

Wipro Limited

Turning a new leaf, once again

- 3Q11 revenues/PAT met our estimates
- More importantly, Wipro replaced the joint-CEOs/structure with T K Kurien, a 10-year Wipro veteran. We expect follow-on mid-management changes as well as a course correction
- However, we expect minimal near-term impact of transition. 4Q11 3-5% US\$ revenue guidance supports this
- We retain our forecasts and OUTPERFORM rating

3Q11: Revenue and PAT in-line; EBITDA marginally below estimates. Combined IT services revenue grew 5.6% qoq to US\$1.34bn, in line with our estimates, driven by 4.7% blended realization growth in Global IT. India/Middle-East grew 5.6% qoq while BPO revenues were flat. Combined IT EBITDA margin was down 30bp qoq to 25% (vs our 25.5% est), mainly due to slower volume growth (1.5% qoq vs 6.2% est.). Higher other income (Rs1.5bn) pushed PAT 2.6% qoq to Rs13.2bn.

Growth profile a conundrum; we do not expect a repeat. We were surprised by the strong 2.5% qoq growth in offshore realization (in constant currency) in a seasonally weak quarter. We believe it was driven less by pricing improvement and more by productivity gains (fixed-priced projects revenue share up 2.3% qoq; ADM share up 1.5%). We do not see the trend continuing and expect the 3-5% 4Q11 guided revenues to be volume driven.

Supply pressures appear to be easing; should help mid-range margins. We believe staffing rationalization kept the attrition high – 1% change in quarterly annualized attrition (with 0.7% qoq rise in involuntary attrition) versus 3-4% reported by peers. However, we see no adverse impact; wage hike has been pushed to 1Q12 from Feb-2011 and utilization is at 7 quarter low.

Management changes a long-range positive. TK Kurien was key in Wipro's BPO business turnaround (25% revenue CAGR with 12%+ EBITDA margin expansion despite a 10% INR appreciation over FY06-08). We expect follow-on changes on both demand and execution sides.

But we see few near-term triggers to close valuation gap versus peers. We retain our FY11/12 EPS estimates and P/E-based price target. We see minimal change to current (15-20%) P/E valuation gap vs. peers. 3Q volume underperformance will likely weigh on the stock near-term even as investors await articulation of new management's focus.

OUTPERFORM (unchanged)

PRICE (as at 21 January 11) **Rs455.95** PRICE TARGET **Rs510.00**

Bloomberg code **WPRO IN** Reuters code **WIPR.BO**

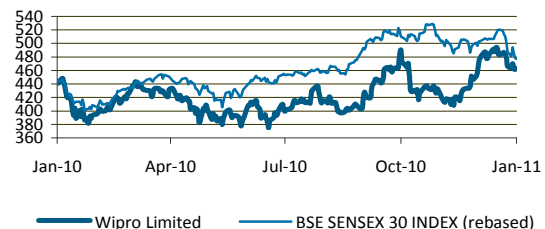
Market cap **Rs1,116,289m (US\$24,469m)** 12 month range **Rs375 - 494**

EPS est. change 2011E **-0.8%** 2012E **-1.1%**

Year end: March	2010	2011E	2012E	2013E
Sales (Rs m)	271,958	310,071	369,668	439,600
EBIT (Rs m)	52,229	57,456	70,358	82,217
EBITDA (Rs m)	59,736	65,565	80,348	94,247
Pretax profit (Rs m)	54,883	62,569	75,602	88,799
Earnings (Rs m) adjusted	45,936	53,060	59,660	70,241
Diluted EPS (Rs) adjusted	18.8	21.7	24.4	28.7
Diluted EPS growth (%) adj.	17.9	15.7	12.4	17.7
DPS (Rs)	3.6	4.8	6.0	7.2
DPS growth (%)	50.0	33.3	25.0	20.0
EBITDA margin (%)	22.0	21.1	21.7	21.4
EBIT margin (%)	19.2	18.5	19.0	18.7
Net margin (%)	16.9	17.1	16.1	16.0
Div payout (%)	2,229	2,572	2,857	2,912
Book value/share (Rs)	80.1	94.0	111.5	131.8
Net gearing (%)	-6.0	-16.7	-16.0	-21.1
ROE (%)	26.8	24.9	23.8	23.6
ROACE (%)	34.5	32.1	34.4	36.1
FCF (Rs m)	20,279	29,490	37,773	46,701
EV/Sales (x)	4.0	3.5	2.9	2.3
EV/EBITDA (x)	18.1	16.5	13.2	11.0
PBR (x)	5.7	4.9	4.1	3.5
PER (x)	24.3	21.0	18.7	15.9
Dividend yield (%)	0.8	1.1	1.3	1.6

Source: Company, Standard Chartered Research estimates

Share price performance



Share price (%)	-1 mth	-3 mth	-12 mth
Ordinary shares	-5	2	7
Relative to Index	1	8	-4
Relative to Sector	-	-	-
Major shareholder	Promoter (79.4%)		
Free float	21%		
Average turnover (US\$)	13,996,920		

Source: Company, Bloomberg

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Important disclosures can be found in the Disclosures Appendix

