

## IT Services | Q3FY23 Result Update

## Revenue miss, OPM expanded; Cautious commentary on spending

- Wipro reported 0.6% QoQ CC growth (DE: 1%), at lower band of its guided range of 0.5% - 2% QoQ due to slowing spending and furloughs.
- IT services EBIT Margin improved by 120bps QoQ to 16.3% (DE: 15.5%) driven by efficiency gains and absence of restructuring cost from Q2.
- It provided FY23 revenue guidance of 11.5-12% in CC which implies decline of 0.6% to positive 1% sequential movement for Q4. It indicates lower confidence on business performance and visibility. Wipro is confident on its deal wins and pipeline but is factoring slowdown in discretionary spending in its outlook.
- Factoring in further slip in growth outlook, we cut our growth estimates by 1.1%/2.4%/2.5 for FY23E/FY24E/FY25E. Maintain 'REDUCE' rating with TP of Rs.400 (Earlier Rs. 420) at 16x FY25E EPS.

## Outlook optimistic but not aligned to growth performance

Wipro shared detailed outlook wherein it is confident of sustaining solid deal wins ahead. For verticals: Expects Retail segment in US to witness potential slowdown in tech spending; Technology & Comms (headcount cuts) segment to see softness in growth. GEOs: expect better prospects for Europe led by solid deal wins. On outlook for Services, Wipro expects sustained investments in 1) Security and 2) Cloud transformation. However, no clear reason identified for weak growth for H2FY23.

## Robust deal pipeline, Softness in discretionary spend

It closed 11 large deals (TCV of \$1bn+), growing at 69% YoY. Nature of deal pipeline remains strong and diversified driven by Wipro Fullstride and Engineering services. Management highlighted clients are focusing on value driven transformation, tighter governance and immediate ROI deals. However, softness across major verticals may taper growth in near term.

## Delay in revenue recognition may impact growth

Slowing discretionary spending could lead to delay in ramp-up of deals. Also, management sounded sceptical about it despite record deal wins. We expect 2-3 quarters of slowing growth as industry growth rate decelerates.

## Q3FY23 Result (Rs Mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Revenue	233,681	204,337	14.4	226,454	3.2
Total Expense	196,045	168,802	16.1	193,951	1.1
EBITDA	46,865	42,994	9.0	40,472	15.8
Depreciation	9,229	7,459	23.7	7,969	15.8
EBIT	37,636	35,535	5.9	32,503	15.8
Other Income	5,018	3,654	37.3	3,968	26.5
Interest	2,902	1,403	106.8	2,270	27.8
EBT	39,752	37,786	5.2	34,201	16.2
Tax	9,102	8,063	12.9	7,710	18.1
RPAT	30,529	29,690	2.8	26,590	14.8
APAT	30,529	29,690	2.8	26,590	14.8
			(bps)		(bps)
Gross Margin (%)	30.1	30.1	0	27.7	248
EBITDA Margin (%)	20.1	21.0	(99)	17.9	218
NPM (%)	13.1	14.5	(147)	11.7	132
Tax Rate (%)	22.9	21.3	156	22.5	35
EBIT Margin (%)	16.1	17.4	(128)	14.4	175

CMP	Rs 394
Target / Upside	Rs 400 / 2%
NIFTY	17,957

## Scrip Details

Equity / FV	Rs 10,964mn / Rs 2
Market Cap	Rs 2,176bn
	USD 26.7bn
52-week High/Low	Rs 652/ 372
Avg. Volume (no)	5,283,970
Bloom Code	WPRO IN

Price Performance	1M	3M	12M
Absolute (%)	(1)	4	(39)
Rel to NIFTY (%)	3	(1)	(38)

## Shareholding Pattern

	Jun'22	Sep'22	Dec'22
Promoters	73.0	73.0	73.0
MF/Banks/FIs	4.9	4.9	4.9
FIs	7.0	7.0	7.0
Public / Others	15.1	15.1	15.1

## Valuation (x)

	FY23E	FY24E	FY25E
P/E	19.2	17.6	15.6
EV/EBITDA	12.4	11.6	10.5
ROE (%)	16.3	17.1	16.8
RoACE (%)	14.4	15.4	15.3

## Estimates (Rs bn)

	FY23E	FY24E	FY25E
Revenue	910.4	991.0	1,060.7
EBITDA	172.2	187.1	199.9
PAT	112.7	123.0	133.5
EPS (Rs.)	20.6	22.4	25.2

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**Exhibit 1: Quarterly performance versus estimates**

Particulars (Rs mn)	Estimates			% Variation		Comment
	Actual	Dolat	Consensus	Dolat	Consensus	
USD Revenue – IT services	2,804	2,837	2,828	(1.2)	(0.9)	Revenue miss due to cut in discretionary spend
INR Revenue	2,33,681	2,36,951	2,32,124	(1.4)	0.7	
EBIT	37,636	36,186	35,870	4.0	4.9	Margin beat led by efficiency gains
EBIT, margin (%)	16.1	15.3	15.5	80 bps	70 bps	
PAT	30,529	29,203	29,656	4.5	2.9	PAT beat due to op leverage

