

Wipro Ltd

Information Technology | 3QFY24 Result Update

SELL

CMP: Rs467 | Target Price (TP): Rs384 | Downside: 18%

January 14, 2024

Much better than worst fears

Key Points

- Revenue growth for 3QFY24 at (1.7%) QoQ in CC terms came in at the upper end of guidance (-3.5% to -1.5%). It beat our estimate (3%) by 130bps. Also, this performance has come about despite some low-margin client rationalisation in APMEA (impact not quantified). The performance has been much better than street's worst fears as it was expecting 'wider and deeper' furlough quarter. The sharp ADR performance (up 18% on 12th January 2024) is likely because of positioning.
- Among the four companies that have announced results thus far for 3QFY24, Wipro is the only one which has indicated green shoots in discretionary spending, where its Consulting business (Capco) saw double-digit growth in order inflow QoQ. It however did not indicate how much the Consulting order inflow was to take a call whether this would materially change things on the demand side. While order inflow was strong for the fifth consecutive quarter, Wipro gave a cautiously optimistic guidance of (1.5) - 0.5% QoQ CC growth for 4QFY24. We are building in revenue growth at the upper end.
- IT Services EBIT margin of 16% was only 10bps lower QoQ despite salary increases from 1st Dec. 2023. This was better than our expectation by 40bps. Wipro said margin would remain range-bound in the near term.
- We have increased EPS estimates FY24-FY26 by ~3-5% largely due to better 'other income'. We maintain a SELL on Wipro with TP of Rs384, which is based on target PE multiple of 14x (30% discount to TCS) on Dec'25 EPS. The high discount of 30% that we are assigning is due to its significantly below peer group revenue performance in the recent quarters and the significantly lower ROIC due to its inability to squeeze out enough value from its M&A moves.

Our view remains unchanged on IT sector and Wipro: We have been negative on Wipro and the IT sector since April 2022 and continue to be cautious as we believe that the worst on the macro front is ahead of us. We believe that our base case of a shallow US recession in 2024 could pose a risk to both our as well as consensus earnings & PE multiples. We believe that we are in a 'slower for longer' kind of environment.

No change in demand environment: Wipro indicated that the business environment remains unchanged compared to 2QFY24, which resonates with the view expressed by peers. Clients continue to monitor their investments closely with focus on efficiency, optimization of existing investments and faster returns on new ones.

Headcount falls for fifth quarter in a row: Wipro's headcount has fallen by ~22,400 from the peak. In the past, it had indicated that it had eliminated unproductive layers. It said it will look to grow headcount when there is a strong pick-up in demand.

Clients drop for 4th consecutive quarter: Wipro's active clients have dropped from 1,530 that it had 12 months ago to 1,349 as it is working on actively reducing low-margin and small accounts. Many clients dropped are from the APMEA region, which led to QoQ margin improvement by 240bps and increased margin to 13.8% in that geography.

Growth office responsibility pushed down to the strategic market units (SMUs): This has led to tighter integration with the SMUs. The CEO believes that it has helped nurture large deals in each geography and it will help Wipro respond faster to changing market needs.

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Est Change	Upward
TP Change	Upward
Rating Change	No change

Company Data and Valuation Summary

Reuters	WIPR.BO
Bloomberg	WPRO IN Equity
Mkt Cap (Rsbn/US\$bn)	2,431.7 / 29.2
52 Wk H / L (Rs)	484 / 352
ADTV-3M (mn) (Rs/US\$)	3,136.0 / 37.7
Stock performance (%) 1M/6M/1yr	10.2 / 18.8 / 18.0
Nifty 50 performance (%) 1M/6M/1yr	4.3 / 11.0 / 21.9

Shareholding	4QFY23	1QFY24	2QFY24
Promoters	72.9	72.9	72.9
DII's	8.0	7.6	8.0
FII's	6.4	6.3	6.5
Others	10.3	10.9	10.1
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsbn)	FY23	FY24E	FY25E	FY26E
Revenue (Rsbn)	905	901	965	1113
YoY Growth (%)	14.4	(0.4)	7.1	15.3
Gross Margin (%)	28.7	30.0	29.8	29.0
EBIT (Rsbn)	140	137	151	181
EBIT (%)	15.4	15.2	15.7	16.2
Adj. PAT (Rsbn)	114	111	124	150
PAT Margin (%)	12.5	12.4	12.9	13.4
YoY Growth (%)	(7.1)	(1.9)	11.8	20.2
FDEPS (Rs)	20.7	20.9	23.8	28.6
ROE (%)	15.8	14.4	15.7	17.4
Post Tax ROCE (%)	11.4	10.4	11.2	12.6
Post Tax ROIC (%)	19.0	17.5	19.7	22.8
P/E (x)	22.6	22.3	19.6	16.3
EV/EBITDA	12.7	12.3	10.9	9.1

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links: Latest Sector update: [A No/Soft Landing](#)

Last results note: [2QFY24 result update](#)

Please refer to the disclaimer towards the end of the document

Exhibit 1: Quarterly Performance

Particulars (Rsmn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	FY23	FY24E	3Q24E	Var
Net Sales (USD mn)	2,756	2,817	2,821	2,840	2,779	2,713	2,656	2,669	11,234	10,817	2,632	0.9
QoQ Change (%)	1.3	2.2	0.1	0.6	-2.1	-2.3	-2.1	0.5			-3.0	
Net Sales	2,15,286	2,25,397	2,32,290	2,31,903	2,28,310	2,25,159	2,22,051	2,25,625	9,04,876	9,01,145	2,22,851	(0.4)
YoY Change (%)	17.9	14.6	14.4	11.2	6.0	-0.1	-4.4	-2.7	14.4	-0.4	-4.1	
Software Expenses	1,55,600	1,63,835	1,63,273	1,62,738	1,61,261	1,59,191	1,53,826	1,56,141	6,45,446	6,30,419	1,57,504	(2.3)
% of Sales	72.3	72.7		70.2	70.6	70.7	69.3		71.3	70.0	70.7	
Gross Profit	59,686	61,562	69,017	69,165	67,049	65,968	68,225	69,484	2,59,430	2,70,726	65,348	4.4
Margin (%)	27.7	27.3	29.7	29.8	29.4	29.3	30.7	30.8	28.7	30.0	29.3	
Operating Expenses	28,830	30,116	32,772	32,578	32,471	32,891	35,622	33,411	1,24,296	1,34,395	31,116	14.5
% of Sales	13.4	13.4	14.1	14.0	14.2	14.6	16.0	14.8	13.7	14.9	14.0	
EBIT	31,890	32,503	37,636	37,577	34,516	33,345	32,865	36,073	1,39,606	1,36,799	33,438	(1.7)
YoY Change (%)	-8.2	-6.9	5.9	7.0	8.2	2.6	-12.7	-4.0	-0.5	-2.0	-11.2	
Margin (%)	14.8	14.4	16.2	16.2	15.1	14.8	14.8	16.0	15.4	15.2	15.6	
Interest	-2,045	-2,270	-2,902	-2,860	-3,086	-3,033	-3,125	-3,089	-10,077	-12,333	-3,122	0.1
Other Income	3,690	4,040	4,992	5,463	6,542	4,810	5,785	5,683	18,185	22,820	3,794	52.5
PBT	33,520	34,201	39,752	40,184	37,975	35,092	35,521	38,667	1,47,657	1,47,255	34,111	4.1
Tax	7,931	7,710	9,102	9,249	9,115	8,419	8,515	9,269	33,992	35,318	8,374	1.7
ETR (%)	23.7	22.5	22.9	23.0	24.0	24.0	24.0	24.0	23.0	24.0	24.0	
Reported PAT	25,636	26,590	30,529	30,745	28,701	26,463	26,942	29,243	1,13,500	1,11,349	25,527	5.5
Adj. PAT	25,636	26,590	30,529	30,745	28,701	26,463	26,942	29,243	1,13,500	1,11,349	25,527	5.5
YoY Change (%)	-20.7	-9.3	2.8	-0.4	12.0	-0.5	-11.7	-4.9	-7.1	-1.9	-16.4	
Adj. EPS	4.7	4.8	5.6	5.6	5.1	5.0	5.2	5.6	20.7	20.9	5.0	2.6