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3Q11 results review

Fig 1: Key Financials

(Rs m)	1Q10	2Q10	3Q10	4Q10	FY10	1Q11	2Q11	3Q11	Comments
WIPRO LTD.									
Consolidated revenues	63,868	68,937	69,380	69,773	271,958	71,906	77,718	78,202	Combined IT services revenues up 2.6% qoq; other businesses were down 5.1% qoq, IT products revenues were down 17.7% qoq
<i>Change (yoy/qoq)</i>	-2.2%	7.9%	0.6%	0.6%	5.9%	3.1%	8.1%	0.6%	
Cost of revenue	41,629	45,708	46,035	46,171	179,543	46,951	51,522	51,687	Combined IT services EBITDA margins were down 30bp qoq, while other subsidiaries margins were down by 102bp qoq
Gross profit	22,239	23,229	23,345	23,602	92,415	24,955	26,196	26,515	
Gross margin	34.8%	33.7%	33.6%	33.8%	34.0%	34.7%	33.7%	33.9%	Wipro Infrastructure business EBIT margins were -0.6% (-2.5% in 2Q11); IT products margins were 4.6% (5.0% in 2Q11)
Total operating expenses	7,611	8,264	8,280	8,524	32,679	9,037	9,782	10,171	
EBITDA 14,628		14,965	15,065	15,078	59,736	15,918	16,414	16,344	Other income was up 20% qoq on higher yields
EBITDA margin	22.9%	21.7%	21.7%	21.6%	22.0%	22.1%	21.1%	20.9%	
Depreciation & amortization	1,798	2,016	1,923	1,770	7,507	1,884	1,968	2,078	Fx loss was down to Rs114m from 729m in 2Q11
EBIT 12,830		12,949	13,142	13,308	52,229	14,034	14,446	14,266	
EBIT margin	20.1%	18.8%	18.9%	19.1%	19.2%	19.5%	18.6%	18.2%	Effective tax rate was up 190bp qoq to 16.5%
Non-operating income (net)	-1,051	921	1,115	1,669	2,654	1,406	541	1,415	
Profit before tax	11,779	13,870	14,257	14,977	54,883	15,440	14,987	15,681	PAT 10,104
Income tax expense	1,740	2,217	2,321	3,015	9,293	2,345	2,183	2,582	
Net income from ops	10,039	11,653	11,936	11,962	45,590	13,095	12,804	13,099	Adjusted basic EPS
<i>Change (yoy/qoq)</i>	0.1%	16.1%	2.4%	0.2%	17.6%	9.5%	-2.2%	2.3%	
Share in earnings of affiliates	114	112	128	176	530	157	192	160	Change (yoy/qoq)
Share of minority interest	49	58	31	46	184	67	148	71	
PAT 10,104		11,707	12,033	12,092	45,936	13,185	12,848	13,188	COMBINED IT SERVICES
<i>Change (yoy/qoq)</i>	0.9%	15.9%	2.8%	0.5%	18.5%	9.0%	-2.6%	2.6%	
Adjusted basic EPS	4.2	4.8	5.0	5.0	18.9	5.4	5.3	5.4	Global IT services (US\$ m)
<i>Change (yoy/qoq)</i>	0.8%	15.8%	2.7%	0.4%	18.2%	8.9%	-2.6%	2.5%	
COMBINED IT SERVICES									
Global IT services (US\$ m)	847	867	907	936	3,557	974	1,035	1,099	Combined IT services grew 4.1% in constant currency terms vs. 4.7% for Infosys, 5.8% for TCS and 6.5% for HCL Tech
India/M.E. IT services (\$ m)	82	86	100	103	371	108	113	120	
BPO services (US\$ m)	104	112	119	127	463	122	125	125	Global IT services volumes were up 1.5% (offshore volume up 0.5%) with blended realization up 2.9%
Total revenues (US\$ m)	1,033	1,065	1,127	1,166	4,391	1,204	1,273	1,344	
<i>Change (yoy/qoq)</i>	-1.3%	3.2%	5.8%	3.5%	-	3.2%	5.7%	5.6%	India/Middle-East revenues were up 5.6%, while BPO revenues were up 0.2% qoq
Total Revenues (Rs m)	49,548	49,848	51,332	52,597	203,325	54,590	57,798	59,289	
<i>Change (yoy/qoq)</i>	-1.1%	0.6%	3.0%	2.5%	5.3%	3.8%	5.9%	2.6%	On a reported basis, EBIT (including FX gains) was down 23bp
Cost of revenue (Rs m)	30,961	30,738	32,077	32,385	126,162	33,688	36,309	37,375	
Gross profit (Rs m)	18,587	19,110	19,255	20,212	77,164	20,902	21,489	21,914	EBITDA (Rs m)
Gross margin	37.5%	38.3%	37.5%	38.4%	38.0%	38.3%	37.2%	37.0%	
Total operating expenses (Rs m)	5,047	5,588	5,686	5,891	22,212	6,126	6,891	7,119	EBITDA margin
EBITDA (Rs m)	13,540	13,522	13,569	14,321	54,952	14,776	14,598	14,795	
EBITDA margin	27.3%	27.1%	26.4%	27.2%	27.0%	27.1%	25.3%	25.0%	EBIT (Rs m)
EBIT (Rs m)	10,698	11,865	12,182	12,718	47,463	13,502	12,746	13,211	
EBIT margin	21.6%	23.8%	23.7%	24.2%	23.3%	24.7%	22.1%	22.3%	EBIT (ex FX gain/loss) (Rs m)
EBIT (ex FX gain/loss) (Rs m)	11,980	11,732	11,866	12,719	48,297	13,090	13,073	13,014	
EBIT margin	24.2%	23.5%	23.1%	24.2%	23.8%	24.0%	22.6%	22.0%	