Source: DART, Company

**Change in Estimates**

Given slightly weaker growth performance in Q3, and modest outlook for Q4; we have toned down our growth estimates for FY23/FY24E/FY25E by -1.1%/-2.4%/-2.5% respectively. But factoring in solid OPM performance in Q3 we have scaled up our estimates for FY23 (up 25bps QoQ) but has kept the OPM outlook unchanged for FY24E/FY25E (3bps/-3bps). Overall, our earnings estimates have changed for FY23/FY24E/FY25E by 1%/-1%/-3%.

**Exhibit 2: Change in Estimates**

Particulars (Rs mn)	FY22A	FY23E			FY24E			FY25E		
	Actual	Old	New	% chg	Old	New	% chg	Old	New	% chg
IT Services Revenue (\$mn)	10,356	11,275	11,149	(1.1)	12,169	11,879	(2.4)	13,036	12,706	(2.5)
Growth, YoY	27.3	8.9	7.7	(122 bps)	7.9	6.6	(138 bps)	7.1	7.0	(17 bps)
Company Wide INR Revenue	7,97,475	9,14,035	9,10,364	(0.4)	10,00,190	9,91,050	(0.9)	10,79,352	10,60,746	(1.7)
Growth, YoY	28.1	14.6	14.2	(46 bps)	9.4	8.9	(56 bps)	7.9	7.0	(88 bps)
EBIT - IT Services	1,39,078	1,37,965	1,39,790	1.3	1,51,236	1,50,153	(0.7)	1,64,383	1,61,295	(1.9)
EBIT Margin (%) - IT Services	17.7	15.3	15.6	26 bps	15.3	15.3	3 bps	15.4	15.4	(3 bps)
EBIT (Overall)	1,40,286	1,36,941	1,38,726	1.3	1,51,820	1,50,706	(0.7)	1,64,845	1,61,732	(1.9)
EBIT Margin (%)	17.6	15.0	15.2	26 bps	15.2	15.2	3 bps	15.3	15.2	(3 bps)
Net profit	1,22,191	1,11,541	1,12,748	1.1	1,24,085	1,23,042	(0.8)	1,37,659	1,33,482	(3.0)
EPS (Rs. Abs)	22.3	20.3	20.6	1.0	22.8	22.6	(0.9)	26.0	25.2	(3.0)

Source: DART

**Exhibit 3: Key Assumptions in our estimates**

Key Assumptions	FY22A	FY23E	FY24E	FY25E
USD Revenue growth (%) (IT Services)	27.3	7.7	6.6	7.0
CC Growth (%)	26.9	11.8	7.2	7.0
USD/INR	75.7	80.6	82.5	82.7
INR Revenue growth (%)	14.6	14.2	8.9	7.0
EBIT Margins (%)	17.6	15.2	15.2	15.2
EPS growth (%)	14.1	(7.8)	10.1	11.3

Source: DART, Company

**Exhibit 4: Key Revenue Growth Matrix for IT Services Segment**

YoY Growth	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
CC Growth	(1.1)	0.5	25.7	28.8	28.5	28.5	17.2	12.9	10.4
USD Growth	(1.1)	3.8	25.7	29.5	27.5	26.4	13.3	8.4	6.2
INR Growth	1.5	3.6	25.0	31.4	31.1	30.0	16.5	15.4	14.7