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Change in our estimates

	New			Old			Deviation		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
INR/USD	83.0	84.7	87.3	83.4	84.7	87.3	(0.4)	-	-
IT Services USD Revenue (USD mn)	10,817	11,365	12,722	10,756	11,317	12,743	0.6	0.4	(0.2)
USD Revenue Growth (%)	(3.7)	5.1	11.9	(4.3)	5.2	12.6	-	-	-
Revenue (Rsbn)	901	965	1,113	901	963	1,117	(0.0)	0.1	(0.4)
EBIT (Rsbn)	137	151	181	138	151	182	(0.8)	0.2	(0.7)
EBIT Margin (%)	15.2	15.7	16.2	15.3	15.7	16.3	-	-	-
PAT (Rsbn)	111	124	150	109	119	145	1.9	4.3	3.0
FDEPS (Rs)	20.9	23.8	28.6	20.5	22.7	27.7	2.1	4.6	3.3

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Vertical-based USD QoQ and YoY revenue growth in 3QFY24

Verticals	Contribution to Revenue (%)	Growth-QoQ(%)	Growth-YoY(%)
Communications	4.0	(8.9)	(18.1)
Finance Solutions	32.7	(4.7)	(11.8)
Manufacturing and Technology	18.8	(3.6)	(2.8)
Healthcare, Life sciences and Services	13.9	7.1	9.0
Consumer Business Unit	18.8	(1.6)	(6.4)
Energy, Natural Resources and Utilities	11.8	(0.4)	(2.6)
Total	100.00	-2.1	-5.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Geography- based USD QoQ and YoY revenue growth in 3QFY24

Geographies	Contribution to Revenue	Growth-QoQ(%)	Growth-YoY(%)
Americas 1	31.0	1.8	(0.7)
Americas 2	30.0	-1.8	(8.3)
Europe	27.7	-5.2	(9.5)
ROW	11.3	-5.5	(3.3)
Total	100	-2.1	(5.9)

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Vertical based CC QoQ and YoY revenue growth in 3QFY24

Verticals	Contribution to Revenue (%)	Growth-QoQ(%)	Growth-YoY(%)
Communications	4.0	-8.6	-19.2
Finance Solutions	32.7	-4.3	-13.2
Manufacturing and Technology	18.8	-6.1	-10.5
Healthcare, Life sciences and Services	13.9	7.5	9.9
Consumer Business Unit	18.8	-1.0	-8.1
Energy, Natural Resources and Utilities	11.8	0.7	-3.8
Total	100.00	-1.7	-6.9

Source: Nirmal Bang Institutional Equities Research

Exhibit 6: Geography based CC QoQ and YoY revenue growth in 3QFY24

Geographies	Contribution to Revenue	Growth-QoQ(%)	Growth-YoY(%)
Americas 1	31.0	2.0	0.1
Americas 2	30.0	-1.3	-8.0
Europe	27.7	-4.3	-12.7
ROW	11.3	-5.4	-7.4
Total	100.0	-1.7	-6.9

Source: Nirmal Bang Institutional Equities Research

View on the Indian IT services sector: We had downgraded our view on the Indian IT Services sector to UW in a report on 10th April, 2022 ([Positive surprises likely low in FY23; Tier-2 risky](#)) and continued to remain underweight through our notes on 19th May, 2022 ([Customer stress shows up](#)), 8th July, 2022 ([Negatives not in price](#)), 10th October, 2022 ([Growth expectations too high](#)), 20th March, 2023 ([Sell into delayed landing outperformance](#)), 14th June 2023 ([Too early to be positive](#)), 26th September, 2023 ([Cut FY25 estimates; Slower for longer; Sell into the FOMO rally](#)) and 15th December, 2023 ([A No/Soft landing](#)).

We advocate that investors use the 'delayed/no landing' rally seen since October 2022 to pare positions if 'overweight', especially in the Tier-2 set. Nifty IT index has advanced by ~117% from 31st Dec, 2019 till 14th Dec, 2023 while Nifty is up by ~73%. This massive outperformance of Nifty IT has been on the back of pandemic-driven Digital Transformation (DT) services-based earnings acceleration and significant multiple expansion on unprecedented monetary stimulus in the US/Europe. The DT high tide over 2HFY20-1HFY23 lifted all boats (including weak ones). However, accelerated normalization of monetary policy in the US raises probabilities of a shallow recession there and consequently high probability of negative surprises on the fundamental side over the next 12 months. We believe consensus is underestimating growth and margin risks in FY25 as it did in FY24. While DT services will continue to remain a key theme over the medium term, we believe IT spends will be curtailed by an 'ability-to-spend' problem as enterprise customers battle earnings pressure from wage inflation, reduced end customer spending power, higher interest rates and likely below-trend growth in western developed economies. This, in our view, will mean that the corporate profits of S&P 500 for CY24 will likely be weaker than currently estimated (although they have been better than expected in CY2023). We also believe that the broader enterprise customer profit picture might look worse. Beyond FY23, we see customers shifting from the current democratic

‘skills/capability’ focused vendor model to a more discriminating one based on an ‘ability-to-deliver’ (1) cost take outs and (2) business model changes - in that order. It is here that one will see divergence in growth and valuation. Incrementally, risks are to the downside from both valuation as well as fundamental perspective. We favor Tier-1 IT companies vs Tier-2.

