

## WIPRO LTD: still struggling....

*Inline numbers, muted guidance, but still struggling....*

Wipro delivered slightly better PAT numbers than street consensus and net sales were however disappointing. For 4QFY13, Company witnessed 0.3% of sales growth, impacted by slow demand environment.

Wipro demerged all its non-IT businesses into a separate company with effect from 31 March 2013 and therefore the company has given separate information on continuing operations as a pure play IT company. Net profit from continuing operations rose 17% to Rs 6136 crore on 17% growth in revenue to Rs 37688 crore in the year ended 31 March 2013 (FY 2013) over the year ended 31 March 2012 (FY 2012).

**On geographical front,** Company's revenue from Europe decreased to 28.5% from 29.6%(2QFY13), India &MEA, and APAC increased from 8.6% (2QFY13) to 9.4% while US revenue increased to 50.1% from 49.9%.

**On USD term:** Wipro's IT services revenue rose 0.5% to \$1.585 billion in Q4 March 2013 over Q3 December 2012. On year on year basis, IT services revenue rose 3.2% to \$1.585 billion in Q4 March 2013 over Q4 March 2012.

**Wipro expects a between 0.63% fall to a growth of 1.57% in revenue from IT services business at between \$1.575 billion to \$1.61 billion in Q1 June 2013 over Q4 March 2013.**

**Margin:** Wipro's EBITDA margin grew by 30bp qoq to 20.4% while its EBIT margin declined by 100bp qoq to 16.7% because of 60bp qoq decline in IT services EBIT margin to 20.2%. IT services EBIT margin decline because the company hired 2,907 employees which led to increase in employee cost.

**Clients Metrics:** During the quarter, company has added 52new customers to 978 and increased all its clients in less than \$20mn category; Its new deals included a contract from a large Europe-based bank and GVK-led Mumbai International Airport.

**Employee Metrics:** During the quarter, added 2,907 employees in the IT Services segment and had 145800 employees as of March 31. The quarterly annualized attrition for IT was down by 40bps to 12.5%. Utilisation for IT services (excl. support) was unchanged at 71.7% while excluding trainees was down by 20bps QoQ at 74.6%. Company's HR policy in favor of employees like Bonus facility and wage increment could control the attrition rate and increase the utilization rate.

**Management Guidance:** (1)Wipro has guided for revenue of USD 1,575-1,610 million from IT services in the first quarter, up just 1.6 percent at the higher end.

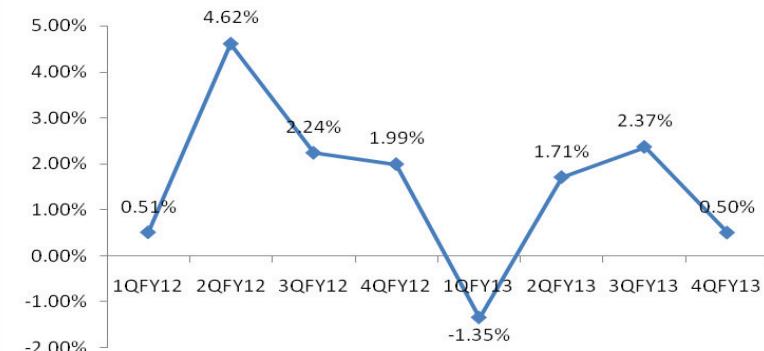
(2)Company will take decision on wage hike closer to June

(3)Deal pipeline continues to be stable and expects overall FY14 to be better than FY13

(4)May see volatility in margins in short-term , margins to be sustainable in medium-term with upward bias.

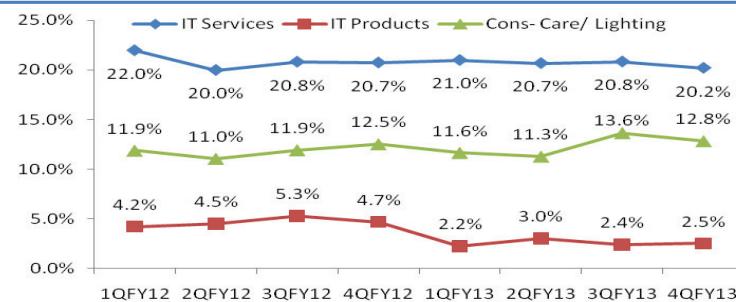
We believe, More than two years of transformational journey undertaken by the company has barely filtered into growth, profitability and financial performance. Weak external environment and competitive pressures continue to weigh on the performance and stock performance. All said and done, Wipro could benefit from increase in deals win as well as improvement in operating metrics. Considering the growth parameters and valuation prospect of other Tier-1 IT players, we retain "Neutral" view on the stock. At a CMP of Rs 340.6, trades at 12.1x FY14E earnings.

### Sales growth-USD term(%)-(QoQ)



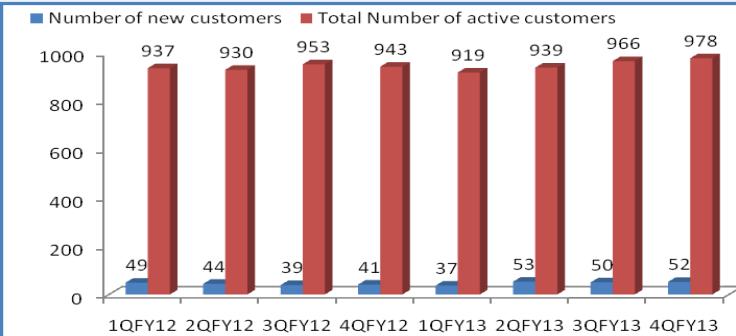
(Source: Company/Eastwind)

### Margin(%) -segment-wise



(Source: Company/Eastwind)

### Clients Position



(Source: Company/Eastwind)

### D/E(x)-1 year Forward



Source: Company/Eastwind