Source: DART, Company

### Exhibit 5: Quarterly and YTD Trend

Rs mn	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)	YTD FY22	YTD FY23	YoY (%)
USD Rev. (IT Serv.)	2,640	2,722	2,736	2,798	2,804	6.2	0.2	7,634	8,337	9.2
INR Rev - Co. Wide	2,04,337	2,09,682	2,16,320	2,26,454	2,33,681	14.4	3.2	5,87,793	6,76,455	15.1
Operating Expense	1,68,802	1,74,571	1,84,430	1,93,951	1,96,045	16.1	1.1	4,82,618	5,74,426	19.0
Cost of revenue	1,42,778	1,47,965	1,55,600	1,63,835	1,63,273	14.4	(0.3)	4,07,907	4,82,708	18.3
as % of sales	69.9	70.6	71.9	72.3	69.9	0 bps	(248 bps)	69.4	71.4	196 bps
SG&A expenses	26,024	26,606	28,830	30,116	32,772	25.9	8.8	74,711	91,718	22.8
as % of sales	12.7	12.7	13.3	13.3	14.0	129 bps	73 bps	12.7	13.6	85 bps
EBITDA	42,994	42,456	39,028	40,472	46,865	9.0	15.8	1,28,608	1,26,365	(1.7)
Depreciation	7,459	7,345	7,138	7,969	9,229	23.7	15.8	23,433	24,336	3.9
EBIT	35,535	35,111	31,890	32,503	37,636	5.9	15.8	1,05,175	1,02,029	(3.0)
Other Income	3,578	3,946	3,690	4,040	4,992	39.5	23.6	12,311	12,722	3.3
Finance Cost	1,403	1,717	2,045	2,270	2,902	106.8	27.8	3,608	7,217	100.0
Associates	76	(16)	(15)	(72)	26	(65.8)	(136.1)	73	(61)	(183.6)
PBT	37,786	37,324	33,520	34,201	39,752	5.2	16.2	1,13,951	1,07,473	(5.7)
Tax	8,063	6,399	7,931	7,710	9,102	12.9	18.1	22,547	24,743	9.7
PAT	29,723	30,925	25,589	26,491	30,650	3.1	15.7	91,404	82,730	(9.5)
MI	33	52	(47)	(99)	121	266.7	(222.2)	86	(25)	(129.1)
PAT after MI	29,690	30,873	25,636	26,590	30,529	2.8	14.8	91,318	82,755	(9.4)
Reported EPS	5.4	5.6	4.7	4.9	5.4	0.0	11.8	17	15	(10.4)
Margins (%)						(bps)	(bps)			(bps)
EBITDA	21.0	20.2	18.0	17.9	20.1	(99 bps)	218 bps	21.9	18.7	(320 bps)
EBIT	17.4	16.7	14.7	14.4	16.1	(128 bps)	175 bps	17.9	15.1	(281 bps)
EBT	18.5	17.8	15.5	15.1	17.0	(148 bps)	191 bps	19.4	15.9	(350 bps)
PAT	14.5	14.7	11.9	11.7	13.1	(147 bps)	132 bps	15.5	12.2	(330 bps)
Effective Tax rate	21.3	17.1	23.7	22.5	22.9	156 bps	35 bps	19.8	23.0	324 bps

Source: Company

### What to expect Next Quarter

We expect revenue growth of 0.3% in CC terms QoQ (in line with its guided growth band of -0.6%-1% in CC terms) for Q4FY23. EBIT Margins is expected to decline by 40bps QoQ as investments in SG&A and freshers could continue. We believe ramp of deals to slow and taper further growth in FY24 onwards.

### Exhibit 6: What to expect Next Quarter

(Rs Mn)	Q4FY23E	Q3FY23	Q4FY22	QoQ (%)	YoY (%)
USD Revenue – IT Services	2,812	2,804	2,722	0.3	3.3
INR Revenue – Company Wide	2,33,909	2,33,681	2,09,682	0.1	11.6
EBIT (IT Services)	36,653	37,504	35,050	(2.3)	4.6
PAT	29,993	30,529	30,873	(1.8)	(2.8)
EPS (Rs)	5.5	5.4	5.6	0.9	(2.9)
EBIT Margin (%)	15.9	16.3	17.0	(42 bps)	(111 bps)

Source: DART, Company

### Valuation

We believe WIPRO and few other Tier-I IT companies would see some growth moderation in coming quarters and would reach the normalized growth range of 7%-8% by FY24 and beyond; and thus would at best sustain the current valuations of ~15x-20x which implies ~2x on PEG basis. We currently value WIPRO at 16x on FY25E Earnings of Rs.25.2 with TP of Rs.400 (Earlier Rs. 410) per share and have maintained REDUCE rating on the stock.

## Earnings call KTAs

- **Revenue:** IT Services Revenue grew 0.6% QoQ and 10.4% YoY in CC terms. The growth was impacted due to slowdown in discretionary spending by clients.
- **Margin levers:** Overall OPM stood at 16.1% in Q3FY23 up 180bps on QoQ basis. Also, IT Services margins expanded by 120bps QoQ to 16.3% (ahead of its base guidance of 15%). During Q3, Employee expenses (65.4% of revenues) declined by 0.8% QoQ. The EBIT Margin expansion was attributed to efficiency gains led by lower employee benefits expenses, Sub con costs offset by higher travel costs, after absorbing 3 months of salary hike, incl. quarterly promotions & RSUs to senior employees. Management highlighted its new base for margin and will aim to improve it further.
- **Guidance:** The management has guided Revenue growth of -0.6-1% for Q4FY23 considering potential impact from macro-economic factors.
- **Deal Pipeline overview:** Wipro won ~\$1.1bn (11 Large deals) worth deal TCV in Q3FY23. The Management highlighted that large deal bookings grew by 69% YoY in 9MFY23 and overall order book in TCV terms grew 26% YoY in Q3FY23.
- **Verticals-wise:** In Q3FY23, Health (12% of Rev) grew by 4.7% in cc terms. ENU (11.4% of Rev) grew by 2.8%. Consumer (18.9% of Rev) and Manufacturing (6.9% of Rev) grew by 0.6%/0.6% QoQ in this quarter respectively (Exhibit 7).
- **Geography-wise commentary:** Europe (28.8% of Rev) showed strong growth and grew by 2.4% QoQ and 12% YoY in CC terms. Americas 1 (29.4% of Rev) grew by 1.3% QoQ in CC terms while others declined. (Exhibit 8)
- **Client:** Top client (3.2% of Rev) grew by 0.2% QoQ and 6.2% YoY in Q3. Top 2-5 (10% of Rev) grew the most in this quarter by 2.2% QoQ and 12.9% YoY. Top 6-10/ Non Top 10 Client (8%/79% of Rev) grew by 1.5%/-0.2% QoQ (Exhibit 9).
- **Headcount and Attrition:** Employee headcount saw reduction of 435 in Q3FY23; Attrition declined to 21.2% (180bps QoQ). Wipro on boarded 17k freshers in 9MFY23. It expect attrition to decline and hiring to continue further.
- **New COO Mr. Amit Choudhary priorities:** Develop Agile environment, improve delivery excellence and focus on internal efficiency.
- **ACV Growth in-line with revenue:** Management reported Q2, Q3 and Q4FY22 growth in ACV was 31%, 22% and 33%, respectively with Avg. of 28% growth in ACV. FY22 Revenue growth was also 28%+, similar to ACV growth. ACV growth did reflect into Revenue growth in the past. Both ACV and Revenue includes Capco, hence comparable.