We persist with our 20-month-old ‘UW’ stance. This is because: (1) We believe that a conclusive Fed pivot is likely only when US core inflation falls to ~2%, which we think is unlikely in the next six months. Financial stress/accident related stopping/easing of current hawkish monetary policy could induce a short-term rally that may not be sustainable (2) Consensus earnings estimates for FY25 continue to be too high and seem to implicitly assume a soft/no landing for the US economy. We are explicitly pricing in a shallow recession sometime in 2024. (3) Even if one were to ignore the next 12–18 months’ risks around recession and take a 5-year view, we believe that starting valuations are expensive and can at best deliver mid to high single-digit total stock returns (including capital return to shareholders) for TCS/Infosys, as we believe that structural revenue/earnings growth is being overestimated by the street. We believe that USD revenue growth over a 5-year period (FY23-FY28) for Tier-1 set in aggregate will at best be at par with the FY15-FY20 period (~7%) whereas consensus believes it will be 300-500bps higher. We also expect margins for most companies to remain in a narrow band at around FY24 levels and not see a material expansion (except for Tech Mahindra where it starts from a very low base). *Ceteris Paribus*, this has valuation/return implications.

In our base case of a shallow recession in the US in CY24, we are expecting mid single-digit USD revenue growth for Tier-1 IT companies in FY25. In our estimates for FY25, we are assuming modest pricing compression while we believe the street is not considering the same. We continue to have a ‘SELL’ rating on all IT stocks under our coverage, except Tech Mahindra. Despite having EPS estimates lower than the street in FY25, we suspect it could still see downsides if there is a deep recession in the US.

We continue to maintain TCS as our industry valuation benchmark: We are valuing TCS at target 12-month forward PE of 20x on Dec. 25E EPS, which represents 0.5SD below the last 10-year mean. Target multiples for others are at a discount to TCS. If one were to look back in history, our Target PE multiples are not overly pessimistic as PE multiples of many Tier-1 IT stocks, including that of TCS and Infosys, had reached single-digit levels during GFC. Our target multiples are in fact at the higher end of the pre-pandemic PE range.

Tier-2 could face significant risks in the new environment: We fear that the Indian Tier-2 set would suffer more because of vendor consolidation under the pressured profit picture for customers, a less diversified revenue mix (client, service line, vertical), which could throw up negative growth surprises (as it has been doing for Mphasis in the last 12 months) and a larger exposure to non-Global 1000 clientele, whose profits are more vulnerable in the current macro environment. Indian Tier-2 IT is now at a PE premium of ~40% to Tier-1 (peak of ~60% in November 2021 and the recent low of 10% in January 2023). It used to trade at a discount of 14% on 1st January 2020.

This premium reflects expectations of big positive earnings growth gap between Tier-2 and Tier-1 IT companies over FY21-FY23 and improving return ratios sustaining beyond FY23. We do not agree with that view. We think that the earnings growth gap will compress due to slower revenue growth and next-to-no margin expansion from current levels for most Tier-2 companies. The high PE multiples are also a reflection of the market’s view that some Tier-2 IT companies will become US\$5-10bn enterprises in the next 10-20 years. Once the ‘Digital’ high tide recedes, it remains to be seen which of the current Tier-2 set will continue to show promise. In the initial phase of any new tech cycle, customers tend to be open to new vendors, but as the cycle matures (post FY23 in our view), vendors that have scale – Tier-1 - tend to do better. We think customers are looking for revolutionary transformation, which Tier-1 companies with multi-vertical exposure and deeper domain/technology skills are best placed to deliver.

Highlights from the 3QFY24 analyst call

Revenue beats estimates

- Revenue for 3QFY24 came in at US\$2,656mn and beat our estimate of US\$2,632mn by 0.9%. It was down by 2.1% QoQ and 5.9% YoY.
- Revenue in CC terms was down by 1.7% on QoQ basis and came in at the upper end of the guided range of (3.5%) – (1.5%); it was down 6.9% on YoY basis. We had estimated -3% QoQ CC growth.

Margins surprise positively.

- EBIT margin for IT Services came in at 16% (before restructuring charge) and was 40bps higher than our estimate of 15.6%. It was down by 10bps QoQ and 30bps YoY. A restructuring charge (120bps of 3QFY24 IT Services revenue) was taken in the P&L, which will not continue in the coming quarters.
- IT Services' EBIT margin came in healthy at ~16%, which was guided by Wipro towards the start of FY24 despite salary increases from 1st Dec. 2023 and furloughs.
- It indicated that margins have remained flat due to execution on three counts - maximizing revenue performance, savings from structural improvements of pyramids & fixed price productivity and reducing discretionary spends.
- Wipro indicated that business transformation and focus programs have helped maintain margins. One such program is restructuring and steady reducing of low-margin businesses.

Verticals and Geographies

- In CC terms YoY basis, Healthcare & Life Sciences led the growth at 9.9% followed by Technology at 1%. Communications showed the biggest decline, falling by 19.2% followed by BFSI, which declined by 13.2%. Manufacturing and Hi-tech declined by 10.5%, Retail declined by 8.1% and Energy, Natural Resources & Utilities declined by 3.8%.
- In CC terms on YoY basis, Europe led the decline and fell by 12.4% followed by Americas 2, which fell by 8%. APMEA markets fell by 7.4% while Americas 1 remained flat.
- Americas 2 market is seeing softness mainly in the BFSI and Energy & Utilities segment, although order bookings in this market grew by 46% QoQ.
- The revenue decline in APMEA markets can be attributed to strategy of reducing low-margin accounts and slowly moving towards higher value transformation projects, which led to a QoQ margin increase of 240bps to ~13.8%. It is the highest in the past six quarters.

Guidance

- For 4QFY24, Wipro has given IT Services revenue guidance in the range of US\$2,615-2,669mn. This translates into QoQ CC growth of (1.5%) - 0.5%.
- It has also indicated that EBIT margin for IT Services will continue to remain range-bound at ~16% level despite two extra months of salary impact.
- The guidance given by Wipro includes a cautiously optimistic stance. Another way to see the trajectory is that the lower end of the 4QFY24 guidance is the upper end of the 3QFY24 guidance given last quarter.

Demand Environment

- Wipro indicated that it has been consistently winning complex transformation deals and has been a beneficiary of vendor consolidation during the quarter.
- The demand environment continues to remain cautious and clients are investing conservatively while looking for efficiency & optimization.
- The market has not fundamentally changed since the last quarter. There are some green-shoots as there is some stabilization and some pick-up in discretionary spending.
- The lower volume of small deals has been hurting revenue growth for the past few quarters, although Wipro indicated that it seems to be reversing slowly.

- Wipro will continue to invest in the Energy & Utilities segment and in the Manufacturing segment, especially in the Auto space, as it believes that there can be strong growth in these areas in the coming quarters.

Generative AI

- Wipro indicated that long-term deals now have component of Gen AI in it. Gen AI is also now embedded across most of its existing solutions and offerings.
- In Engineering, it is seeing strong interest in AI for the Auto and Manufacturing industries. Clients are looking for AI to increase productivity in the R&D process and accelerate new product development.
- In 3QFY24, Wipro collaborated with NVIDIA to help Healthcare companies build AI-driven strategies, products & services. It is also expanding the partnership with IBM to invest in new joint solutions built on IBM Watson that makes it easier to deploy reliable, responsive stable and sustainable AI solutions.
- Wipro has trained ~200,000 employees in AI 101 skills and it is accelerating Gen AI adoption internally by integrating the technology across the entire portfolio of platforms.

