

**Wipro Ltd.**

₹ 422

*Global Vision Local Mission***Accumulate**

Mar 01, 2013

**Company Background**

Wipro Ltd. (Wipro) provides comprehensive IT solutions & services, viz. system integration, information system outsourcing, IT enabled services, package implementation, software application development & maintenance and R&D services to corporations globally. Wipro is the first PCMM Level 5 and SEI CMM Level 5 certified IT Services Co. globally. In the Indian market, Wipro is a leader in providing IT solutions & services for corporate segment in India offering system integration, network integration, software solutions & IT services. In Asia Pacific & Middle East markets, It provides ITES for global corporations. It also has profitable presence in niche market segments of consumer products & lighting.

**Key Highlights**

- ➔ Wipro has secured a large R&D Applications and Infrastructure services deal from a Europe-based Telecom Equipment Vendor. It will be a key enabler in the client's ongoing business transformation program.
- ➔ Sears Holdings Corporation, a leading integrated Retailer in US has extended its agreement with Wipro through a multi-year BPO contract in the areas of Finance & Accounting, Human Resources and Procurement. Wipro will continue to build on relationship to deliver results, quality, innovation & flexibility.
- ➔ Wipro has won a multi-year IT Infrastructure Outsourcing with a large Retailers in Australia. The program also involves cloud deployment, will leverage a high degree of automation to improve operational efficiencies. This will help the Retailer improve business agility and enhance the end-user experience.
- ➔ Wipro has won a multi-year engagement with a large not-for-profit Healthcare Provider in the US to enable the seamless integration of the IT infrastructure of its recently acquired entities. The partnership will help the customer leverage new technologies like cloud, analytics, pervasive computing and mobility to deliver and improve the quality of care.
- ➔ Wipro has won a deal for a Core Banking Solution implementation across 2,520 branches of Punjab and Sind Bank, a public sector bank in India. Wipro will be providing hardware and software, WAN roll-out, network & security devices, data center and disaster site co-hosting.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 10	Mar 11	Mar 12
Revenue (INR mn)	238,363.0	270,402.0	329,886.0
Rev. growth (%)	7.94	13.44	22.00
EBITDA (INR mn)	64,611.0	65,006.0	75,216.0
Net profit (INR mn)	48,980.0	48,437.0	46,851.0
Shares outstanding (mn)	1,468.2	2,454.4	2,458.8
EPS (INR)	33.4	19.7	19.1
EPS growth (%)	64.34	(40.84)	(3.45)
P/E (x)	12.7	24.2	23.0
RONW (%)	32.1	24.5	20.2
ROCE (%)	23.8	19.4	16.5

**Nishant Chopra**

nishantc@indiratrade.com

**Info Codes**

Reuters	: WIPR.BO
Bloomberg	: WPRO@IN
NSE	: WIPRO
BSE	: 507685

**Market Data**

52 Wk Range (₹)	: 451 / 326
Shares in Issue (mn)	: 2458.8
Mkt. Cap (₹ bn)	: 1037.25
BSE 2 Wk Avg Vol	: 108000

**Share Holding Pattern (%)**

Promoters	: 78.29
DII's	: 03.06
FII's	: 07.02
Others	: 11.63

**Investment Theme**

Wipro have expanded operating margins sequentially through improvements in revenue productivity and improved cash flow generation through efficient working capital management. The company has seen broad based growth in Q3 with a sequential growth in all their verticals. Improvement in customer and employee engagement is reflected in client mining with 10 customers contributing more than USD 100 mn and lower attrition. Wipro continue to make investments in their go to market organization and technology themes to be a strategic partner to their customers. The IT Services segment had 142,905 employees as of December 31, 2012, an increase of 2,336 people in Q3. It added 50 new customers for the quarter. Wipro expect Revenues from IT Services business to be in the range of USD 1,585 mn to USD 1,625 mn for the QE March 13.