### Exhibit 7: Vertical Revenue Trend for Q3FY23

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%) (CC)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
BFSI	978	35	(0.2)	9.6	(6)	(110)
Communications	129	5	(2.6)	6.4	(8)	(140)
Consumer Business Unit	530	19	0.6	16.8	4	67
ENU	320	11	2.8	10.1	6	108
Health Business Unit	336	12	4.7	8.9	17	301
Manufacturing	193	7	0.6	14.4	0	7
Technology	317	11	(1.3)	4.0	(8)	(133)
<b>Total</b>	<b>2,804</b>	<b>100</b>	<b>0.6</b>	<b>10.4</b>	<b>6</b>	<b>100</b>

Source: DART, Company

**Exhibit 8: Geographical Revenue Trend for Q3FY23**

Geography	Amount (\$ mn)	Mix (%)	QoQ (%) (CC)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Americas 1	824	29	1.3	11.0	7	126
Americas 2	863	31	(0.9)	9.4	(12)	(210)
Europe	807	29	2.4	12.0	21	366
APMEA	308	11	(1.2)	7.0	(11)	(182)
<b>Total</b>	<b>2,804</b>	<b>100</b>	<b>0.6</b>	<b>10.4</b>	<b>6</b>	<b>100</b>

Source: Company, DART

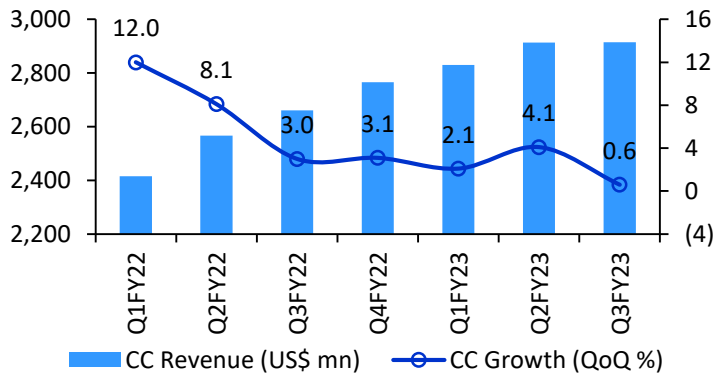
**Exhibit 9: Client Bucket Revenue Trend for Q3FY23**

Client Bucket	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Top client	90	3	0.2	6.2	0	3
Top 2-5 client	283	10	2.2	12.9	6	107
Top 6-10 client	224	8	1.5	13.3	3	56
Non Top 10 client	2,206	79	(0.2)	4.7	(4)	(66)
<b>Total Revenue</b>	<b>2,804</b>	<b>100</b>	<b>0.2</b>	<b>6.2</b>	<b>6</b>	<b>100</b>