Source: Company, Standard Chartered Research estimates



Fig 2: How margins behaved in the combined IT business

	3Q10	2Q11	3Q11	Change		Comments
				QoQ	YoY	
Exchange rate (Rs/US\$)	45.56	45.41	44.12	-2.8%	-3.2%	Effective INR/US\$ exchange rate (ex-Fx gains) was 0.2% lower of our estimate of 44.20
Total revenues (US\$ m)	1,126.8	1,272.8	1,343.8	5.6%	19.3%	
- Global IT services	907.1	1,034.8	1,099.2	6.2%	21.2%	Utilization was down 240bp on account of high attrition
- India/Middle-East IT services	100.3	113.3	119.6	5.6%	19.3%	
- BPO services	119.4	124.7	125.0	0.2%	4.6%	
Total revenues (Rs m)	51,332	57,798	59,289	2.6%	15.5%	Management attributed lower volume growth to seasonality as well as slippages into Q311
Utilization -Net (inc. trainees)	80.7%	78.0%	75.6%	-240bp	-510bp	
Billed effort (person-months)						Blended realization growth was assisted by cross-currency but negatively impacted by lower number of working days in the quarter
Onsite	33,730	41,786	43,474	4.0%	28.9%	
Offshore	94,487	107,082	107,642	0.5%	13.9%	
Total 128,217		148,868	151,116	1.5%	17.9%	Manpower cost was down in absolute terms qoq on account of fresher hiring as well currency movement
Realization per employee (US\$/pm) - IT Services						
Onsite - IT services	12,299	11,782	11,852	0.6%	-3.6%	Company will not be giving any wage hikes in Q4FY11 and will consider the same in Q1FY12
Offshore - IT services	4,345	4,300	4,459	3.7%	2.6%	
Blended	6,428	6,340	6,641	4.7%	3.3%	
Cost of revenue	32,077	36,309	37,375	2.9%	16.5%	EBITDA margin
Gross profit	19,255	21,489	21,914	2.0%	13.8%	
Gross margin	37.5%	37.2%	37.0%	-22bp	-55bp	EBITDA margin
Operating expenses	5,686	6,891	7,119	3.3%	25.2%	
EBITDA 13,569		14,598	14,795	1.3%	9.0%	EBITDA margin
EBITDA margin	26.4%	25.3%	25.0%	-30bp	-148bp	
Depreciation and amortization	1,703	1,525	1,781	16.8%	4.6%	As % of revenue
As % of revenue	3.3%	2.6%	3.0%	37bp	-31bp	
Operating profit (EBIT)	11,866	13,073	13,014	-0.5%	9.7%	Operating margin
Operating margin	23.1%	22.6%	22.0%	-67bp	-117bp	
Forex gains/(losses)	316	-327	197	-160.2%	-37.7%	As % of revenue
As % of revenue	0.6%	-0.6%	0.3%	90bp	-28bp	
Reported operating profit (EBIT)	12,182	12,746	13,211	3.6%	8.4%	Reported operating margin
Reported operating margin	23.7%	22.1%	22.3%	23bp	-145bp	

Source: Company, Standard Chartered Research estimates

Fig 3: Guidance analysis

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	Comments
Guided revenues (US\$ mn)								3Q11 constant currency revenues were 1.3% below the upper end of guidance
- Lower-end	1,009	1,035	1,092	1,161	1,190	1,253	1,317	
- Upper-end	1,025	1,053	1,113	1,183	1,215	1,277	1,343	
Implied qoq growth								Management spoke of stable pricing environment
- Lower-end	-3.5%	0.2%	2.5%	3.0%	2.1%	4.1%	3.5%	
- Upper-end	-2.0%	2.0%	4.5%	5.0%	4.2%	6.1%	5.5%	
Actual revenues (US\$ mn)	1,033	1,065	1,127	1,166	1,204	1,273	1,344	Reported revenue outperformed upper end of guidance after 3 quarters of underperformance
Actual qoq growth	-1.3%	3.2%	5.8%	3.5%	3.2%	5.7%	5.6%	
Outperformance	0.7%	1.2%	1.3%	0%	-1.5%	-1.0%	-0.3%	0.1%

