

Wipro Ltd.

REDUCE

Sector: IT Services

05th March 2025

Key Changes	Target	Rating	Earnings	Target	Rs. 261		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 280
Large Cap	WPRO:IN	72,990	WIPRO	507685	12 Months	Return	-7%

Data as of: 04-03-2025

Company Data			
Market Cap (Rs.cr)	293,046		
52 Week High — Low (Rs.)	325-208		
Enterprise Value (Rs. cr)	296,690		
Outstanding Shares (cr)	1,046.9		
Free Float (%)	27.0		
Dividend Yield (%)	2.1		
6m average volume (cr)	1.4		
Beta	1.0		
Face value (Rs.)	2.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	72.8	72.8	72.8
FII's	9.4	9.6	10.3
MFs/Institutions	8.3	8.7	8.2
Public	8.2	7.8	7.7
Others	1.3	1.1	1.1
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-4.9%	-46.1%	-46.2%
Absolute Sensex	-9.8%	-11.4%	-1.2%
Relative Return	5.0%	-34.7%	-45.0%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	90,619	95,780	101,812
Growth (%)	1.0	5.7	6.3
EBITDA	18,257	19,858	21,496
EBITDA Margin (%)	20.1	20.7	21.1
PAT Adjusted	12,678	13,854	15,135
Growth (%)	14.8	9.3	9.2
Adjusted EPS	12.1	13.2	14.5
Growth (%)	14.8	9.3	9.2
P/E	23.1	21.1	19.4
P/B	3.3	2.9	2.6
EV/EBITDA	16.3	15.0	13.9
ROE (%)	14.5	13.8	13.3
D/E	0.2	0.2	0.1

Muted revenue; order booking declined

Wipro Ltd provides information technology, consulting and business process services globally.

- In Q3FY25, the company's consolidated revenue was largely flat (+0.5% YoY) to Rs. 22,319cr, due to a decline in revenue growth in technology & communications and energy, manufacturing & resources.
- Revenue of the technology & communications segment dropped 4.7% YoY to Rs. 3,397cr, and that of energy, manufacturing & resources by 7.8% YoY to Rs. 3,769cr. Even though BFSI, health and consumer segments increased YoY, it was offset by a decline in the other two segments.
- Region-wise, steady growth was seen in the Americas, while growth declined in the AP-MEA and Europe regions. America 1 increased 3.7% YoY, led by health and technology and communication sectors. America 2 by 1.2% YoY, driven by BFSI sector. Europe decreased 4.6% YoY, and APMEA fell 8.0% YoY.
- EBITDA increased 8.4% to Rs. 4,573cr in Q3FY25, due to a decline in SG&A expenses and flat growth in the cost of sales. As a result, EBITDA margin improved 150 bps YoY to 20.5% in Q3FY25.
- Reported PAT increased 24.7% YoY to Rs. 3,367cr on account of higher EBITDA.
- In Q3FY25, TCV (Total Contract Value) slipped to USD 3.5bn in Q3FY25 from USD 3.8bn and 17 large deals with a total value of USD 1bn across markets and sectors.

Outlook & Valuation

Even though revenue growth was flat during the quarter. The company's EBITDA margin increased, owing to better execution. Consistent growth of large deal-wins is expected to drive its long term performance. Additionally, the company has a strong large deal pipeline, with significant traction in BFSI and energy, manufacturing and resources sector. However, the pace of technology spending may be tempered by economic challenges, including macro headwinds and the slowdown in the US technology sector. Hence, **we downgraded our rating to REDUCE on the stock, based on 18x P/E on FY27E Adj. EPS, with a rolled-forward target price of Rs. 261.**

Quarterly Financials Consol.