Source: Company

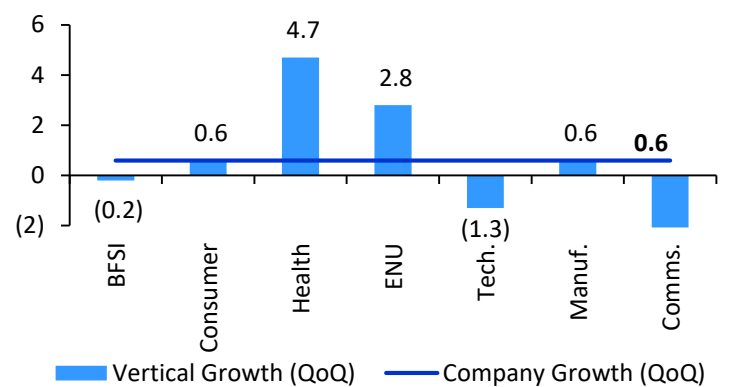
## Story in chart

**Exhibit 10: CC Revenue grew by 0.6% QoQ led by...**



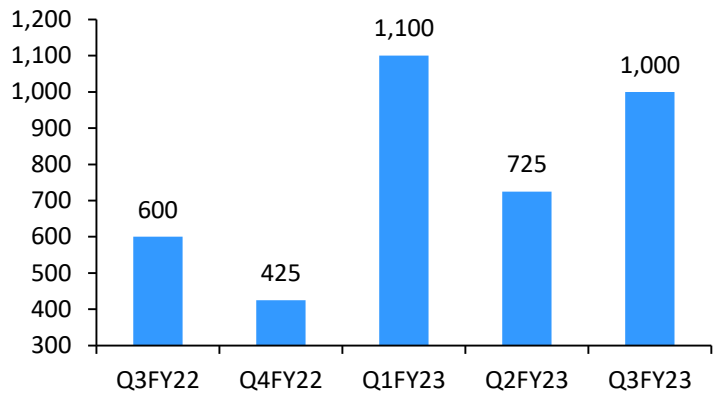
Source: Company, DART

**Exhibit 11: Health, ENU, Manufacturing.**



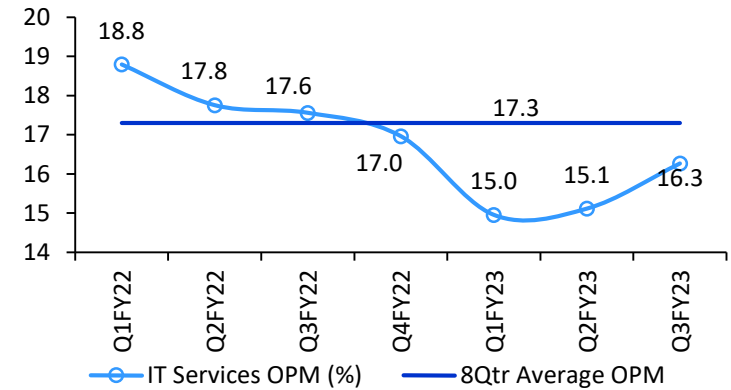
Source: Company, DART

**Exhibit 12: Robust Large Deal wins remain TCV (\$1bn)**



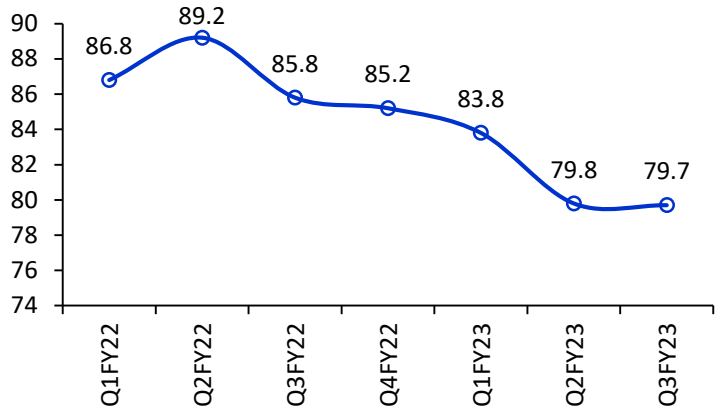
Source: Company, DART

**Exhibit 13: IT Services OPM increased by 120bps**



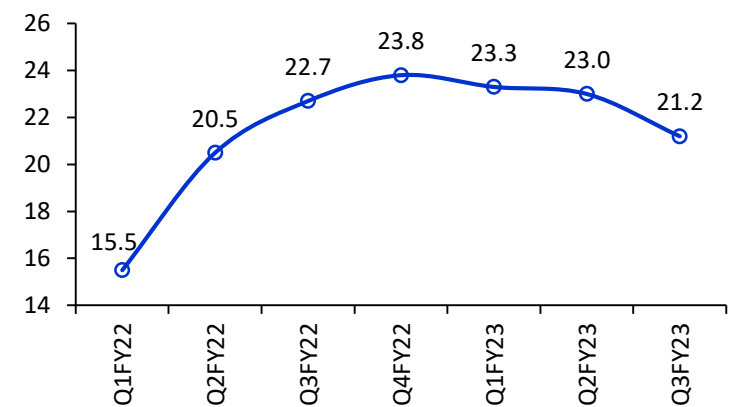
Source: Company, DART

**Exhibit 14: Net Utilization down sharply QoQ**



Source: Company, DART

**Exhibit 15: LTM Attrition declined to 21.2%**



Source: Company, DART



**Exhibit 16: Operating Metrics 1**

Operating Metrics	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Revenue Growth in CC (QoQ)	3.4	3.0	12.0	8.1	3.0	3.1	2.1	4.1	0.6
Revenue Growth in CC (YoY)	(1.1)	0.5	25.7	28.8	28.5	28.5	17.2	12.9	10.4
OPM Margin (%) - IT Services	21.7	21.0	18.8	17.8	17.6	17.0	15.0	15.1	15.0
<b>Vertical Amount (INR mn)</b>									
BFSI	632	656	806	898	929	963	968	985	978
Communications	108	108	123	129	132	131	137	137	129
Consumer Business Unit	340	366	418	446	467	487	506	526	530
ENU	271	284	316	317	309	313	304	313	320
Health Business Unit	288	280	287	302	311	313	315	319	336
Manufacturing	172	170	169	173	177	191	183	193	193
Technology	261	288	295	315	314	324	323	325	317
<b>Vertical Growth (YoY) (CC)</b>									
BFSI	(2.5)	0.6	31.3	42.9	42.9	48.7	24.3	14.4	9.6
Communications	(11.4)	(11.4)	19.0	23.4	23.4	24.4	19.8	12.4	6.4
Consumer Business Unit	(3.6)	2.9	33.5	37.7	37.7	34.6	24.4	22.2	16.8
ENU	(2.6)	0.1	16.4	22.5	22.5	13.5	0.8	4.9	10.1