Consulting Business

- In Consulting, Capco and Rizing played a big role in winning large complex deals. Capco registered a double-digit QoQ growth in order bookings.
- Improvement in the performance of the Consulting business has been a major element in the strong revenue and deal inflow numbers. Within Consulting, BFSI has been strong and strength has been broad-based. Wipro is confident about the Consulting business in the coming quarters.

Order Inflow remains strong.

- Total TCV for 3QFY24 stood at US\$3.8bn, which is the 5th consecutive quarter of US\$3bn+ TCV for Wipro. This included large deal wins worth US\$900mn (up 20% YoY). It had 14 deals in the US\$30mn+ TCV range in 3QFY24. Half of these were booked in Americas 1.
- Wipro indicated that most of the large deals in 3QFY24 were net new. In Europe, Wipro won 4 large deals with a cumulative value of ~US\$300mn in 3QFY24.
- Wipro added 3 new accounts in the US\$75mn+ bucket, taking the total to 31 accounts. Total active clients were down to 1,349 in 3QFY24 against 1,530 in 3QFY23. This is in line with the strategy of chasing longer relationships and larger account sizes against smaller size work.
- Wipro has been consciously letting go of some very small and loss-making accounts and it is instead focusing on larger clients in order to build a strong pipeline of longer & larger deals and long-term client relationships.

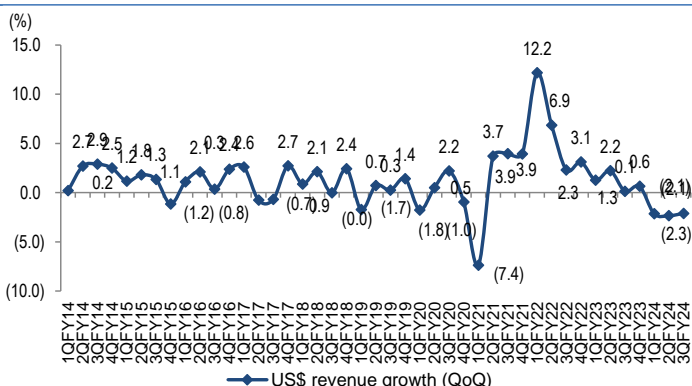
Employee metrics

- Attrition for 3QFY24 came in at 14.5%, which was the lowest in the last 10 quarters and lower by 130bps on QoQ basis. Utilization, ex-trainees, came in at 84% in 3QFY24 compared to 84.5% in 2QFY24. This is QoQ reduction on account of furloughs and the holiday season.
- Total headcount as of end 3QFY24 stood at 240,334, which is a net reduction of 4,473 employees on QoQ basis. This is the 5th consecutive quarter of net reduction and Wipro has lowered its employee base by 22,392 over the past 5 quarters.
- Salary hikes were effective from 1st Dec. 2023, with average hike of 6-8%. Wipro indicated that talent supply is not an issue anymore and it continues to hire where required. As demand picks up in the coming quarters, it will hire in bigger numbers.

Miscellaneous

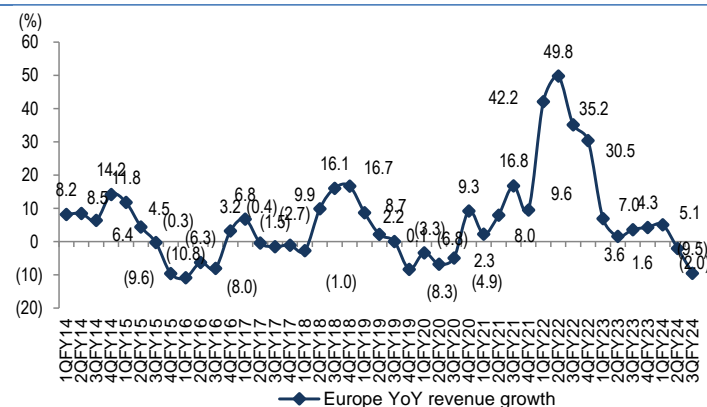
- CFO-to-net income came in at a healthy 177.3% while FCF-to-net income came in at a healthy 168.5% for 3QFY24.
- Wipro declared a dividend of Rs1 per equity share in 3QFY24. Wipro concluded a stock buyback, which was worth Rs148bn (including taxes) in 1QFY24. The buyback price was Rs445.

Exhibit 7: USD revenue growth (QoQ)



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: YoY Europe revenue growth (USD terms)



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: EBIT margin on QoQ basis

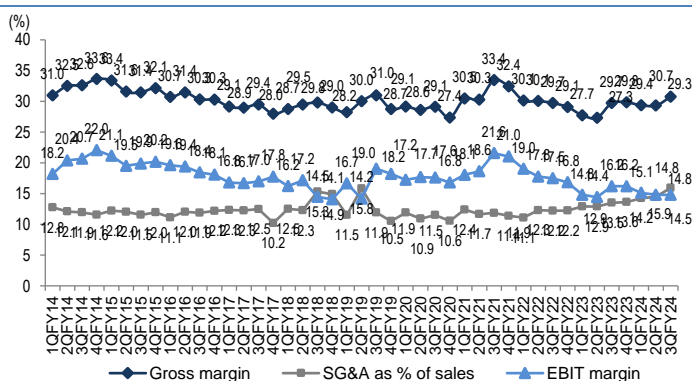
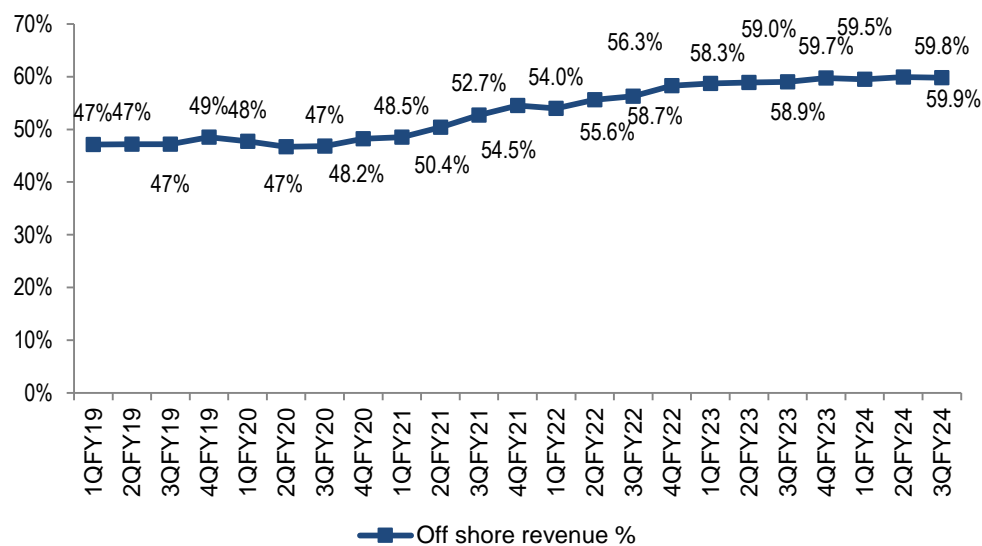


