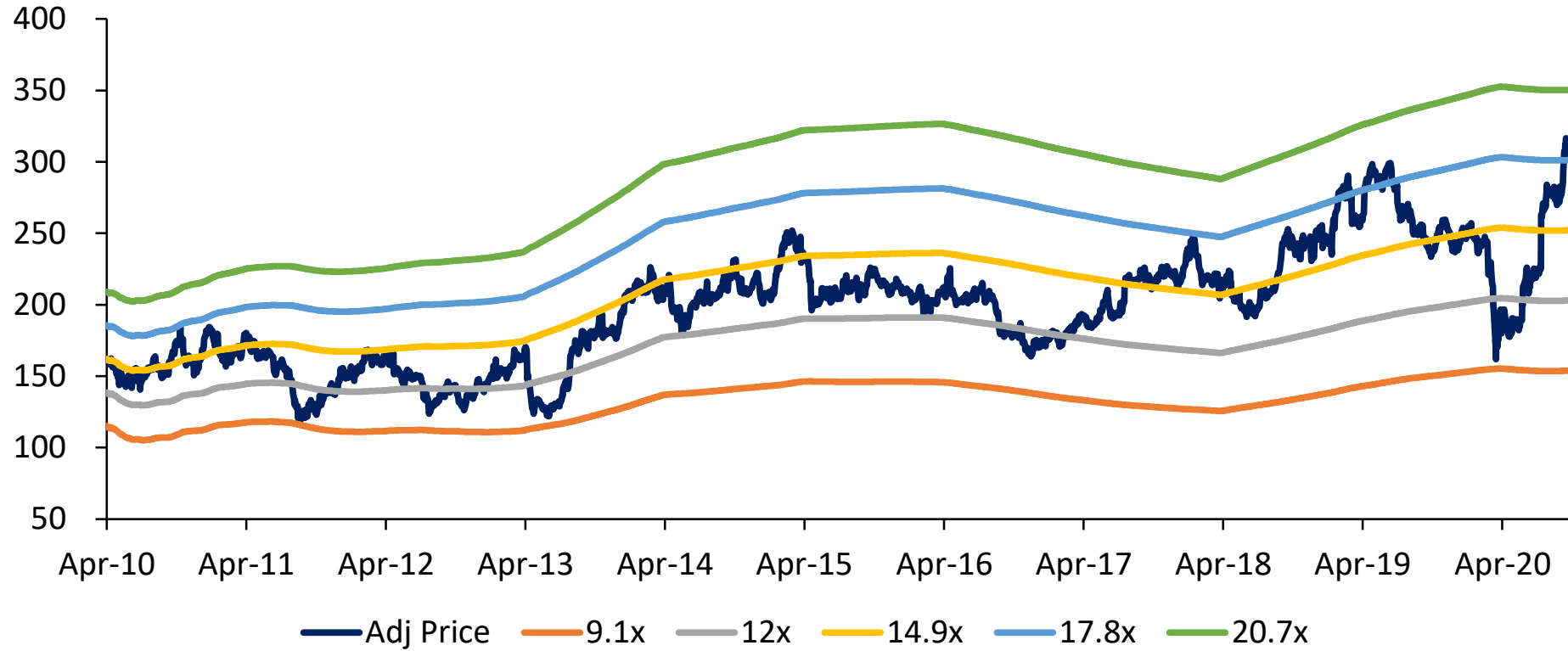
PAT for the quarter grew by 3% on QoQ basis whereas it declined by 3% on YoY basis to Rs. 2,484 cr .

