

Wipro

Firmly northbound

In line with industry peers, Wipro has reported a strong Q3FY10 performance. Dollar revenues from IT services grew 5.8% QoQ – ahead of our estimates – led by strong volume growth. Margins too came in above our forecast due to a higher share of fixed-price projects, better utilisation rates and forex gains in the quarter. More importantly, the growth was broad-based with sequential improvement witnessed across all geographies and verticals. We are revising our FY10 and FY11 earnings upward by 3.6% and 5.1% respectively. We thus increase our target price to Rs 835 and maintain a Buy on the stock.

Revenues ahead of estimates: Third-quarter revenues from IT services stood at US\$ 1,128mn, a growth of 5.8% QoQ and higher than our estimate of US\$ 1,118mn. The performance was supported by 4.7% volume growth in global IT services and a strong uptick of 6.8% and 16.2% QoQ in BPO and Indian & MEA revenues respectively. Pricing in global IT services inched down due to the lower number of working days during the quarter. Consolidated revenues stood at Rs 69.4bn (IFRS), marginally lower than our estimate of Rs 70.3bn.

Profit margins expand further: The overall EBIT margin expanded by 38bps QoQ to 19.5% as the higher margin IT services business contributed a stronger 74.4% share of revenues in Q3FY10, up from 72.5% in Q2FY10. For the IT services segment, though, the margin remained flat QoQ at 23.6%. The impact of rupee appreciation was neutralised by improved utilisation, a higher proportion of fixed-price projects and a 0.6% impact of forex gains. Net profit (IFRS) stood at Rs 12.1bn, a strong growth of 3% QoQ and 2% higher than our expectations.

Strong Q4FY10 guidance: For Q4FY10, the management has guided for revenues of US\$ 1,161mn–1,183mn from IT services. This implies a growth rate of 3–5% QoQ for the segment, which is higher than the 0.8–1.5% QoQ growth guidance provided by Infosys for the same quarter.

Broad-based growth in Q3FY10: All verticals and geographies witnessed positive QoQ revenue growth in the quarter. Even troubled verticals like technology and telecom, that have witnessed a decline in the last four quarters, saw revenues increasing by 2.1% and 3.2% QoQ respectively. In terms of geography, the US and Europe grew 3.4% and 5% respectively, whereas India & MEA and other emerging markets logged sturdy growth rates of 16.2% and 19.5% QoQ respectively.

Revising estimates and target price: Consequent to better-than-expected profits, we are increasing our FY10 and FY11 earnings by 3.6% and 5.1% respectively. We are also increasing our target price on the stock from Rs 790 to Rs 835, which is 21x FY12E earnings of Rs 39.7. We maintain our Buy rating on Wipro.

Financial highlights

(Rs mn)	FY09	FY10E	FY11E	FY12E
Revenue	254,565	274,303	315,362	361,746
Growth (%)	28.9	7.8	15.0	14.7
Adj net income	38,773	46,329	54,239	57,875
Growth (%)	18.8	19.5	17.1	6.7
FDEPS (Rs)	26.6	31.8	37.2	39.7
Growth (%)	18.7	19.5	17.1	6.6

Profitability and return ratios

(%)	FY09	FY10E	FY11E	FY12E
EBITDA margin	20.3	22.1	22.0	22.0
EBIT margin	16.9	19.0	18.7	18.7
Adj PAT margin	15.2	16.9	17.2	16.0
ROE	27.7	26.9	24.9	21.8
ROIC	27.6	30.0	32.9	33.3
ROCE	21.7	21.5	21.3	19.2

What's New? Target Rating Estimates

CMP	TARGET	RATING	RISK
Rs 739	Rs 835	BUY	MEDIUM

BSE	NSE	BLOOMBERG
507685	WIPRO	WPRO IN

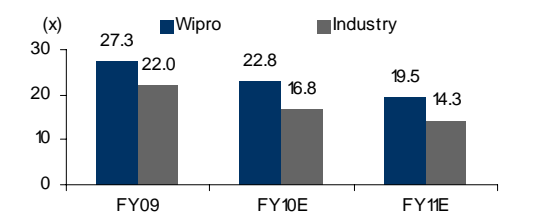
Company data

Market cap (Rs bn / US\$ bn)	1,064 / 023.2
Outstanding equity shares (mn)	1,465
Free float (%)	23.8
Dividend yield (%)	0.6
52-week high/low (Rs)	756 / 195
2-month average daily volume	1,052,062