**Here payments are linked to customer satisfaction**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Total Sales + Excise	230063.0	264012.0	14.76	318034.0	20.46
Other Income	9143.0	7397.0	(19.10)	13057.0	76.52
Change in Stocks	1110.0	316.0	(71.53)	(449.0)	(242.09)
Raw Material Con.	10276.0	11084.0	7.86	14763.0	33.19
Employee Exp.	91101.0	110887.0	21.72	134424.0	21.23
Indirect Taxes	1200.0	1385.0	15.42	1843.0	33.07
Other Exp.	73128.0	83363.0	14.00	104396.0	25.23
Operating Exp.	174595.0	206403.0	18.22	255875.0	23.97
Operating Profit	55468.0	57609.0	3.86	62159.0	7.90
Total Interest	998.0	1360.0	36.27	6057.0	345.37
Gross Profit	63613.0	63646.0	0.05	69159.0	8.66
Net Dep.	6249.0	6001.0	(3.97)	9228.0	53.77
Total Taxation	8384.0	9208.0	9.83	13080.0	42.05
Net Profit/Loss	48980.0	48437.0	(1.11)	46851.0	(3.27)

### 4 Years Balance Sheet

(₹ mn)

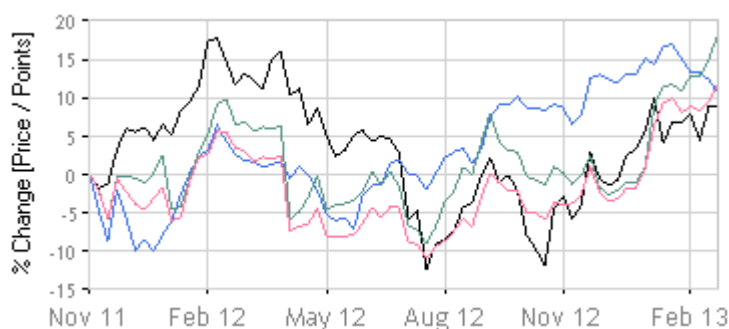
Balance Sheet as on 31 <sup>st</sup>	Mar 09	Mar 10	Mar 11	Mar 12
<b>SOURCES OF FUNDS</b>	<b>175,288.0</b>	<b>232,224.0</b>	<b>260,643.0</b>	<b>296,394.0</b>
Equity Share capital	2,930.0	2,936.0	4,908.0	4,917.0
Share Application Money	15.0	18.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	122,204.0	173,968.0	208,294.0	238,608.0
Long Term Loans	19,156.0	17,747.0	19,687.0	22,459.0
Short Term Loans	30,983.0	37,555.0	27,754.0	30,410.0
<b>USES OF FUNDS</b>	<b>175,288.0</b>	<b>232,224.0</b>	<b>260,643.0</b>	<b>296,394.0</b>
Gross Block	57,433.0	67,613.0	77,793.0	88,078.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	25,637.0	31,050.0	35,423.0	41,580.0
Net Block	31,796.0	36,563.0	42,370.0	46,498.0
Capital Work in Progress	13,118.0	9,911.0	3,964.0	3,012.0
Investments	68,845.0	89,665.0	108,134.0	103,352.0
Current Assets	136,965.0	169,535.0	189,882.0	236,782.0
Less : Current Liabilities	75,436.0	73,450.0	83,707.0	93,250.0
Total Net Current Assets	61,529.0	96,085.0	106,175.0	143,532.0
Misc. Expenses not written	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	53,713.0	71,117.0	83,535.0	83,381.0
Mkt Val. Quoted Investments	15,211.0	18,558.0	24,645.0	19,996.0
Contingent Liabilities	26,969.0	31,052.0	(2,633.0)	(9,767.0)
Dividend (%)	200	300	300	300

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 12	Jun 12	Sep 12	Dec 12
Net Sales	83,783.00	87,919.00	90,342.00	92,961.00
Cost Of Sales	68,527.00	70,945.00	71,139.00	74,032.00
Operating Profit	15,256.00	16,974.00	19,203.00	18,929.00
Recurring Income	4,832.00	1,407.00	5,449.00	2,846.00
Adjusted PBDIT	20,088.00	18,381.00	24,652.00	21,775.00
Financial Expenses	964.00	1,111.00	718.00	800.00
Depreciation	1,934.00	1,915.00	1,972.00	1,869.00
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	17,190.00	15,355.00	21,962.00	19,106.00
Tax Charges	3,677.00	3,775.00	4,769.00	4,276.00
Adjusted PAT	13,513.00	11,580.00	17,193.00	14,830.00
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	13,513.00	11,580.00	17,193.00	14,830.00