Source: Company, Standard Chartered Research estimates



Fig 4: Key manpower and execution metrics

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	Comments
Total manpower - Combined IT	98,521	97,891	102,746	108,071	112,925	115,900	119,491	■ Manpower addition came in below our estimate of 5,594
Net addition	711	-630	4,855	5,325	4,854	2,975	3,591	
IT services								
Total manpower	59,472	58,689	61,075	65,302	68,218	74,726	75,055	■ Attrition continued to be higher at 23.9% vs. peers at 15-18%
Attrition (quarterly, annualized)	16.1%	22.9%	17.0%	19.2%	24.4%	24.9%	23.9%	
Utilization - net	77.1%	78.2%	80.7%	79.3%	78.4%	78.0%	75.6%	■ Management expects fresher hiring and utilization improvement to be key margin levers going forward
BPO services								
Total manpower	23,433	23,471	25,199	26,077	27,628	23,918	26,854	
India/Middle-East IT services								
Total manpower	15,617	15,731	16,472	16,691	17,079	17,256	17,582	

Source: Company, Standard Chartered Research estimates

Fig 5: Key client metrics

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	Comments
Client base								
Active clients	830	840	822	845	858	890	880	■ Client attrition was up sharply in 3Q11
Net client addition	-33	10	-18	23	13	32	-10	
Clients attrition	59	27	49	4	9	-3	46	■ Growth was driven by communication and media (+8.0% qoq), BFSI (+7.1%) and manufacturing (+6.3) verticals
Revenue per active client (US\$m/qtr)	1.24	1.27	1.37	1.38	1.40	1.43	1.53	
Revenue concentration								
Top client	2.6%	2.7%	2.6%	2.5%	2.9%	2.9%	3.0%	■ Management indicated strong focus on BFSI, energy and utilities, healthcare and retail verticals
Top 5 clients	11.4%	11.3%	10.8%	10.5%	10.9%	10.7%	10.7%	
Top 10 clients	20.6%	19.7%	19.5%	19.3%	19.8%	19.2%	19.2%	
Non-Top10 clients	79.4%	80.3%	80.5%	80.7%	80.2%	80.8%	80.8%	
New business (US\$m)	5.2	20.2	24.8	40.8	4.8	12.7	32.3	
Revenue growth								
Top client	6.9%	7.1%	1.9%	-0.5%	19.8%	5.7%	9.2%	■ 3 clients are currently at an quarterly annualized revenue run-rate of US\$100m
Top-2 to 5 clients	3.4%	0.8%	0.9%	0.9%	3.2%	3.1%	4.2%	
Top-5 clients	4.2%	2.3%	1.1%	0.6%	7.2%	3.8%	5.6%	■ Management commented on healthy pipeline especially in BFSI (40% of overall pipeline)
Top-6 to 10 clients	2.0%	-5.8%	9.6%	4.7%	4.4%	1.0%	5.6%	
Top-10 clients	3.2%	-1.3%	4.7%	2.4%	5.9%	2.5%	5.6%	
Non-top-10 clients	-2.4%	4.3%	6.0%	3.7%	2.6%	6.5%	5.6%	
Relationship distribution								
US\$1M+ Clients	413	403	398	406	434	425	433	
Change	-14	-10	-5	8	28	-9	8	
US\$5M+ Clients	156	152	156	166	165	164	176	
Change	3	-4	4	10	-1	-1	12	
US\$10M+ Clients	97	99	95	96	100	106	113	
Change	4	2	-4	1	4	6	7	
US\$20M+ Clients	53	51	53	56	58	63	64	
Change	0	-2	2	3	2	5	1	
US\$50M+ Clients	17	16	16	16	17	20	21	
Change	0	-1	0	0	1	3	1	

Source: Company, Standard Chartered Research estimates



Fig 6: Services portfolio

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	Comments
Distribution								
ADM Services	38.9%	39.7%	39.7%	39.0%	39.2%	38.8%	40.3%	■ Growth was led by ADM (+9.7%) and TIS (+6.6%) while product engineering and R&D business declined by 2.5% and 0.3% respectively
BPO services	10.1%	10.5%	10.6%	10.9%	10.1%	9.8%	9.3%	
Non-ADM, non-BPO services	51.0%	49.8%	49.7%	50.1%	50.7%	51.4%	50.4%	
Technology Infrastructure Services	20.9%	20.6%	21.3%	21.6%	21.1%	21.2%	21.4%	
Testing Services	12.1%	12.0%	11.5%	11.7%	11.4%	11.4%	11.0%	
Package Implementation	13.4%	13.3%	12.8%	12.7%	13.5%	13.6%	13.2%	
Product Engineering	4.6%	3.9%	4.1%	4.1%	4.7%	5.2%	4.8%	
Total 100.0	% 100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Revenue (US\$ mn & QoQ growth)								
ADM	402	423	447	455	472	494	542	■ Revenue CQGR over the past four quarters has been 4.9% for ADM services, 1.1% for BPO services and 4.9% for non-ADM/BPO services
<i>Change</i>	-4.2%	5.3%	5.8%	1.6%	3.8%	4.7%	9.7%	
BPO	104	112	119	127	122	125	125	
<i>Change</i>	9.6%	7.2%	6.8%	6.4%	-4.3%	2.6%	0.2%	
Non-ADM, non-BPO	527	530	560	584	610	654	677	
<i>Change</i>	-0.9%	0.7%	5.6%	4.3%	4.5%	7.2%	3.5%	

Source: Company, Standard Chartered Research estimates



OUTPERFORM maintained

We retain our long-range demand outlook build on the US\$23bn addressable market opportunity from the US\$200bn+ renewal deal pipeline. We marginally lower our FY11/12 EPS forecasts by 0.8/1.1%, on account of marginally lower revenue growth and margin assumptions. We reiterate our OUTPERFORM recommendation and price target of Rs510.