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Wipro	727	7.7	24.4	58.0
BSE IT	5,350	6.0	21.6	42.3
Sensex	17,474	4.5	1.5	15.0

P/E comparison



Valuation matrix

(x)	FY09	FY10E	FY011	FY12E
P/E @ CMP	27.3	22.8	19.5	18.3
P/E @ Target	31.4	26.2	22.4	21.0
EV/EBITDA @ CMP	20.4	17.4	15.1	13.2





Result highlights

Revenues grew 5.8% QoQ in dollar terms driven by volume growth of 4.7%

Volume growth buoys revenue

After declining 1.5% QoQ in Q2FY10, volumes in global IT services grew 4.7% in the third quarter. Further, the BPO and India & MEA businesses witnessed a strong revenue upswing of 6.8% and 16.2% QoQ respectively. This buoyed growth in overall IT service revenues to 5.8% QoQ at US\$ 1,128mn, against our estimate of US\$ 1,118mn. In constant currency terms, revenues stood at US\$ 1,117mn, a growth of 4.9% QoQ and higher than the US\$ 1,113mn guided by the company.

As expected, onsite and offshore pricing in global IT services inched down by 0.3% and 2.4% respectively in Q3FY10 due to the lower number of working days during the quarter. In rupee terms, IT service revenues grew 3.3% QoQ due to rupee appreciation in the quarter. Consolidated revenues stood at Rs 69.4bn, a growth of 0.6% QoQ, marginally lower than our estimate of Rs 70.3bn. This is primarily due to the lower revenues from IT products in line with seasonal fluctuations.

Fig 1 - Quarterly performance

	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
Consolidated revenues	65,896	65,277	63,868	68,937	69,380
QoQ growth	0.9	(0.9)	(2.2)	7.9	0.6
Cost of revenues	46,374	45,363	43,247	47,522	47,766
Gross profit	19,522	19,914	20,621	21,415	21,614
S&M expenses	4,364	4,319	4,240	4,490	4,817
G&A expenses	4,227	3,429	3,552	3,976	3,655
Forex gains / (losses)	186	(761)	(1,406)	240	394
Operating profit	11,117	11,405	11,423	13,189	13,536
Operating profit margin	16.9	17.5	17.9	19.1	19.5
QoQ growth	1.6	2.6	0.2	15.5	2.6
Other income, net	452	85	355	681	721
Share of earnings in affiliates	114	35	114	112	159
PBT	11,683	11,525	11,892	13,982	14,416
QoQ growth	3.5	(1.4)	3.2	17.6	3.1
Income taxes	1,572	1,461	1,740	2,217	2,321
Minority interests	16	49	49	58	31
Reported net profit	10,095	10,015	10,103	11,707	12,064
QoQ growth	4.0	(0.8)	0.9	15.9	3.0

Source: RHH, Company

Forex gains of Rs 394mn contributed positively to the margins

Fig 2 - Segmental performance

	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
Consolidated					
Revenues	65,387	65,460	63,188	69,177	69,774
Gross profit margin (%)	29.7	30.3	32.4	31.0	31.0
EBIT margin (%)	16.2	16.6	17.3	19.1	19.5
IT Services					
Revenues	50,464	50,044	49,441	49,981	51,648
Gross profit margin (%)	33.2	32.3	32.0	35.3	34.9
EBIT margin (%)	20.1	20.5	20.9	23.6	23.6
IT Products					
Revenues	8,108	9,186	7,062	11,854	10,114
Gross profit margin (%)	11.6	9.8	12.8	10.2	11.4
EBIT margin (%)	4.2	4.0	4.2	5.2	6.0
Consumer, Care & Lighting					
Revenues	4,864	4,848	5,206	5,559	5,743
Gross profit margin (%)	42.8	45.5	49.9	48.5	46.9
EBIT margin (%)	11.3	12.8	13.8	13.2	13.0

Source: RHH, Company

IT service margins remained stable QoQ

EBIT margin for IT products expanded 80bps QoQ, aiding a 40bps increase in overall EBIT margins



Profit margins expand further

The EBIT margin for IT services remained stable QoQ at 23.6% despite rupee appreciation and increased S&M investments in the quarter. The negative impact of these factors was neutralised by higher utilisation in global IT services (gross utilisation improved by 240bps QoQ to 73.2%), an increased contribution from fixed-price projects (42.5% versus 40.3% in Q2FY10) and a 0.6% positive impact of forex gains in the quarter. For IT products, the EBIT margin improved by 80bps QoQ to 6%. At a consolidated level, the margin improved by 38bps QoQ to 19.5% due to a higher contribution of IT services to overall revenues (74.4% versus 72.5% in Q2FY10).