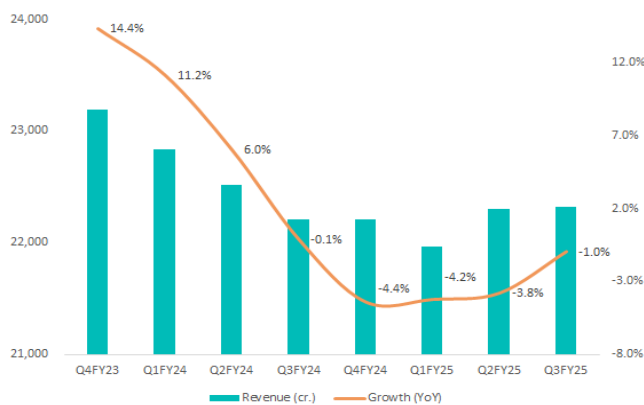
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	22,319	22,205	0.5	22,302	0.1	66,584	67,552	-1.4
EBITDA	4,573	4,218	8.4	4,546	0.6	13,455	12,639	6.5
Margin (%)	20.5	19.0	150bps	20.4	10bps	20.2	18.7	150bps
EBIT	3,897	3,287	18.6	3,715	4.9	11,218	10,073	11.4
PBT	4,453	3,552	25.4	4,278	4.1	12,753	10,859	17.4
Rep. PAT	3,367	2,701	24.7	3,227	4.3	9,630	8,254	16.7
Adj PAT	3,354	2,694	24.5	3,209	4.5	9,566	8,211	16.5
EPS (Rs.)	3.2	2.6	24.0	3.1	4.5	9.1	7.7	18.4



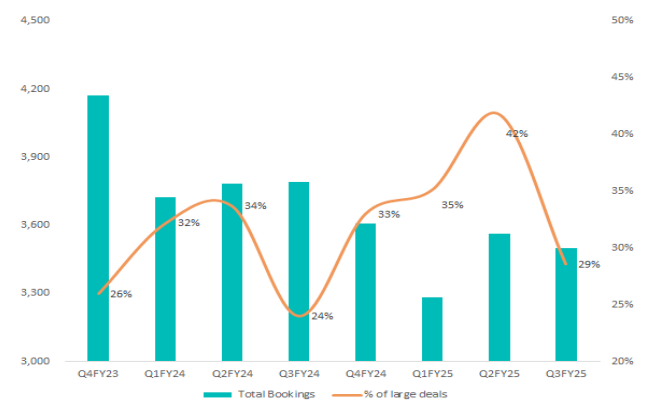
Key Highlights

- The company guided for sequential growth of +/- 1% in constant-currency terms for Q4FY25, compared with Q3FY25.
- In Q3FY25, Wipro closed 17 large deals amounting to USD ~1 billion, including a vendor-consolidation deal with a leading American retail and distribution company. The AI-led approach to engineering, digital, infrastructure and application services has played a significant role in winning the deal.
- During the quarter, reported operating cash flows stood at Rs. 49.3 billion (USD 576.4 million), registered a growth of 3.0% YoY and at 146.5% of net income.
- The company has revised its capital allocation policy, increasing the payout ratio to 70% of net income, to be distributed cumulatively over a three-year block, effective FY26.
- Wipro is investing in the employees' AI education, with 50,000 employees now holding advanced AI certification. The company is also investing in AI tools and platforms across the software development cycle and internal processes.
- The margin expansion was driven by reductions in overheads, including G&A, improved utilization, and improved execution rigor in the core and consulting businesses.