We retain our long-range demand outlook build on the US\$23bn addressable market opportunity from the US\$200bn+ renewal deal pipeline. (see our note: IT Services – Dribbling into the big league dated 16 December 2010). We broadly retain our 22% FY10-13 US\$ revenue CAGR forecasts. We have marginally lowered our IT services revenue growth assumptions and now expect greater contribution from realization growth. Our margin outlook for IT services factors in greater pressures from continued high attrition for Wipro. Downward revisions to our revenue and margin assumptions for the non-IT businesses reflect pressures of stagnant growth and a high inflation environment. Resultantly, we lower our FY11/12 EPS forecasts by 0.8/1.1%.

Fig 7: What has changed in our key assumptions and forecasts?

	FY11	FY12	FY13	FY11	FY12	FY13	Comments
Exchange rate (Rs/US\$)							
OLD	44.67	44.15	42.00				■ Our INR/USD assumptions are unchanged though our economist sees potential downside risk
NEW	44.87	44.15	42.00				
Change	0.5%	0.0%	0.0%				
OPERATIONAL ASSUMPTIONS							
IT services							
Total employees - delivery				Utilization			
OLD	72,620	89,620	109,120	OLD	77.8%	78.8%	80.5%
NEW	68,985	85,985	105,485	NEW	77.5%	78.8%	80.5%
Change	-5.0%	-4.1%	-3.3%	Change	-35bp	0bp	0bp
Billed effort (p-m)				Billed effort share - onsite			
OLD	613,752	766,587	959,917	OLD	28.1%	27.5%	27.0%
NEW	598,310	732,233	924,800	NEW	28.6%	28.0%	27.5%
Change	-2.5%	-4.5%	-3.7%	Change	52bp	50bp	50bp
Billing rate (\$/p-m) - Onsite				Billing rate (\$/p-m) - Offshore			
OLD	11,737	11,913	12,151	OLD	4,362	4,278	4,321
NEW	11,813	11,990	12,230	NEW	4,383	4,426	4,493
Change	0.6%	0.6%	0.6%	Change	0.5%	3.5%	4.0%
FINANCIAL FORECASTS							
Combined IT							
Revenue (Rs m)				EBITDA margin			
OLD	234,187	287,953	344,194	OLD	25.8%	25.7%	24.9%
NEW	233,555	282,104	339,430	NEW	25.6%	25.9%	25.2%
Change	0%	-2%	-1%	Change	-23bp	23bp	29bp
Consolidated							
Revenue (US\$ m)				Revenue (Rs m)			
OLD	6,952	8,498	10,567	OLD	310,573	375,169	443,797
NEW	6,910	8,373	10,467	NEW	310,071	369,668	439,600
Change	-0.6%	-1.5%	-0.9%	Change	-0.2%	-1.5%	-0.9%
EBITDA margin				EPS - basic			
OLD	21.6%	21.9%	21.5%	OLD	21.95	24.76	28.94
NEW	21.1%	21.7%	21.4%	NEW	21.78	24.49	28.83
Change	-41bp	-15bp	-4bp	Change	-0.8%	-1.1%	-0.4%

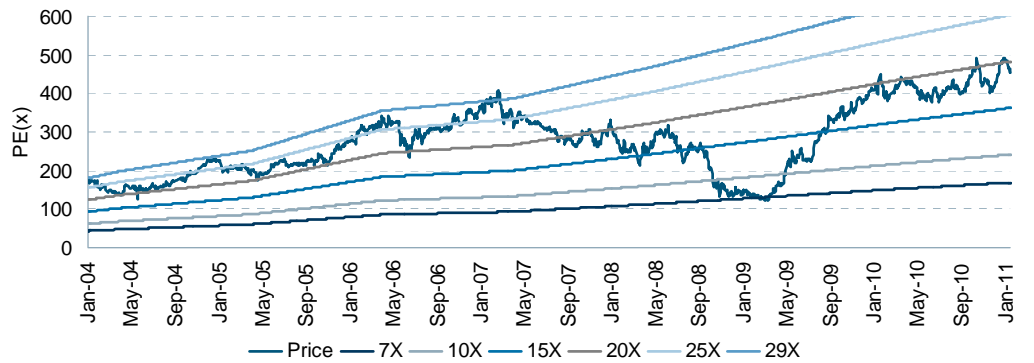
Source: Company, Standard Chartered Research estimates

Reiterate OUTPERFORM rating at a price target of Rs510

We maintain our price target of Rs510 on Wipro, valuing the stock at 1.2xPEG at the upper end of its historical trading band (0.8x-1.2x), on a FY10-13 EPS CAGR of 15.3%. The implied valuation at 18.5x 12-month forward EPS is at a discount of 12% to Infosys. We see minimal change to current (15-20%) P/E valuation gap vs. peers. 3Q volume underperformance will likely weigh on the stock near-term even as investors await articulation of new management's focus.