Fig 3 - Components influencing margin movement

	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
Exchange rate (Rs/US\$)	45.9	47.8	47.9	46.9	45.8
Change QoQ (%)	7.2	4.3	0.1	-2	-2.3
Operating expenses					
Cost of revenues (Rs mn)	44,296	43,855	41,076	45,388	45,694
as % of revenues	67.7	67	65	65.8	65.9
Other operating expenses (Rs mn)	8,320	8,471	8,987	8,180	8,165
as % of revenues	16.5	16.9	18.2	16.4	15.8
Volume growth					
Onsite – Global IT (Mnth)	38,912	34,296	32,876	32,367	33,730
Change QoQ (%)	1.2	-11.9	-4.1	-1.5	4.2
Offshore – Global IT (Mnth)	89,706	86,277	91,454	90,093	94,487
Change QoQ (%)	2.6	-3.8	6	-1.5	4.9
BPO – FTEs billed (FTE)	14,279	14,567	15,878	16,334	16,103
Change QoQ (%)	5.1	2	9	2.9	-1.4
Utilisation rates (%)					
<i>Global IT – excl Infox</i>					
Gross utilisation	69.8	68.4	70	70.8	73.2
Net utilisation excl trainees	79.4	76.8	78.2	80.5	84.5
BPO utilisation	69	69	73	74	71
India & MEA IT utilisation	80.6	81.7	78.1	80.6	77.7
Billing rates (Global IT ex-Infox)					
Onsite (US\$/Mnth)	11,534	11,632	11,787	12,340	12,299
Change QoQ (%)	-3.9	0.8	1.3	4.7	-0.3
Offshore (US\$/Mnth)	4,409	4,405	4,302	4,450	4,345
Change QoQ (%)	-1.6	-0.1	-2.3	3.4	-2.4
Blended (US\$/Mnth)	6,565	6,461	6,281	6,535	6,437
Change QoQ (%)	-3.2	-1.6	-2.8	4	-1.5
Project Type (Global IT ex-Infox)					
Fixed price (%)	36	38.1	38.4	40.3	42.5
Time & material (%)	64	61.9	61.6	59.7	57.5

Source: RHH, Company

FY10 and FY11 estimates revised upwards

We are increasing our FY10 and FY11 earnings estimates by 3.6% and 5.1% respectively on account of the above-expected Q3 results and our improved outlook on Wipro's growth prospects. We are also introducing FY12 estimates, which peg revenue and earnings growth at 14.7% and 6.6% respectively after factoring in a higher effective tax rate. Our estimates are based on exchange rate assumptions of Rs 46/US\$ and Rs 44/US\$ for March '10 and March '11 respectively.

Onsite IT service volumes jumped 4.2% QoQ; offshore volumes also up 4.9%

Net utilisation in IT services improved 400bps QoQ to 84.5%

Onsite and offshore pricing improved 3.4% and 2.5% QoQ respectively in constant currency terms

Contribution of fixed-price projects increased to 42.5%



Fig 4 - Revised estimates

Key parameters (Rs mn)	FY10E			FY11E		
	Old	New	% Chg	Old	New	% Chg
Revenues - IT Services (US\$ mn)	4,369	4,404	0.8	5,182	5,248	1.3
Revenue	272,615	274,303	0.6	312,172	315,362	1.0
EBITDA	60,514	60,569	0.1	68,288	69,444	1.7
EBITDA margin (%)	22.2	22.1	(12bps)	21.9	22.0	+15bps
FDEPS (Rs)	30.7	31.8	3.6	35.4	37.2	5.1

Source: RHH

Increasing target price to Rs 835, maintain Buy

Consequent to our earnings upgrade, we are increasing our target price for Wipro from Rs 790 to Rs 835. At this revised price, the stock would trade at 21x its FY12 expected earnings of Rs 39.7, a 5% discount to our target P/E multiple of 22x for Infosys. We maintain our Buy rating on the stock.