Exhibit 12: Offshore revenue QoQ (%)



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: Quarterly snapshot

Year to 31 March (Rsmn)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
INR/USD	76.1	75.9	77.8	79.9	82.2	81.6	81.9	82.5	83.4
USD Revenue IT Services (USD mn)	2640	2722	2756	2817	2821	2840	2779	2713	2656
INR Revenue- IT Services	200936	206608	212848	223629	230557	230772	227616	223690	221246
INR Revenue- IT Products	1767	1201	1946	1249	1721	1131	694	1469	805
INR Revenue- ISRE	1623	1868	1526	1576	1403	0	0	0	0
INR Revenue - Reconciling Items	-3	-2	0	0	0	0	0	0	0
Forex gain/(loss)	-1187	-1075	-1034	-1057	-1391	-990	62	-268	-262
Total Revenue- (Services+Products)	2,03,136	2,08,600	2,15,286	2,25,397	2,32,290	2,31,903	2,28,310	2,25,159	2,22,051
Direct costs	1,42,778	1,47,965	1,55,600	1,63,835	1,63,273	1,62,738	1,61,261	1,59,191	1,53,826
Gross Margin	60,358	60,635	59,686	61,562	69,017	69,165	67,049	65,968	68,225
SGA	26,024	26,606	28,830	30,116	32,772	32,578	32,471	32,891	35,622
Other operating Income	14	7	0	0	0	0	0	0	0
EBIT- IT Services	35,493	35,050	31,832	33,801	37,504	37,646	36,517	36,058	35,426
EBIT- IT Products	96	-22	-55	-103	41	-59	-161	-467	114
EBIT- ISRE	134	171	173	146	102	20	0	0	0
EBIT - Reconciling Items	16	-88	-60	-1341	-11	-30	-1840	-2246	-2675
EBIT - Unallocated	0	0	0	0	0	0	0	0	0
Total EBIT	35535	35111	31890	32503	37636	37577	34516	33345	32865
Other income (net)	2,251	2,213	1,630	1,698	2,116	2,607	3,459	1,747	2,656
PBT	37786	37324	33520	34201	39,752	40,184	37,975	35,092	35,521
Tax	8,063	6,399	7,931	7,710	9,102	9,249	9,115	8,419	8,515
Minority Interest	-33	-52	47	99	-121	-190	-159	-210	-64
PAT	29,690	30,873	25,636	26,590	30,529	30,745	28,701	26,463	26,942
YoY Growth (%)									
USD Revenue IT Services	27.5%	26.4%	14.1%	9.2%	6.9%	4.3%	0.8%	-3.7%	-5.9%
INR Revenue	29.6%	28.4%	17.9%	14.6%	14.4%	11.2%	6.0%	-0.1%	-4.4%
Gross Profit	15.2%	15.2%	8.6%	4.1%	14.3%	14.1%	12.3%	7.2%	-1.1%
EBIT	5.1%	2.9%	-8.2%	-6.9%	5.9%	7.0%	8.2%	2.6%	-12.7%
Net Profit	0.1%	4.0%	-20.7%	-9.3%	2.8%	-0.4%	12.0%	-0.5%	-11.7%
QoQ Growth (%)									
USD Revenue - IT Services	2.3%	3.11%	1.26%	2.23%	0.1%	0.6%	-2.1%	-2.3%	-2.1%
INR Revenue	3.3%	2.7%	3.2%	4.7%	3.1%	-0.2%	-1.5%	-1.4%	-1.4%
EBIT	1.8%	-1.2%	-9.2%	1.9%	15.8%	-0.2%	-8.1%	-3.4%	-1.4%
Net Profit	1.3%	4.0%	-17.0%	3.7%	14.8%	0.7%	-6.6%	-7.8%	1.8%
Margins (%)									
Gross Margin	29.7%	29.1%	27.7%	27.3%	29.7%	29.8%	29.4%	29.3%	30.7%
SGA	12.8%	12.8%	13.4%	13.4%	14.1%	14.0%	14.2%	14.6%	16.0%
EBIT Margin- IT Services	17.7	17.0	15.0	15.1	16.3	16.3	16.0	16.1	16.0
EBIT Margin- IT Products	5.4%	-1.8%	-2.8%	-8.2%	2.4%	-5.2%	-23.2%	-31.8%	14.2%
Total EBIT Margin	17.5	16.8	14.8	14.4	16.2	16.2	15.1	14.8	14.8
PAT	14.6%	14.8%	11.9%	11.8%	13.1%	13.3%	12.6%	11.8%	12.1%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: Key metrics