Fig 8 – Wipro: 12-month forward P/E band chart



Source: Bloomberg, Company data, Standard Chartered Research estimates

Risks to our estimates and price target

Key downside risks to our price target are: 1) rupee appreciation beyond the levels we assume and/or adverse cross-currency movements; 2) a slower than anticipated pricing recovery; 3) delays in the implementation of direct tax code beyond FY12; and 4) strong regulatory action against outsourcing in Wipro' key geographic markets.

Upside could come from: 1) rupee appreciation slower than the level we assume; 2) faster-than anticipated recovery in project awards/ramp-ups; large-deal wins ahead of numbers or contract value factored into our estimates; and 3) acquisitions/large deal wins not built into our model.

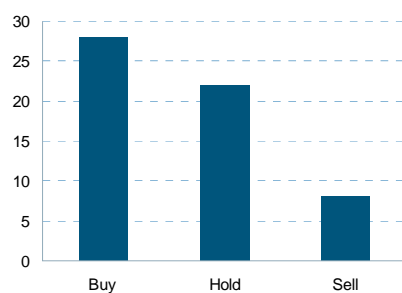


Fig 9: Key forecasts and assumptions

(Rs m)	FY08A	FY09A	FY10A	1Q11A	2Q11A	3Q11A	4Q11E	FY11E	FY12E	FY13E
Exchange rate (Rs/US\$)	39.91	47.06	46.75	45.35	45.41	44.12	43.96	44.87	44.15	42.00
Wipro consolidated (Rs m)										
Revenue	197,429	256,890	271,958	71,906	77,718	78,202	82,245	310,071	369,668	439,600
Change (yoy/qqq)	32.1%	30.1%	5.9%	3.1%	8.1%	0.6%	5.2%	14.0%	19.2%	18.9%
Combined IT services										
Revenue (US\$ mn)	3,647	4,324	4,391	1,204	1,273	1,344	1,408	5,228	6,390	8,082
Gross margin (%)	35.6%	36.3%	38.0%	38.3%	37.2%	37.0%	37.2%	37.4%	37.6%	36.8%
EBITDA margin (%)	24.4%	24.7%	27.0%	27.1%	25.3%	25.0%	25.3%	25.6%	25.9%	25.2%
Total employees	95,567	97,810	108,071	112,925	115,900	119,491	124,243	124,243	148,319	176,956
Global IT services										
Revenue (US\$ mn)	3,085	3,623	3,557	974	1,035	1,099	1,154	4,262	5,244	6,672
Billed person-months	445,569	499,444	508,470	139,709	148,868	151,116	158,617	598,310	732,233	924,800
Change (yoy/qqq)	31.4%	12.1%	1.8%	4.7%	6.6%	1.5%	5.0%	17.7%	22.4%	26.3%
Realization										
On-site (US\$/person-month)	11,380	11,738	12,171	11,654	11,782	11,852	11,941	11,813	11,990	12,230
Change (yoy/qqq)	2.7%	3.1%	3.7%	-4.9%	1.1%	0.6%	0.8%	-2.9%	1.5%	2.0%
Off-shore (US\$/person-month)	4,264	4,425	4,362	4,291	4,300	4,459	4,470	4,383	4,426	4,493
Change (yoy/qqq)	1.2%	3.8%	-1.4%	-1.4%	0.2%	3.7%	0.3%	0.5%	1.0%	1.5%
India/Middle-East services										
Revenue (US\$ mn)	253	325	371	108	113	120	125	466	566	713
BPO services										
Revenue (US\$ mn)	309	375	463	122	125	125	129	500	580	696
Other business segment revenue										
IT Products (Rs m)	24,545	34,418	38,307	8,341	10,741	8,845	9,846	37,773	40,795	44,874
Change (yoy)	58.2%	40.2%	11.3%	11.9%	-9.5%	-12.6%	11.0%	-1.4%	8.0%	10.0%
Consumer care and lighting (Rs m)	14,639	19,301	22,585	6,411	6,652	6,949	7,296	27,308	32,223	37,379
Change (yoy)	93.7%	31.8%	17.0%	23.1%	19.7%	21.0%	20.0%	20.9%	18.0%	16.0%
Other (Rs m)	12,074	8,956	6,908	2,257	2,285	2,862	2,967	10,371	13,483	16,853
Change (yoy)	71.0%	-25.8%	-22.9%	52.1%	67.3%	58.1%	32.0%	50.1%	30.0%	25.0%
Profitability - consolidated										
Gross margin (%)	31.9%	32.3%	34.0%	34.7%	33.7%	33.9%	33.6%	34.0%	34.4%	34.0%
EBITDA margin (%)	19.7%	20.2%	22.0%	22.1%	21.1%	20.9%	20.5%	21.1%	21.7%	21.4%
EBIT margin (%)	16.7%	17.5%	19.2%	19.5%	18.6%	18.2%	17.9%	18.5%	19.0%	18.7%
PAT (Rs m)	32,243	38,761	45,936	13,185	12,848	13,188	13,839	53,060	59,660	70,241
Change (yoy/qqq)	10.7%	20.2%	18.5%	9.0%	-2.6%	2.6%	4.9%	15.5%	12.4%	17.7%
Adjusted EPS - Basic (Rs)	13.3	16.0	18.9	5.4	5.3	5.4	5.7	21.8	24.5	28.8
Adjusted EPS - Fully Diluted (Rs)	13.3	15.9	18.8	5.4	5.3	5.4	5.7	21.7	24.4	28.7
Adjusted Shares outstanding - basic (m)	2,417	2,423	2,429	2,434	2,435	2,438	2,438	2,436	2,436	2,436
Adjusted Shares outstanding - diluted (m)	2,427	2,434	2,447	2,434	2,446	2,448	2,448	2,444	2,444	2,444