Key operational highlights

Fig 5 - Employee metrics

(nos)	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
IT Services headcount	96,965	97,810	98,521	97,891	102,746
Net additions	(587)	845	711	(630)	4,855
Support staff	7,518	7,765	7,670	7,752	7,971
Global IT Services (Excl-Infox)					
Voluntary attrition (%)	11.9	7.9	8.4	10.5	13.4
Involuntary attrition (%)	2.0	2.6	1.9	3.1	0.9
BPO - Quarterly attrition (%)	18.0	13.0	14.0	17.0	15.0
India-MEA attrition (%)	10.2	7.1	7.4	8.9	10.5

Source: RHH, Company

Fig 6 - Geographical metrics

(%)	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
Contribution to revenues					
US	60.0	60.5	59.7	58.4	57.1
Europe	26.1	25.5	25.5	26.5	26.3
Japan	2.4	2.3	1.8	1.6	1.6
India & MEA	7.5	7.7	7.9	8.1	8.9
Other EM	4.0	4.0	5.1	5.4	6.1
QoQ growth					
US	0.1	(4.1)	(2.6)	0.9	3.4
Europe	(3.8)	(7.1)	(1.3)	7.2	5.0
Japan	(4.8)	(8.9)	(22.7)	(8.3)	5.8
India & MEA	(4.7)	(2.4)	1.3	5.8	16.2
Other EM	16.6	(4.9)	25.9	9.2	19.5

Source: RHH, Company

Headcount in IT services increased by
4,855

Voluntary attrition up QoQ due to the
improved demand environment

APAC leads growth; US and Europe
maintain momentum, growing at 3.4%
and 5% QoQ respectively

Japan witnessed positive growth after a
decline in five consecutive quarters



Fig 7 - Vertical metrics

(%)	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
Contribution to revenues					
Technology	10.9	9.9	9.4	8.7	8.4
Telecom	9.6	8.8	8.4	8.1	7.9
CMSP	8.3	8.2	8.9	9.6	9.8
Financial services	26.0	26.0	26.3	25.7	25.8
Manufacturing	15.3	16.3	15.5	15.6	15.1
Healthcare & services	7.3	7.4	8.0	8.1	8.7
Retail & transportation	14.5	15.6	15.2	15.2	14.8
Energy & utilities	8.1	7.8	8.3	9.0	9.5
QoQ growth					
Technology	(3.5)	(13.6)	(6.3)	(4.5)	2.1
Telecom	0.2	(12.8)	(5.8)	(0.5)	3.2
CMSP	(3.2)	(6.1)	7.1	11.3	8.0
Financial services	(2.0)	(4.9)	(0.1)	0.8	6.2
Manufacturing	3.2	1.3	(6.1)	3.8	2.4
Healthcare & services	(8.4)	(3.6)	6.7	4.4	13.6
Retail & transportation	5.7	2.3	(3.8)	3.2	3.0
Energy & utilities	(3.3)	(8.4)	5.0	11.9	11.7

Source: RHH, Company

Fig 8 - Services metrics

(%)	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
Contribution to revenues					
Tech infra services	19.4	20.9	20.9	20.6	21.3
Testing services	11.5	11.9	12.1	12.0	11.5
Package implementation	11.7	12.8	13.4	13.3	12.8
BPO	9.1	9.6	10.1	10.5	10.6
Product engineering	5.8	5.2	4.6	3.9	4.1
ADM	42.5	39.6	38.9	39.7	39.7
Consulting	2.3	2.1	2.0	2.3	2.3
QoQ growth					
Tech infra services	(1.4)	2.4	(1.3)	1.7	9.4
Testing services	2.7	(1.6)	0.4	2.3	1.4
Package implementation	3.5	4.0	3.3	2.4	1.8
BPO	(3.0)	0.3	3.9	7.2	6.8
Product engineering	(4.2)	(14.8)	(12.7)	(12.5)	11.2
ADM	(1.8)	(11.4)	(3.0)	5.3	5.8
Consulting	(8.8)	(13.2)	(6.0)	18.6	5.8

Source: RHH, Company



Fig 9 - Client metrics

(nos)	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
No. of active clients	882	863	830	840	822
No. of new clients	31	20	26	37	31
Repeat business (%)	96.7	96.8	99.5	98.1	97.8
Customer Size (TTM)					
>\$50mn	16	17	17	16	16
\$20mn-\$50mn	36	36	36	35	37
\$10mn-\$20mn	37	40	44	48	42
\$5mn-\$10mn	62	60	59	53	61
\$3mn-\$5mn	80	67	63	64	77
\$1mn-\$3mn	205	207	194	187	165
Total > \$1mn	436	427	413	403	398