Health Business Unit	3.7	(1.6)	8.9	10.2	10.2	12.8	10.6	8.1	8.9
Manufacturing	(2.4)	(2.8)	5.0	6.2	6.2	14.0	13.2	16.7	14.4
Technology	0.6	7.1	12.3	26.2	26.2	14.5	12.5	6.2	4.0
<b>SBU Amount</b>									
Americas 1	609	629	666	710	744	770	796	817	824
Americas 2	603	631	736	789	802	844	856	876	863
Europe	580	611	729	779	784	797	774	786	807
APMEA	280	282	282	302	309	310	309	319	308
<b>SBU Growth (YoY) (CC)</b>									
Americas 1		1.2	18.0	19.8	22.3	22.2	19.6	15.3	11.0
Americas 2		1.6	24.0	30.6	33.2	33.8	17.4	12.3	9.4
Europe		2.0	32.5	48.3	35.2	36.0	15.6	11.9	12.0
APMEA		(6.3)	0.8	7.7	10.5	14.0	15.1	11.3	7.0
<b>Client Revenue (\$mn)</b>									
Top client	64	67	75	80	84	87	88	90	90
Top 2-5 client	182	194	217	243	251	264	268	277	283
Top 5 client	246	260	292	323	335	351	356	366	373
Top 6-10 client	145	159	186	196	198	207	216	221	224
Top 10 client	391	420	478	519	533	558	572	588	597
Non Top 10 client	1,680	1,733	1,936	2,061	2,106	2,164	2,164	2,210	2,206
<b>Client Growth (YoY)</b>									
Top client	2.2	7.3	21.7	25.4	31.6	30.5	16.9	11.9	6.2
Top 2-5 client	(6.5)	1.5	24.3	38.3	37.6	36.3	23.4	14.2	12.9
Top 5 client	(4.4)	2.9	23.6	34.9	36.0	34.8	21.7	13.6	11.2
Top 6-10 client	0.3	8.2	20.9	29.5	36.6	29.9	16.2	12.7	13.3
Top 10 client	(2.7)	4.9	22.6	32.8	36.2	32.9	19.6	13.3	12.0
Non Top 10 client	(0.8)	3.5	26.4	28.7	25.4	24.9	11.7	7.2	4.7
<b>Segment Margin</b>									
Americas 1	18.0	21.2	18.9	19.8	20.1	19.8	17.9	18.9	19.2
Americas 2	22.9	22.6	20.6	19.9	19.7	19.0	18.7	20.3	20.8
Europe	21.6	19.3	15.3	15.7	15.4	14.9	12.2	12.6	14.3
APMEA	13.3	14.8	14.4	13.3	10.5	8.3	6.6	8.6	9.8
IT Products	5.0	6.8	-4.0	5.0	5.4	-1.8	-2.8	-8.2	2.4
ISRE	19.7	25.5	24.5	21.0	8.3	9.2	11.3	9.3	7.3