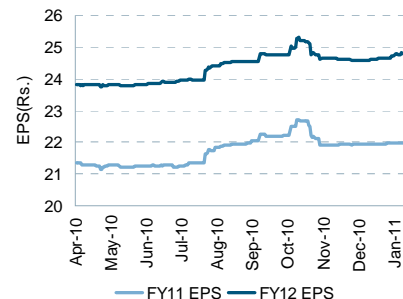
Source: Company, Standard Chartered Research estimates

Fig 10 – Broker Recommendation



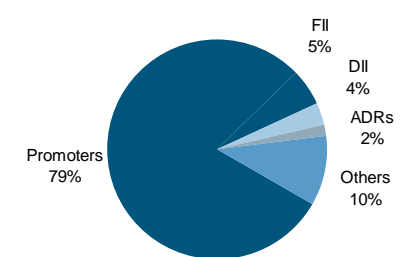
Source: Bloomberg

Fig 11 – Estimate revision



Source: Bloomberg

Fig 12 – Shareholding pattern



Source: NSE



Key Financials

Fig 13: Wipro: Consolidated Income Statement (Rs m)

Year end: Mar	FY09A	FY10A	FY11E	FY12E	FY13E
Consolidated Revenue	256,890	271,958	310,071	369,668	439,600
Cost of Revenue	174,002	179,543	204,751	242,375	290,039
Gross Profit	82,888	92,415	105,320	127,292	149,561
Operating Expenses	31,025	32,679	39,755	46,944	55,314
EBITDA	51,863	59,736	65,565	80,348	94,247
Depn & Amort.	6,863	7,507	8,109	9,990	12,030
EBIT	45,000	52,229	57,456	70,358	82,217
Net Non-operating Income	-467	2,654	5,112	5,244	6,582
Profit Before Tax	44,533	54,883	62,569	75,602	88,799
Income Tax Expense	6,035	9,293	9,820	16,254	18,870
Profit After Tax	38,498	45,590	52,748	59,348	69,929
Share in Earnings of Affiliates	362	530	669	669	669
Share of Minority Interest	99	184	357	357	357
Reported Net Income	38,761	45,936	53,060	59,660	70,241
Adjusted Net Income	38,761	45,936	53,060	59,660	70,241
Wtd avg # of Shares (Basic)	2,423.3	2,429.0	2,436.2	2,436.2	2,436.2
Wtd avg # of Shares (Dil)	2,434.5	2,447.2	2,444.1	2,444.1	2,444.1
EPS (Basic) (Rs)	16.0	18.9	21.8	24.5	28.8
EPS (Dil) (Rs)	15.9	18.8	21.7	24.4	28.7
DPS (Rs)	2.4	3.6	4.8	6.0	7.2
Dividend Payout Ratio (%)	17.6	22.3	25.7	28.6	29.1

Source: Company, Standard Chartered Research estimates

Fig 14: Wipro: Consolidated Balance Sheet (Rs m)

Year end: Mar	FY09A	FY10A	FY11E	FY12E	FY13E
Cash and Cash Equivalents	65,660	95,298	94,995	115,539	123,577
Sundry Debtors	48,612	50,928	63,713	75,959	90,328
Other Current Assets	47,979	54,951	64,514	75,034	87,377
Total Current Assets	162,251	201,177	223,222	266,531	301,282
Short Term Debt	37,211	44,404	33,254	33,254	33,254
Other Current Liabilities	75,084	60,805	64,767	73,689	84,158
Total Current Liabilities	112,295	105,209	98,021	106,943	117,412
Net Current Assets	49,956	95,968	125,201	159,588	183,870
Deferred Tax Assets	0	1,686	1,560	1,560	1,560
Net Fixed Assets	49,794	53,458	59,169	67,212	74,508
Goodwill & Intang. Assets	59,636	57,813	58,106	58,106	58,106
Other Non-Current Assets	12,455	15,794	20,732	20,732	20,732
Total Assets	171,841	224,719	264,768	307,199	338,776
Long Term Debt	19,681	18,107	25,046	24,862	6,652
Deferred Tax Liability	0	380	321	321	321
Other Non-current Liabilities	4,779	9,683	8,915	8,915	8,915
Total Equity	147,144	196,112	229,842	272,457	322,244
Minority Interest	237	437	644	644	644
Total Liabilities & Equity	171,841	224,719	264,768	307,199	338,776