Key Metrics	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Revenue (USD mn)	2,415	2,580	2,640	2,722	2,756	2,817	2,821	2,840	2,779	2,713	2,656
P and L (Rsmn)											
Revenue	1,82,524	1,96,674	2,03,136	2,08,600	2,15,286	2,25,397	2,32,290	2,31,903	2,28,310	2,25,159	2,22,051
EBITDA	38,669	42,730	47,386	51,103	36,145	40,999	50,358	54,503	38,563	41,370	44,889
PAT	32,321	29,307	29,690	30,873	25,636	26,590	30,529	30,745	28,701	26,463	26,942
Vertical Mix (%)											
BFSI	33.4	34.8	35.2	35.4	35.4	35.2	34.9	34.2	33.8	33.6	32.7
HLS	11.9	11.7	11.8	11.5	11.5	11.4	12.0	12.2	12.2	12.7	13.9
RCTG	17.3	17.3	17.7	17.9	18.5	18.8	18.9	18.8	18.7	18.7	18.8
ENU	13.1	12.3	11.7	11.5	11.1	11.2	11.4	12.3	12.2	11.6	11.8
MFG	19.2	18.9	18.6	18.9	18.5	18.5	18.2	18.0	18.5	19.1	18.8
GMT	5.1	5.0	5.0	4.8	5.0	4.9	4.6	4.5	4.6	4.3	4.0
Horizontal Mix (%)											
iDEAS	60.1	61.3	61.0	61.2	61.9	62.3	61.7	61.4	-	-	-
iCORE	39.9	38.7	39.0	38.8	38.1	37.7	38.3	38.6	-	-	-
Geographic Mix (%)											
Americas 1	27.6	27.5	28.2	28.3	29.1	29.2	29.4	28.8	28.8	29.8	31.0
Americas 2	30.5	30.6	30.4	31.0	31.3	31.3	30.8	30.7	30.0	29.9	30.0
Europe	30.2	30.2	29.7	29.3	28.3	28.1	28.8	29.3	29.5	28.6	27.7
APAC and Other Emerging Markets	11.7	11.7	11.7	11.4	11.3	11.4	11.0	11.2	11.7	11.7	11.3
Project Type											
T&M	36.9	37.4	36.8	37.8	40.2	41.3	40.6	40.5	40.3	41.6	40.1
Fixed Price	63.1	62.6	63.2	62.2	59.8	58.7	59.4	59.5	59.7	58.4	59.9
Utilization (%) (gross)	77.7	78.1	75.6	75.8	72.7	72.3	72.3	74.0	0.0	0.0	0.0
Clients Concentration (%)											
Top client	3.1	3.1	3.2	3.2	3.2	3.2	3.2	3.3	3.1	3.0	3.0
Top 5 clients	12.1	12.5	12.7	12.9	13.0	13.1	13.3	12.6	12.5	12.3	12.1
Top 10 clients	19.8	20.1	20.2	20.5	20.9	21.0	21.3	20.3	20.5	20.6	20.5
Number of Clients											
> USD 100 mn+	13	15	17	19	20	19	19	19	21	22	22
> USD 75 mn+	27	28	29	29	30	29	29	29	28	28	31
> USD 50 mn+	42	44	47	50	50	52	52	53	51	51	46
> USD 20 mn+	95	100	110	117	120	122	119	117	123	122	121
> USD 10 mn+	176	182	189	194	195	198	202	208	207	207	203
> USD 5 mn+	273	279	286	297	306	308	307	311	319	313	305
> USD 3 mn+	361	390	399	410	417	425	431	427	444	437	430
> USD 1 mn+	601	623	661	679	703	729	739	750	769	774	750
Employees	2,09,890	2,21,365	2,31,671	2,43,128	2,62,049	2,62,626	2,62,109	2,58,570	2,49,758	2,44,707	2,40,234
Net Addition	12,178	11,475	10,306	11,457	18,921	577	(517)	(3539)	(8812)	(5051)	(4473)
TTM Attrition (%)	15.5	20.5	22.7	23.8	23.3	23	21.2	19.2	17.3	15.5	14.2
P&L (USD mn)											
Revenue	2,415	2,580	2,640	2,722	2,756	2,817	2,821	2,840	2,779	2,713	2,656
EBIT	464	471	467	463	410	407	458	460	421	404	394
PAT	432	395	390	407	329	333	371	377	350	321	323
Per Capita (Annualised) - USD mn											
Revenue	46,015	46,620	45,577	44,778	42,068	42,911	43,057	43,926	44,499	44,352	44,225
EBIT	8,852	8,509	8,060	7,614	6,256	6,193	6,984	7,121	6,750	6,604	6,561
PAT	8,240	7,141	6,734	6,695	5,029	5,067	5,665	5,826	5,612	5,241	5,379
Total Direct+Opex cost per capita	37,163	38,111	37,517	37,164	35,812	36,718	36,073	36,805	37,749	37,748	37,664

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: QoQ and YoY growth of various parameters

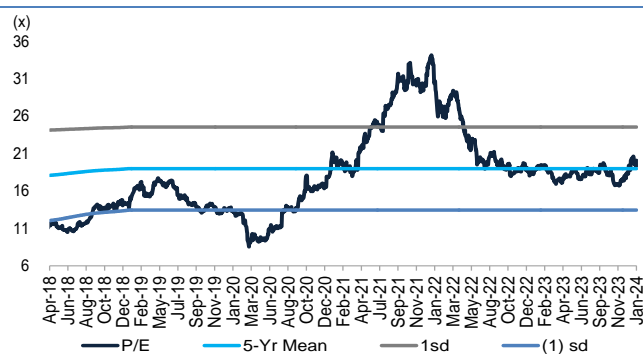
	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
QoQ Growth (%)												
Horizontal Service Lines												
iDEAS	3.0	18.7	9.0	1.8	3.4	2.4	2.9	(0.8)	0.2	0.0	0.0	0.0
iCORE	5.1	3.6	3.6	3.1	2.6	(0.6)	1.2	1.7	1.4	0.0	0.0	0.0
Vertical Wise												
Communications	(0.1)	14.4	4.8	2.3	(1.0)	5.5	0.2	(6.0)	(1.5)	0.0	(8.7)	(8.9)
Finance Solutions	3.9	22.8	11.3	3.5	3.7	1.3	1.7	(0.7)	(1.4)	(3.3)	(2.9)	(4.7)
Manufacturing and Technology	5.9	1.1	5.2	0.7	4.8	(0.9)	2.2	(1.5)	(0.5)	0.6	0.8	(3.6)
Healthcare, Life sciences and Services	(2.8)	2.7	5.1	3.2	0.5	1.3	1.3	5.4	2.3	(2.1)	1.7	7.1
Consumer	7.7	14.2	6.9	4.7	4.3	4.7	3.9	0.7	0.1	(2.7)	(2.3)	(1.6)
Energy, Natural Resources and Utilities	4.7	11.3	0.3	(2.7)	1.3	(2.3)	3.1	1.9	8.6	(2.9)	(7.1)	(0.4)
Geography-wise												
Americas 1	3.2	6.0	6.5	4.9	3.5	4.1	2.6	0.8	(1.4)	(2.1)	1.0	1.8
Americas 2	4.6	16.8	7.2	1.6	5.1	2.2	2.2	(1.5)	0.3	(4.4)	(2.7)	(1.8)
Europe	5.4	19.3	6.9	0.6	1.7	(2.2)	1.5	2.6	2.4	(1.5)	(5.3)	(5.2)
India & Middle East	-	-	-	-	-	-	-	-	-	-	-	-
APAC and Other Emerging Markets	0.9	0.2	6.9	2.3	0.5	0.4	3.1	(3.4)	2.5	2.2	(2.3)	(5.5)
Non Americas Total	3.9	13.3	6.9	1.1	1.4	(1.5)	2.0	0.9	2.4	(0.5)	(4.5)	(5.3)
Customer Concentration												
Top customer	12.2	6.9	2.3	6.4	1.3	2.2	0.1	0.6	0.9	(8.3)	(5.3)	0.5
Top 5	15.0	6.0	5.7	4.8	2.9	3.0	0.9	2.2	(7.3)	(3.1)	(3.7)	(1.1)
Top 10	15.7	8.5	3.9	3.6	2.8	4.2	0.6	2.1	(6.7)	(1.4)	(1.6)	0.0
YoY Growth (%)												
Horizontal Service Lines												
iDEAS	0.9	30.2	37.8	35.7	36.2	17.6	11.0	8.1	4.7	0.0	0.0	0.0
iCORE	7.8	19.4	18.2	16.4	13.6	9.0	6.4	5.0	3.8	0.0	0.0	0.0
Vertical Wise (New from Q1FY11)												
Communications	(5.7)	25.7	22.2	22.6	21.4	11.9	7.0	(1.7)	(2.2)	(7.2)	(15.5)	(18.1)
Finance Solutions	4.1	36.7	44.4	47.1	46.8	21.0	10.5	6.0	0.8	(3.7)	(8.1)	(11.8)
Manufacturing and Technology	5.3	11.7	18.2	13.4	12.2	10.0	6.9	4.6	(0.6)	0.8	(0.6)	(2.8)
Healthcare, Life sciences and Services	(0.1)	10.8	10.6	8.2	11.9	10.3	6.4	8.7	10.7	7.0	7.3	9.0
Consumer	5.0	36.8	38.3	37.6	33.1	22.1	18.7	14.1	9.6	1.9	(4.2)	(6.4)
Energy, Natural Resources and Utilities	7.0	24.7	23.5	13.8	10.2	(3.3)	(0.6)	4.1	11.6	10.8	(0.3)	(2.6)
Geography-wise												
Americas 1	0.7	18.8	19.9	22.3	22.6	20.3	16.0	11.4	6.2	(0.2)	(1.7)	(0.7)
Americas 2	2.7	26.5	31.6	33.2	33.8	17.1	11.7	8.3	3.3	(3.4)	(8.0)	(8.3)
Europe	9.6	42.2	49.8	35.2	30.5	7.0	1.6	3.6	4.3	5.1	(2.0)	(9.5)
India & Middle East	-	-	-	-	-	-	-	-	-	-	-	-
APAC and Other Emerging Markets / ROW	1.5	6.6	7.5	10.5	10.0	10.2	6.4	0.5	2.5	4.4	(1.2)	(3.3)
Non Americas Total	6.9	30.0	35.0	27.2	24.0	7.9	2.9	2.8	3.8	4.9	(1.7)	(7.8)
Customer Concentration												
Top customer	29.9	25.4	23.5	30.5	17.8	12.7	10.3	4.3	4.0	(6.7)	(11.7)	(11.9)
Top 5	25.7	27.4	32.8	35.0	20.7	17.3	12.0	9.3	(1.5)	(7.4)	(11.6)	(14.5)
Top 10	27.0	26.3	30.7	35.1	20.0	15.3	11.7	10.0	(0.2)	(5.5)	(7.7)	(9.5)