Source: DART, Company

**Exhibit 17: Operating Metrics 2**

Operating Metrics	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
<b>Client Data</b>									
>US\$1 million	567	566	601	623	661	679	703	729	739
>US\$3 million	341	349	361	390	399	410	417	425	431
>US\$5 million	260	257	273	279	286	297	306	308	307
>US\$10 million	168	167	176	182	189	194	195	198	202
>US\$20 million	97	93	95	100	110	117	120	122	119
>US\$50 million	38	40	42	44	47	50	50	52	52
>US\$100 million	10	11	13	15	17	19	20	19	19
Number of active clients	1,136	1,120	1,229	1,284	1,315	1,369	1,433	1,471	1,484
Number of New Customers	89	52	129	116	67	116	164	128	80
New Customers Business (\$mn)	54	43	48	126	135	171	36	73	87
Old Customers Business (\$mn)	2,017	2,109	2,366	2,454	2,505	2,550	2,700	2,725	2,717
<b>Revenue Area (Mix)</b>									
Onsite	46.1	45.5	46.0	44.4	43.7	41.7	41.3	41.1	41.0
Offshore	53.9	54.5	54.0	55.6	56.3	58.3	58.7	58.9	59.0
<b>Service Type (Mix)</b>									
FPP	62.7	63.0	63.1	62.6	63.2	62.2	59.8	58.7	59.4
TTM	37.3	37.0	36.9	37.4	36.8	37.8	40.2	41.3	40.6
<b>Employee Data</b>									
Total Employees	1,90,308	1,97,712	2,09,890	2,21,365	2,31,671	2,43,128	2,58,574	2,59,179	2,58,744
Net Addition	5,065	7,404	12,178	11,475	10,306	11,457	15,446	605	(435)
<b>Breakup of Employees</b>									
Core	1,75,470	1,82,344	1,93,201	2,04,314	2,14,076	2,25,437	2,40,768	2,42,532	2,41,668
Support and Sales	14,838	15,368	16,689	17,051	17,595	17,691	17,806	16,647	17,076
<b>Other Employee Data</b>									
Attrition (LTM) (%)	11.0	12.1	15.5	20.5	22.7	23.8	23.3	23.0	21.2
Gross Utilization	74.8	76.7	77.7	78.1	75.6	75.8	72.7	72.3	72.3
Net Utilization (Ex. Trainees)	86.3	86.0	86.8	89.2	85.8	85.2	83.8	79.8	79.7
DOP - Quarterly Post Training	7.0	7.4	8.0	8.7	10.0	9.0	11.4	10.3	8.7
<b>Global Biz Lines</b>									
iDEAS	1,187	1,223	1,451	1,582	1,610	1,666	1,693	1,743	1,730
iCORE	884	930	963	998	1,029	1,056	1,042	1,055	1,074
<b>Global Biz, Growth YoY CC</b>									
iDEAS		(2.6)	25.3	36.8	35.7	38.5	21.2	15.2	11.8
iCORE		4.8	15.9	17.9	16.4	15.2	11.1	9.2	8.0

Source: Company, DART



## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>797,475</b>	<b>910,364</b>	<b>991,050</b>	<b>1,060,746</b>
<b>Total Expense</b>	<b>657,189</b>	<b>771,638</b>	<b>840,343</b>	<b>899,014</b>
COGS	555,872	647,145	701,080	754,360
Employees Cost	0	0	0	0
Other expenses	101,317	124,493	139,263	144,654
<b>EBIDTA</b>	<b>171,197</b>	<b>172,184</b>	<b>187,112</b>	<b>199,919</b>
Depreciation	30,911	33,458	36,405	38,187
<b>EBIT</b>	<b>140,286</b>	<b>138,726</b>	<b>150,706</b>	<b>161,732</b>
Interest	5,325	10,090	11,124	10,682
Other Income	16,314	17,703	20,461	22,582
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>151,275</b>	<b>146,339</b>	<b>160,044</b>	<b>173,632</b>
Tax	28,946	33,566	36,810	39,935
RPAT	122,191	112,748	123,042	133,482
Minority Interest	138	25	192	215
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>122,191</b>	<b>112,748</b>	<b>123,042</b>	<b>133,482</b>

### Balance Sheet

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
<b>Sources of Funds</b>				
Equity Capital	10,964	10,964	10,604	10,604
Minority Interest	515	540	732	947
Reserves & Surplus	647,194	716,101	700,223	785,986
<b>Net Worth</b>	<b>658,158</b>	<b>727,065</b>	<b>710,827</b>	<b>796,590</b>
Total Debt	151,696	146,184	140,911	135,863
Net Deferred Tax Liability	9,843	10,207	10,582	10,582
<b>Total Capital Employed</b>	<b>820,212</b>	<b>883,997</b>	<b>863,052</b>	<b>943,983</b>

### Applications of Funds

Net Block	400,312	393,354	390,281	387,844
CWIP	0	0	0	0
Investments	261,538	258,038	256,538	258,538
<b>Current Assets, Loans &amp; Advances</b>	<b>415,034</b>	<b>475,390</b>	<b>469,690</b>	<b>560,199</b>
Inventories	1,334	1,566	1,706	1,825
Receivables	180,793	182,524	201,416	218,487
Cash and Bank Balances	103,836	183,444	155,244	222,546
Loans and Advances	0	0	0	0
Other Current Assets	129,071	107,856	111,324	117,340
<b>Less: Current Liabilities &amp; Provisions</b>	<b>256,672</b>	<b>242,784</b>	<b>253,458</b>	<b>262,598</b>
Payables	99,034	116,281	126,634	135,475
Other Current Liabilities	157,638	126,504	126,823	127,122
<i>sub total</i>				
Net Current Assets	158,362	232,605	216,233	297,601
<b>Total Assets</b>	<b>820,212</b>	<b>883,997</b>	<b>863,052</b>	<b>943,983</b>