Figures are in Rs Cr	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	FY19	FY20	YoY (%)
Net Sales	15,097	15,131	-0.2	14,923	1.2	59,019	61,023	3.4
Raw Material Cost	200	280	-28.7	194	2.8	1,340	1,138	-15.1
<b>RM Cost to Sales (%)</b>	<b>1.3</b>	<b>1.9</b>		<b>1.3</b>		<b>2.3</b>	<b>1.9</b>	
Employee Cost	8,317	8,127	2.3	8,026	3.6	29,977	32,657	8.9
<b>Employee Cost to Sales (%)</b>	<b>55.1</b>	<b>53.7</b>		<b>53.8</b>		<b>50.8</b>	<b>53.5</b>	
Operating Expenses	3,143	3,628	-13.4	3,511	-10.5	16,085	14,883	-7.5
<b>OPEX to Sales (%)</b>	<b>20.8</b>	<b>24.0</b>		<b>23.5</b>		<b>27.3</b>	<b>24.4</b>	
EBITDA	3,438	3,096	11.0	3,192	7.7	11,617	12,345	6.3
<b>EBITDA Margin (%)</b>	<b>22.8</b>	<b>20.5</b>		<b>21.4</b>		<b>19.7</b>	<b>20.2</b>	
Depreciation	658	481	36.7	615	6.9	1,947	2,086	7.1
Interest	127	225		130		738	733	
<b>TTM Interest Coverage</b>	<b>21.9</b>	<b>11.6</b>		<b>19.8</b>		<b>13.1</b>	<b>14.0</b>	
Other Income	555	745	-25.5	649	-14.5	2,614	2,725	4.3
<b>Other Income to Sales (%)</b>	<b>3.7</b>	<b>4.9</b>		<b>4.3</b>		<b>4.4</b>	<b>4.5</b>	
Exceptional Income / Expenses	0.0	0.0		0.0		0.0	0.0	
Profit Before Tax	3,208	3,135	2.3	3,095	3.6	11,547	12,252	6.1
<b>Tax Rate (%)</b>	<b>22.6</b>	<b>18.3</b>		<b>22.1</b>		<b>21.9</b>	<b>20.2</b>	
Profit After Tax	2,484	2,562	-3.0	2,412	3.0	9,022	9,772	8.3
<b>PAT Margin (%)</b>	<b>16</b>	<b>17</b>		<b>16</b>		<b>15</b>	<b>16</b>	
Adjusted EPS	4.3	4.5		4.2		14.9	17.1	
Shareholder's Funds	60,841	51,083				56,423	55,746	
BV per share	106.5	89.4				98.8	97.6	
Net Debt	-35,911	-25,471				-28,279	-27,527	
Net Debt to Equity	-0.6	-0.5				-0.5	-0.5	
Net Debt to EBITDA	-10.4	-8.2				-2.4	-2.2	
CAPEX						2,278	2,350	
RoE	4.1	5.0				16.0	17.5	
RoCE	11.2	10.2				34.4	36.4	
P/E						11.8	22.0	
P/B						3.8	3.9	
EV/EBITDA	52.0	61.1				12.7	15.2	

# Segmental Performance

Year ending Mar (Rs Cr)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	FY19	FY20
<b>Revenue (in \$)</b>										
IT Service Revenue (\$ mn)	2,046.5	2,075.5	2,038.8	2,048.9	2,094.8	2,073.7	1,921.6	1,992.4	8,120.3	8,256.2
CC Growth (%)	2.4	1.0	(0.7)	1.1	1.8	0.4	(7.5)	2.0	5.4	3.9
<b>Geographical Revenue Breakup (%)</b>										
America	57.1	58.2	58.7	59.6	59.2	59.1	59.0	58.4	56.8	59.1
Europe	25.5	24.6	24.6	23.5	23.7	24.1	23.7	23.8	25.5	24.0
Rest of the World	17.4	17.2	16.7	16.9	17.1	16.8	17.3	17.8	17.7	16.9
<b>Revenue by Offerings (%)</b>										
Digital	14.7	14.9	14.7	14.7	15.3	14.6	14.8	15.5	13.7	14.8
Cloud and Infrastructure	25.0	25.2	25.7	25.7	25.8	25.8	25.9	25.6	25.5	25.8
Data Analytics and AI	7.2	7.2	7.4	7.3	7.2	7.2	7.2	7.0	7.2	7.3
Modern Application services	45.6	45.1	44.6	44.8	44.2	44.7	44.4	44.5	45.9	44.5
Industrial & Engineering Services	7.5	7.6	7.6	7.5	7.5	7.7	7.7	7.4	7.7	7.6
<b>Verticalwise Break Up (%)</b>										
Banking, Financial and Insurance Services	31.4	31.5	31.6	31.3	30.9	30.4	30.7	31.2	30.9	31.0
Communication	5.8	5.7	5.9	5.7	5.7	5.5	5.1	5.3	5.7	5.7
Consumer Business	15.6	16.2	15.6	16.0	16.9	16.8	15.9	16.2	15.7	16.3
Energy, Utilities, Res & Services	13.0	12.8	12.8	12.9	12.9	12.8	13.2	12.9	12.8	12.9
Health Business Unit	13.1	13.2	13.2	13.0	13.1	13.5	13.5	13.7	13.2	13.2
Manufacturing	8.1	8.0	7.9	8.1	8.2	8.2	8.1	8.2	8.2	8.1
Technology	13.0	12.6	13.0	13.0	12.3	12.8	13.5	12.5	13.5	12.8
<b>Clientwise Break up (TTM)</b>										
> \$100 Mn	10	10	13	13	14	15	13	11	10	15
> \$75Mn	19	22	23	23	22	22	22	24	22	22
> \$50 Mn	41	41	41	41	41	40	39	39	41	40
> \$20 Mn	99	96	92	92	96	96	97	100	96	96
> \$10 Mn	171	172	166	165	169	166	163	166	172	166
> \$5 Mn	269	262	259	261	260	260	258	257	262	260
> \$3 Mn	339	339	340	341	344	341	348	342	339	341
> \$1 Mn	578	571	564	569	572	574	577	573	571	574

### 1 year forward P/E band chart



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