Source: Nirmal Bang Institutional Equities Research

Exhibit 16: P/E charts

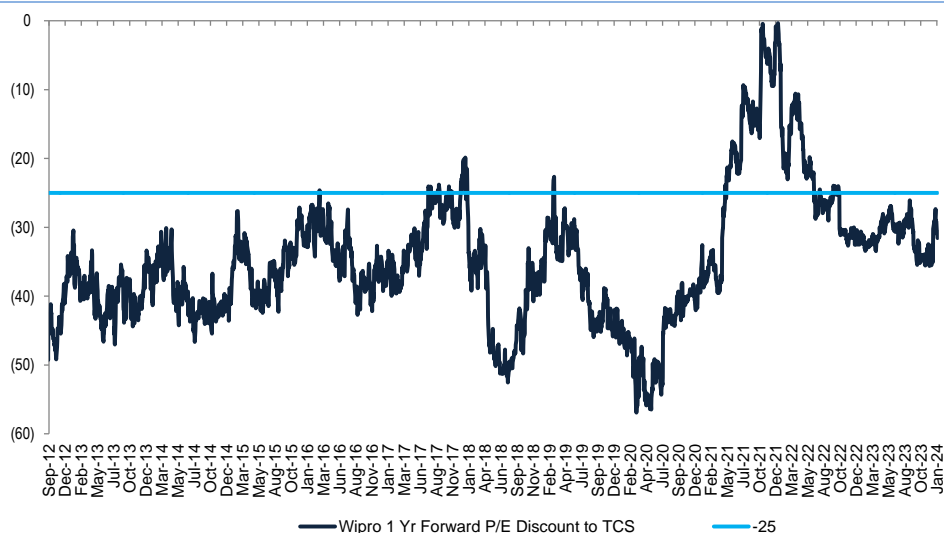


Source: Bloomberg, Nirmal Bang Institutional Equities Research



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 17: P/E (discount)/premium of Wipro to TCSs



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Financials
Exhibit 18: Income statement

Y/E March (Rsbn)	FY22	FY23	FY24E	FY25E	FY26E
Average INR/USD	75.2	80.4	83.0	84.7	87.3
Net Sales - IT Services (USD mn)	10,356	11,234	10,817	11,365	12,722
-Growth (%)	27.3	8.5	-3.7	5.1	11.9
Net Sales - Overall	791	905	901	965	1113
-Growth (%)	27.7	14.4	-0.4	7.1	15.3
Cost of Sales & Services	556	645	630	677	790
% of sales	70.3	71.3	70.0	70.2	71.0
Gross profit	235	259	271	288	323
% of sales	29.7	28.7	30.0	29.8	29.0
SG&A	101	124	134	137	142
% of sales	12.8	13.7	14.9	14.2	12.8
EBIT	140	140	137	151	181
% of sales	17.7	15.4	15.2	15.7	16.2
Interest expenses	5	10	12	12	12
Other income (net)	16	18	23	26	29
PBT	151	148	147	165	198
-PBT margin (%)	19.1	16.3	16.3	17.1	17.8
Provision for tax	29	34	35	39	47
Effective tax rate (%)	19.1	23.0	24.0	24.0	24.0
Minority Interest	0.1	0.2	0.6	0.6	0.6
Net profit	122	114	111	124	150
-Growth (%)	12.8	(7.1)	(1.9)	11.8	20.2
-Net profit margin (%)	15.4	12.5	12.4	12.9	13.4
Number of Shares (Fully Diluted) in Mn	5,487	5,490	5,231	5,231	5,231

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 20: Balance sheet

Y/E March (Rsbn)	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	11	11	10	10	10
Reserves & surplus	648	771	750	812	887
Net worth	659	782	760	822	897
Deferred tax liability, net	10	13	13	13	13
Other liabilities	28	34	45	45	45
Total loans	56	61	62	62	62
Lease Liability	24	25	17	17	17
Total liabilities	778	915	897	959	1,034
Goodwill	247	308	311	311	311
Other intangible assets	44	43	34	34	34
Net block	91	89	73	65	87
Investments	262	331	316	316	316
Other non-current assets	31	35	29	29	29
Unbilled receivables	61	61	58	66	74
Inventories	1	1	1	1	1
Other current assets	98	69	60	63	67
Receivables	120	127	127	144	163
Cash & bank balance	104	92	119	178	219
Right-of-use Assets	19	19	16	16	16
Total current assets	403	368	381	468	540
Total current liabilities	299	259	247	264	284
Net current assets	104	109	134	204	256
Total assets	778	915	897	959	1,034