Source: RHH, Company

Client concentration

(%)	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
Contribution to revenues					
Top customer	2.5	2.4	2.6	2.7	2.6
Top 5	11.3	10.8	11.4	11.3	10.8
Top 10	20.2	19.7	20.6	19.7	19.5
Non-top 10	66.0	67.1	65.4	66.3	67.1
QoQ growth					
Top customer	(8.2)	(8.7)	6.9	7.1	1.9
Top 2-5	(0.9)	(9.2)	3.4	0.8	0.9
Top 6-10	(0.9)	(4.9)	2.0	(5.8)	9.6
Non-top 10	(0.6)	(4.3)	(2.4)	4.3	6.0

Source: RHH, Company

31 new clients added in Q3; active clients down QoQ to 822 mainly due to project completion

US\$ 20mn-50mn clients increase by 2 QoQ

Top 5 clients witness stable growth of 1.1% QoQ

Top 6-10 clients in the driver's seat – up 9.6% QoQ



Consolidated financials

Profit and Loss statement

Y/E March (Rs mn)	FY09	FY10E	FY11E	FY12E
Revenues	254,565	274,303	315,362	361,746
Growth (%)	28.9	7.8	15.0	14.7
EBITDA	51,591	60,569	69,444	79,624
Growth (%)	30.5	17.4	14.7	14.7
Depreciation & amortisation	8,607	8,432	10,365	11,875
EBIT	42,984	52,137	59,079	67,750
Growth (%)	28.2	21.3	13.3	14.7
Interest	2,332	1,327	1,545	1,499
Other income	(1,247)	3,351	6,704	8,814
EBT	39,405	54,162	64,238	75,065
Income taxes	5,422	8,496	10,300	17,590
Effective tax rate (%)	13.8	15.7	16.0	23.4
Extraordinary items	-	-	-	-
Min into / inc from associates	461	598	500	600
Reported net income	34,246	45,938	54,239	57,875
Adjustments	(4,527)	(391)	-	-
Adjusted net income	38,773	46,329	54,239	57,875
Growth (%)	18.8	19.5	17.1	6.7
Shares outstanding (mn)	1,463.8	1,464.8	1,465.8	1,466.8
FDEPS (Rs) (adj)	26.6	31.8	37.2	39.7
Growth (%)	18.7	19.5	17.1	6.6
DPS (Rs)	4.0	4.5	5.0	5.5

Cash flow statement

Y/E March (Rs mn)	FY09	FY10E	FY11E	FY12E
Net income + Depreciation	42,603	54,370	64,604	69,750
Non-cash adjustments	(4,770)	3,954	500	500
Changes in working capital	(341)	(5,238)	(7,376)	(5,811)
Cash flow from operations	37,492	53,085	57,728	64,438
Capital expenditure	(16,234)	(8,358)	(9,400)	(9,800)
Change in investments	(4,780)	(22,815)	(3,000)	(3,000)
Other investing cash flow	(6,679)	-	-	-
Cash flow from investing	(27,693)	(31,173)	(12,400)	(12,800)
Issue of equity	440	371	202	202
Issue/repay debt	6,419	(10,216)	285	(1,012)
Dividends paid	(6,829)	(4,943)	(8,243)	(8,248)
Other financing cash flow	18	-	-	-
Change in cash & cash eq	9,847	7,125	37,572	42,580
Closing cash & cash eq	49,117	56,242	93,814	136,395

Economic Value Added (EVA) analysis

Y/E March	FY09	FY10E	FY11E	FY12E
WACC (%)	13.8	13.8	13.8	13.8
ROIC (%)	27.6	30.0	32.9	33.3
Invested capital (Rs mn)	145,367	147,379	153,969	157,895
EVA (Rs mn)	20,073	23,871	29,390	30,682
EVA spread (%)	13.8	16.2	19.1	19.4