E – Estimates

### Important Ratios

Particulars	FY22A	FY23E	FY24E	FY25E
<b>(A) Margins (%)</b>				
Gross Profit Margin	30.3	28.9	29.3	28.9
EBIDTA Margin	21.5	18.9	18.9	18.8
EBIT Margin	17.6	15.2	15.2	15.2
Tax rate	19.1	22.9	23.0	23.0
Net Profit Margin	15.3	12.4	12.4	12.6
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	69.7	71.1	70.7	71.1
Employee	0.0	0.0	0.0	0.0
Other	12.7	13.7	14.1	13.6
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.2	0.2	0.2	0.2
Interest Coverage	26.3	13.7	13.5	15.1
Inventory days	1	1	1	1
Debtors days	83	73	74	75
Average Cost of Debt	4.5	6.8	7.7	7.9
Payable days	45	47	47	47
Working Capital days	72	93	80	102
FA T/O	2.0	2.3	2.5	2.7
<b>(D) Measures of Investment</b>				
AEPS (Rs)	22.3	20.6	22.4	25.2
CEPS (Rs)	27.9	26.7	29.1	32.4
DPS (Rs)	6.0	8.0	8.9	9.0
Dividend Payout (%)	26.8	38.9	39.8	35.7
BVPS (Rs)	120.1	132.5	129.6	150.2
RoANW (%)	20.2	16.3	17.1	16.8
RoACE (%)	17.5	14.4	15.4	15.3
RoAIC (%)	23.6	19.6	21.4	22.4
<b>(E) Valuation Ratios</b>				
CMP (Rs)	394	394	394	394
P/E	17.7	19.2	17.6	15.6
Mcap (Rs Mn)	2,176,148	2,176,148	2,176,148	2,176,148
MCap/ Sales	2.7	2.4	2.2	2.1
EV	2,224,008	2,138,888	2,161,814	2,089,465
EV/Sales	2.8	2.3	2.2	2.0
EV/EBITDA	13.0	12.4	11.6	10.5
P/BV	3.3	3.0	3.0	2.6
Dividend Yield (%)	1.5	2.0	2.3	2.3
<b>(F) Growth Rate (%)</b>				
Revenue	28.1	14.2	8.9	7.0
EBITDA	13.6	0.6	8.7	6.8
EBIT	14.0	(1.1)	8.6	7.3
PBT	8.8	(3.3)	9.4	8.5
APAT	13.2	(7.7)	9.1	8.5
EPS	14.1	(7.8)	9.1	12.2

E – Estimates

## Cash Flow

Particulars	FY22A	FY23E	FY24E	FY25E
<b>Profit before tax</b>	<b>122,329</b>	<b>146,339</b>	<b>160,044</b>	<b>173,632</b>
Depreciation & w.o.	30,911	33,458	36,405	38,187
Net Interest Exp	(9,447)	(7,674)	(9,278)	(11,830)
Direct taxes paid	3,260	(33,566)	(36,810)	(39,935)
Change in Working Capital	(36,488)	5,728	(11,452)	(14,066)
Non Cash	232	0	0	0
<b>(A) CF from Operating Activities</b>	<b>110,797</b>	<b>144,286</b>	<b>138,909</b>	<b>145,988</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(135,336)	(26,500)	(33,333)	0
<b>Free Cash Flow</b>	<b>(24,539)</b>	<b>117,786</b>	<b>105,576</b>	<b>110,238</b>
(Inc.)/ Dec. in Investments	(61,751)	3,500	1,500	(2,000)
Other	(27,408)	7,674	9,278	11,830
<b>(B) CF from Investing Activities</b>	<b>(224,495)</b>	<b>(15,326)</b>	<b>(22,555)</b>	<b>(25,920)</b>
Issue of Equity/ Preference	6	0	(360)	0
Inc./(Dec.) in Debt	68,310	(5,512)	(5,274)	(5,047)
Interest exp net	(5,089)	0	0	0
Dividend Paid (Incl. Tax)	(6,602)	(43,841)	(48,920)	(47,718)
Other	(10,039)	0	(90,000)	0
<b>(C) CF from Financing</b>	<b>46,586</b>	<b>(49,352)</b>	<b>(144,554)</b>	<b>(52,765)</b>
Net Change in Cash	(65,830)	79,608	(28,200)	67,302
<b>Opening Cash balances</b>	<b>169,663</b>	<b>103,833</b>	<b>183,441</b>	<b>155,241</b>
<b>Closing Cash balances</b>	<b>103,833</b>	<b>183,441</b>	<b>155,241</b>	<b>222,543</b>

E – Estimates

## Notes

## DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

## Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Apr-22	Reduce	500	509
Jul-22	Reduce	440	412
Oct-22	Reduce	420	408

\*Price as on recommendation date

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