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 19: Cash flow

Y/E March (Rsbn)	FY22	FY23	FY24E	FY25E	FY26E
EBIT	140	140	137	151	181
(Inc.)/dec. in working capital	-30	-13	-9	-10	-12
Cash flow from operations	110	126	127	141	169
Other income	16	18	23	26	29
Depreciation & amortisation	40	42	40	44	48
Financial expenses	-5	-10	-12	-12	-12
Tax paid	-29	-34	-35	-39	-47
Dividends paid	-33	-5	-5	-62	-75
Net cash from operations	99	137	138	96	111
Capital expenditure	-123	-4	1	-16	-20
Net cash after capex	-24	133	138	80	91
Inc./(dec.) in debt	68	-2	6	0	0
(Inc.)/dec. in investments	-74	-69	15	0	0
Equity issue/(buyback)	0	0	-148	0	0
Cash from financial activities	-6	-71	-127	0	0
Others	-36	-74	16	-20	-50
Opening cash	170	104	92	119	178
Closing cash	104	92	119	179	219
Change in cash	-66	-12	27	60	41

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 21: Key ratios

Y/E March	FY22	FY23	FY24E	FY25E	FY26E
Per Share (Rs)					
EPS	22.4	20.7	21.1	23.9	28.7
FDEPS	22.3	20.7	20.9	23.8	28.6
Dividend Per Share	6.0	1.0	1.0	11.9	14.3
Dividend Yield (%)	1.3	0.2	0.2	2.6	3.1
Book Value	120	143	146	158	172
Dividend Payout Ratio (%)	26.9	4.8	4.7	50.0	50.0
Return ratios (%)					
RoE	20.1	15.8	14.4	15.7	17.4
Pre Tax RoCE	14.5	11.4	10.4	11.2	12.6
Pre Tax ROIC	26.1	19.0	17.5	19.7	22.8
Turnover Ratios					
Asset Turnover Ratio	0.7	0.8	0.8	0.8	0.8
Debtor Days (incl. unbilled Rev)	83	76	75	79	78
Working Capital Cycle Days	27	29	33	35	34
Valuation ratios (x)					
PER	20.9	22.6	22.3	19.6	16.3
P/BV	3.9	3.3	3.2	3.0	2.7
EV/EBITDA	13.1	12.7	12.3	10.9	9.1
EV/Sales	3.0	2.5	2.4	2.2	1.9
Net Debt/Equity	-0.3	-0.3	-0.3	-0.4	-0.4
M-cap/Sales	3.2	2.8	2.7	2.5	2.2

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
13 April 2015	Sell	618	576
22 April 2015	Sell	588	546
24 July 2015	Sell	588	548
30 September 2015	Sell	587	546
23 October 2015	Sell	578	544
8 January 2016	Under Review	556	-
19 January 2016	Under Review	549	-
14 March 2016	Sell	540	498
21 April 2016	Sell	601	489
20 July 2016	Sell	549	478
24 October 2016	Sell	499	436
10 January 2017	Sell	472	410
27 January 2017	Sell	474	413
14 February 2017	Sell	474	427
26 April 2017	Sell	495	437
21 June 2017*	Sell	254	197
21 July 2017	Sell	269	235
28 September 2017	Sell	290	228
18 October 2017	Sell	290	244
26 December 2017	Under Review	302	-
22 January 2018	Under Review	329	-
17 March 2018	Accumulate	296	302
26 April 2018	Accumulate	287	303
3 July 2018	Buy	262	335
23 July 2018	Buy	282	323
5 October 2018	Buy	325	377
17 October 2018	Buy	309	364
27 December 2018	Sell	326	297
7 January 2019	Sell	324	268
21 January 2019	Sell	347	277
19 March 2019**	Sell	258	209
18 April 2019	Sell	282	219
18 July 2019	Sell	260	212
23 September 2019	Sell	239	222
15 October 2019	Sell	244	221
2 January 2020	Under Review	248	-
15 January 2020	Under Review	256	-
31 March 2020	Accumulate	186	186
16 April 2020	Accumulate	186	178
9 July 2020	Under Review	222	-
15 July 2020	Under Review	225	-
6 September 2020	Buy	276	326
28 September 2020	Accumulate	314	346
14 October 2020	Accumulate	376	382
19 November 2020	Accumulate	345	382
29 December 2020	Accumulate	383	411
14 January 2021	Accumulate	459	480
5 March 2021	Accumulate	439	461
16 April 2021	Accumulate	431	465
5 July 2021	Accumulate	536	563
16 July 2021	Accumulate	576	604
22 September 2021	Accumulate	668	698
14 October 2021	Accumulate	673	706
20 December 2021	Buy	671	790
13 January 2022	Accumulate	691	776
8 April 2022	Accumulate	581	571
1 May 2022	Accumulate	509	501
19 May 2022	Sell	481	400
8 July 2022	Sell	421	367
21 July 2022	Sell	412	362
10 October 2022	Sell	408	355
13 October 2022	Sell	408	340
14 January 2023	Sell	394	347
20 March 2023	Sell	377	351
28 April 2023	Sell	374	350
14 June 2023	Sell	396	350
14 July 2023	Sell	394	338
26 September 2023	Sell	436	358
19 October 2023	Sell	407	353
15 December 2023	Sell	434	370

14 January 2024

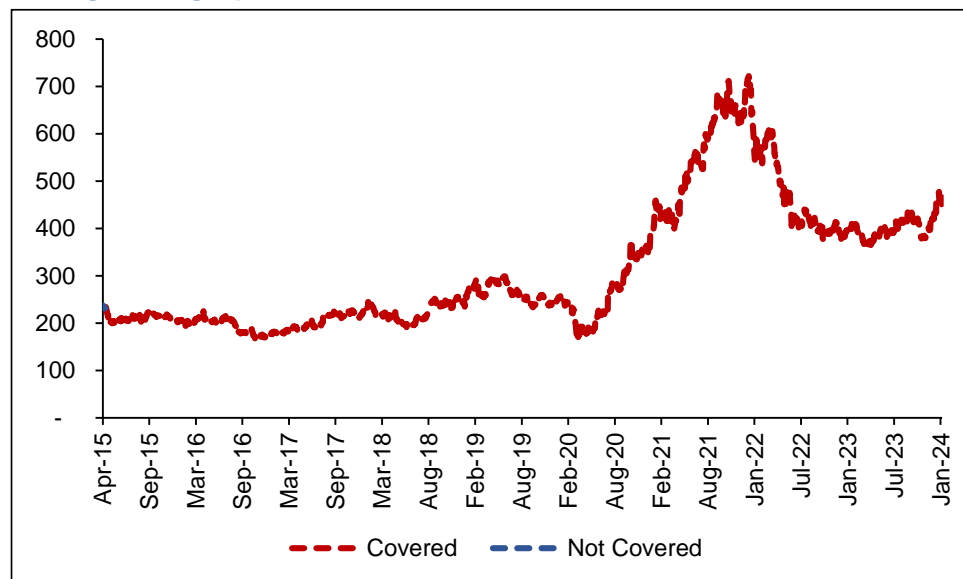
Sell

467

384

* Post 1:1 bonus share issue, * Post 1:3 bonus share issue

Rating track graph



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Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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