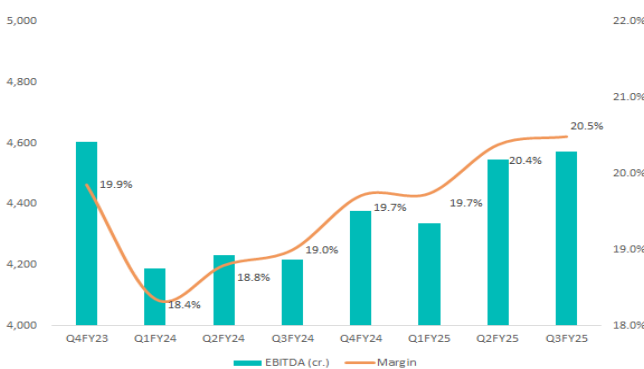
Revenue



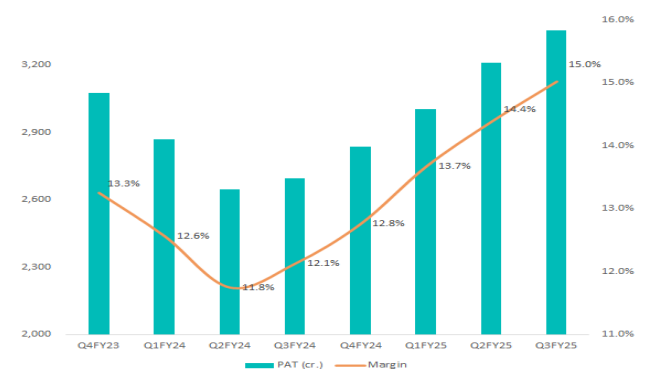
Deal Bookings



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	89,903	95,025	90,619	95,780	101,812	0.8	0.8
EBITDA	18,122	19,439	18,257	19,379	21,128	0.7	-0.3
Margins (%)	20.2	20.5	20.1	20.2	20.8	-10bps	-30bps
Adj. PAT	12,353	13,419	12,514	13,289	14,563	1.3	-1.0
EPS	11.7	12.7	12.0	12.7	13.9	3.0	0.4



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	90,488	89,760	90,619	95,780	101,812
% change	14.4	-0.8	1.0	5.7	6.3
EBITDA	17,301	17,017	18,257	19,858	21,496
% change	3.0	-0.1	7.7	8.9	8.8
Depreciation	3,340	3,407	3,431	3,534	3,603
EBIT	13,961	13,610	14,826	16,324	17,893
Interest	-811	-1,134	-1,781	-1,806	-1,893
Other Income	-6	-23	-26	-28	-31
PBT	14,766	14,721	16,582	18,101	19,755
% change	-2.4	-0.3	12.6	9.2	9.1
Tax	3,399	3,609	3,814	4,163	4,544
Tax Rate (%)	23.0	24.5	23.0	23.0	23.0
Reported PAT	11,367	11,112	12,768	13,938	15,211
PAT att. to common shareholders	11,350	11,045	12,678	13,854	15,135
Adj.*	-	-	-	-	-
Adj. PAT	11,350	11,045	12,678	13,854	15,135
% change	-7.1	-2.7	14.8	9.3	9.2
No. of shares (cr)	548.9	1,046.9	1,046.9	1,046.9	1,046.9
Adj EPS (Rs.)	20.7	10.6	12.1	13.2	14.5
% change	-7.2	-49.0	14.8	9.3	9.2
DPS (Rs.)	1.0	1.0	1.2	1.3	1.4

Cash flow

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	14,690	14,452	16,109	17,389	18,738
Non-cash adj.	-1,548	2,294	-5,791	-1,833	72
Other adjustments					
Changes in W.C	-82	875	-1,187	-557	-503
C.F. Operation	13,060	17,622	9,132	14,999	18,307
Capital exp.	-1,429	-619	-1,812	-2,873	-3,054
Change in inv.	-6,575	353	-6,223	-11,202	-14,563
Other invest.CF	-403	1,434	1,309	1,461	1,473
C.F - Investment	-8,407	1,168	-6,727	-12,615	-16,144
Issue of equity	1	-14,516	1,049	-	-
Issue/repay debt	-788	-1,006	110	890	951
Dividends paid	-3,281	-554	-1,214	-1,327	-1,450
Other finance.CF	-2,020	-2,181	-1,273	-1,426	-1,439
C.F - Finance	-6,088	-18,257	-1,328	-1,863	-1,937
Chg. in cash	-1,435	533	1,076	522	226
Closing Cash	9,188	9,695	10,772	11,294	11,520