## 52 Week Index Relative Percentage Appreciation



## Wipro vs SENSEX vs IT vs Tech

## Points to ponder

- ➔ Wipro was named a Leader in The Forrester Wave™: Business Intelligence (BI) Services Providers, Q4 2012. The report said that Wipro is closing the gap with multinational companies, investing substantially in dedicated local market consulting resources, coupled with significant amounts of industry-specific productized IP & platform BI solutions, giving clients a good mix of process consulting skills backed by leading technology.
- ➔ Wipro was recognized at the 'National Centre for Promotion of Employment for Disabled People (NCPEDP)-Shell Helen Keller Awards 2012', in the category 'Role Model Organizations'.
- ➔ Wipro won the Global MAKE (Most Admired Knowledge Enterprises) Award 2012, administered by Teleos, an independent research firm based in the United Kingdom. This was 5th time that Wipro has been recognized as one of the top global organizations that transforms corporate knowledge into intellectual capital for the enterprise and increases stakeholder wealth by transforming new as well as existing enterprise knowledge into superior products, services/solutions.
- ➔ Wipro has been selected by Amazon Web Services (AWS) as a 'Premier Consulting Partner' for 2013. This title recognizes Wipro as one of the top Consulting Partners in the Amazon Partner Network program, having distinguished itself by investing significantly in its Cloud and AWS practice and providing exceptional customer service.
- ➔ Wipro topped the 'Guide to Greener Electronics' ranking released by Greenpeace International. The guide ranked 16 Electronic companies across the world based on their commitment and progress in three environment criteria: Energy and Climate, Greener Products and Sustainable Operations.

**In a Nutshell**

Wipro Ltd is a global information technology, consulting and outsourcing company with 140,000 employees serving over 900 clients in 57 countries. Wipro helps customers to do business better leveraging its industry-wide experience, deep technology expertise, comprehensive portfolio of services and a vertically aligned business model. Company's 55+ dedicated emerging technologies 'Centers of Excellence' enable them to harness latest technology for delivering business capability to clients. Wipro is globally recognized for its innovative approach towards delivering business value and its commitment to sustainability. Wipro champions optimized utilization of natural resources, capital and talent. This makes it a trusted ITES partner across the globe. It is now focusing more on emerging areas like Cloud, Mobility and Analytics. It sees significant potential in Analytics and foresees it as a big revenue earner for the IT industry. Services like mobility and analytics, apart from cloud, have been witnessing strong traction with significant deals won during Q3. During the recent reorganization process, management has made changes to structure to align it more with the demand generation process and increase efficiency. Wipro is also focusing more on the Top 138 accounts to get a higher share of the wallet. The focus on increasing wallet share has resulted in the number of USD 100 mn accounts going up to 10 v/s 6 in 3QFY12. Wipro has announced the de-merger of Wipro Consumer Care & Lighting (including Furniture business), Wipro Infrastructure Engineering (Hydraulics & Water businesses), and Medical Diagnostic Product & Services business (through its strategic joint venture), into a separate company to be named Wipro Enterprises Limited. This will further unlock the value of these segments.

**Indira Group Offices**

<b>Registered Office</b>	: Singh House, 3rd Floor, 23/25 Ambalal Doshi Marg, Fort, Mumbai 400023
	<b>Tel :</b> +91-22-22656812 <b>Fax :</b> +91-22-22656985 <b>Email :</b> <a href="mailto:im@indiratrade.com">im@indiratrade.com</a>
<b>Administrative Office</b>	: Ramavat House, E-15 Saket Nagar, Indore 452018
	<b>Tel :</b> +91-731-2566361 <b>Fax :</b> +91-731-2562117 <b>Email :</b> <a href="mailto:ii@indiratrade.com">ii@indiratrade.com</a>
<b>Institutional Dealing Unit</b>	: Africa House, 3rd Floor, 5 Topiwala Lane, Lamington Road, Mumbai 400007
	<b>Tel :</b> +91-22-30080675 <b>Fax :</b> +91-22-23870767 <b>Email :</b> <a href="mailto:ie@indiratrade.com">ie@indiratrade.com</a>

**Rating Interpretation**

<b>Buy</b>	: Expected to appreciate 20% or more over 12-months	<b>Reduce</b>	: Expected to depreciate up to 10% over 12-months
<b>Accumulate</b>	: Expected to appreciate 10% to 20% over 12-months	<b>Sell</b>	: Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b>	: Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b>	: Expected to depreciate more than 10% over 45-days

**Disclaimer**

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.