Source: Company, Standard Chartered Research estimates

**Fig 15: Wipro: Cash Flow Statement (Rs m)**

Year end: Mar	FY09A	FY10A	FY11E	FY12E	FY13E
EBITDA	51,863	59,736	65,565	80,348	94,247
Cash Flow from Associates	263	346	312	312	312
(Incr) / Decr in Working Capital	11,874	-22,417	-19,147	-13,843	-16,244
Net Interest (Paid) / Received	2,613	3,195	5,755	5,244	6,582
Taxes Paid	-9,369	-9,410	-9,176	-16,254	-18,870
Cash flow from Operations (A)	57,244	31,450	43,309	55,807	66,027
Net Capex (B)	-16,835	-11,171	-13,819	-18,034	-19,326
Net acquisition	-8,200	1,823	-293	0	0
Others	-9,723	-574	-5,315	0	0
Cash Flow from Investing	-34,758	-9,922	-19,427	-18,034	-19,326
Inc./(Dec.) in Equity	-14,173	13,273	-5,685	0	0
Inc./(Dec.) in Debt	13,160	5,619	-4,211	-184	-18,210
Dividend Paid	-6,811	-10,241	-13,645	-17,045	-20,454
Other	0	0	0	0	0
Cash Flow from Financing	-7,824	8,651	-23,541	-17,229	-38,664
Foreign Currency Impact	-3,080	-541	-643	0	0
Total Cash Flow	11,582	29,638	-303	20,544	8,037
Free Cash Flow (A+B)	40,409	20,279	29,490	37,773	46,701

Source: Company, Standard Chartered Research estimates

Fig 16: Wipro: Growth and Margins

Year end: Mar	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue Growth (%)	30.1	5.9	14.0	19.2	18.9
EBITDA Growth (%)	33.3	15.2	9.8	22.5	17.3
EBIT Growth (%)	36.6	16.1	10.0	22.5	16.9
Dil. EPS Growth (%)	19.8	17.9	15.7	12.4	17.7
EBITDA Margin (%)	20.2	22.0	21.1	21.7	21.4
EBIT Margin (%)	17.5	19.2	18.5	19.0	18.7
Net Margin (%)	15.1	16.9	17.1	16.1	16.0
Return on Avg. Capital Empl. (%)	34.9	34.5	32.1	34.4	36.1
Return on Avg. Assets (%)	15.2	14.8	15.2	15.3	16.1
Return on Avg. Equity (%)	28.0	26.8	24.9	23.8	23.6

Source: Company, Standard Chartered Research estimates

Fig 17: Wipro: Ratios

Year end: Mar	FY09A	FY10A	FY11E	FY12E	FY13E
P/E (x)	28.8	24.4	21.0	18.7	15.9
P/E at Target Price(x)	32.0	27.1	23.5	20.9	17.7
EV/EBITDA (x)	21.4	18.2	16.5	13.2	11.0
EV/EBITDA at Target Price(x)	23.8	20.3	18.5	14.8	12.4
EV/EBIT (x)	24.7	20.8	18.8	15.0	12.6
EV/Sales (x)	4.3	4.0	3.5	2.9	2.3
P/B (x)	7.6	5.7	4.9	4.1	3.5
Dividend Yield (%)	0.5	0.8	1.1	1.3	1.6

Source: Company, Standard Chartered Research estimates



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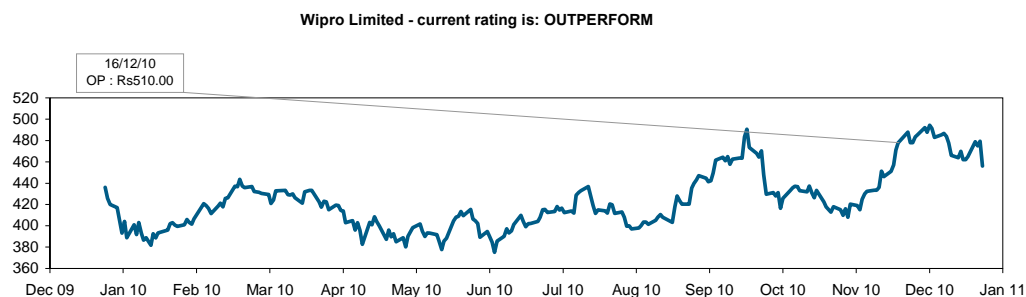
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Company Wipro Limited

As at the disclosure date, the following applies:



Source: FactSet prices / SCB ratings and price targets

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	% of covered companies currently assigned this rating	% of companies assigned this rating with which SCB has provided investment banking services over the past 12 months
OUTPERFORM	62.3%	14.2%
IN-LINE	28.8%	11.5%
UNDERPERFORM	8.9%	3.1%

Research Recommendation

Terminology	Definition
OUTPERFORM (OP)	The total return on the security is expected to outperform the relevant market index by 5% or more over the next 12 months
IN-LINE (IL)	The total return on the security is not expected to outperform or underperform the relevant market index by 5% or more over the next 12 months
UNDERPERFORM (UP)	The total return on the security is expected to underperform the relevant market index by 5% or more over the next 12 months

SCB uses an investment horizon of 12 months for its price targets.



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