Balance Sheet

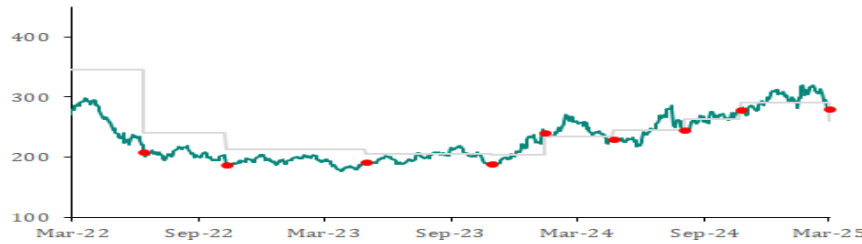
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	9,188	9,695	10,772	11,294	11,520
Accts. Receivable	12,635	11,548	12,687	13,218	13,745
Inventories	119	91	139	164	140
Other Cur. Assets	44,168	43,733	51,824	64,555	80,266
Investments	2,150	2,267	3,376	4,482	5,586
Gross Fixed Assets	19,636	17,969	19,782	22,655	25,709
Net Fixed Assets	8,234	7,529	6,956	7,177	7,257
CWIP	632	632	569	512	461
Intangible Assets	35,102	34,875	33,893	33,067	32,490
Def. Tax -Net	210	182	192	210	250
Other Assets	5,145	4,695	4,749	4,814	4,889
Total Assets	117,582	115,246	125,156	139,493	156,603
Current Liabilities	17,893	17,329	15,060	15,929	18,071
Provisions	-	-	-	-	-
Debt Funds	15,009	14,147	14,257	15,147	16,098
Other Liabilities	6,504	8,648	8,045	7,942	8,128
Equity Capital	1,098	1,045	2,094	2,094	2,094
Res. & Surplus	77,019	73,943	85,477	98,074	111,828
Shareholder Funds	78,116	74,988	87,571	100,167	113,922
Minority Interest	59	134	223	307	383
Total Liabilities	117,582	115,246	125,156	139,493	156,603
BVPS	142	72	84	96	109

Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	19.1	19.0	20.1	20.7	21.1
EBIT margin (%)	15.4	15.2	16.4	17.0	17.6
Net profit mgn.(%)	12.5	12.3	14.0	14.5	14.9
ROE (%)	14.5	14.7	14.5	13.8	13.3
ROCE (%)	15.0	15.2	14.5	14.1	13.7
W.C & Liquidity					
Receivables (days)	51.0	47.0	51.1	50.4	49.3
Inventory (days)	0.7	0.5	0.8	0.9	0.7
Payables (days)	50.4	51.2	48.2	47.5	49.3
Current ratio (x)	2.5	2.6	3.3	3.6	3.9
Quick ratio (x)	2.0	2.1	2.6	3.0	3.2
Turnover & Leverage					
Gross asset T.O (x)	3.8	3.3	3.0	2.9	2.8
Total asset T.O (x)	0.8	0.8	0.8	0.7	0.7
Int. covge. ratio (x)	27.4	25.6	14.7	13.0	14.1
Adj. debt/equity (x)	0.2	0.2	0.2	0.2	0.1
Valuation					
EV/Sales (x)	2.3	2.9	3.3	3.1	2.9
EV/EBITDA (x)	11.9	15.0	16.3	15.0	13.9
P/E (x)	17.7	22.8	23.1	21.1	19.4
P/BV (x)	2.6	3.4	3.3	2.9	2.6



Recommendation Summary - (last 3 years)



Dates	Rating	Target
13-Oct-22	BUY	214
03-May-23	HOLD	207
01-Nov-23	HOLD	205
18-Jan-24	REDUCE	235
25-Apr-24	HOLD	245
06-Aug-24	HOLD	264
28-Oct-24	HOLD	291
05-Mar-25	REDUCE	261

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral


Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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