Balance sheet

Y/E March (Rs mn)	FY09	FY10E	FY11E	FY12E
Cash and cash eq	49,117	56,242	93,814	136,395
Accounts receivable	46,217	49,463	59,079	68,512
Inventories	8,686	11,967	13,847	16,057
Other current assets	44,522	44,028	52,044	60,498
Investments	18,188	43,569	46,569	49,569
Gross fixed assets	66,466	74,845	86,245	98,045
Net fixed assets	36,810	37,200	39,703	41,096
CWIP	13,052	12,052	10,052	8,052
Intangible assets	67,106	61,584	60,116	58,649
Deferred tax assets, net	(3,854)	(450)	(1,050)	(1,650)
Other assets	6,681	6,835	7,635	8,435
Total assets	286,525	322,490	381,808	445,612
Accounts payable	18,017	19,945	23,078	26,762
Other current liabilities	58,079	57,901	66,903	77,506
Provisions	4,859	6,294	6,894	7,494
Debt funds	55,153	43,271	43,556	42,545
Other liabilities	235	380	480	580
Equity capital	2,930	2,930	2,932	2,934
Reserves & surplus	147,252	191,769	237,965	287,792
Shareholder's funds	150,182	194,699	240,897	290,725
Total liabilities	286,525	322,490	381,808	445,612
BVPS (Rs)	102.6	132.9	164.4	198.2

Financial ratios

Y/E March	FY09	FY10E	FY11E	FY12E
Profitability & Return ratios (%)				
EBITDA margin	20.3	22.1	22.0	22.0
EBIT margin	16.9	19.0	18.7	18.7
Net profit margin	15.2	16.9	17.2	16.0
ROE	27.7	26.9	24.9	21.8
ROCE	21.7	21.5	21.3	19.2
Working Capital & Liquidity ratios				
Receivables (days)	61	64	63	64
Inventory (days)	17	21	23	23
Payables (days)	33	38	38	38
Current ratio (x)	2.0	2.1	2.4	2.7
Quick ratio (x)	0.6	0.6	0.7	0.7
Turnover & Leverage ratios (x)				
Gross asset turnover	4.5	3.9	3.9	3.9
Total asset turnover	1.0	0.9	0.9	0.9
Interest coverage ratio	18.4	39.3	38.2	45.2
Adjusted debt/equity	0.4	0.2	0.2	0.1
Valuation ratios (x)				
EV/Sales	4.1	3.8	3.3	2.9
EV/EBITDA	20.4	17.4	15.1	13.2
P/E	27.3	22.8	19.5	18.3
P/BV	7.1	5.5	4.4	3.7



Quarterly trend

Particulars	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
Revenue (Rs mn)	65,896	65,277	63,868	68,937	69,380
YoY growth (%)	NA	NA	5.7	5.6	6.1
QoQ growth (%)	0.9	(0.9)	(2.2)	7.9	0.6
EBITDA (Rs mn)	11,117	11,405	11,423	13,189	15,521
EBITDA margin (%)	16.9	17.5	17.9	19.1	21.5
Adj net income (Rs mn)	10,095	10,015	10,103	11,707	12,047
YoY growth (%)	NA	NA	12.9	20.6	20.7
QoQ growth (%)	4.0	(0.8)	0.9	15.9	0.1

DuPont analysis

(%)	FY08	FY09	FY10E	FY11E	FY12E
Tax burden (Net income/PBT)	91.2	98.4	85.5	84.4	77.1
Interest burden (PBT/EBIT)	106.8	91.7	103.9	108.7	110.8
EBIT margin (EBIT/Revenues)	17.0	16.9	19.0	18.7	18.7
Asset turnover (Revenues/Avg TA)	107.1	100.0	90.1	89.6	87.4
Leverage (Avg TA/Avg equity)	159.7	182.1	176.6	161.7	155.6
Return on equity	28.3	27.7	26.9	24.9	21.8

Company profile

Wipro is the third largest Indian offshore IT services company with annual revenues of US\$ 5.7bn (FY09). The company is the leader in R&D services amongst Indian vendors, particularly in the telecom vertical, with nine of the top ten telecom OEMs on its client list. Besides an international presence, Wipro is a leading systems integrator in India. The division contributes 7.5% of its total IT services revenues. The company is also present in the Indian FMCG and infrastructure engineering space (11% of FY09 revenues).

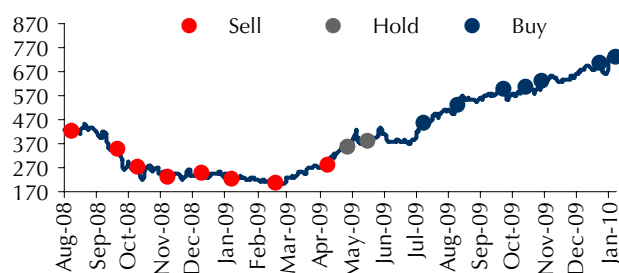
Shareholding pattern

(%)	Jun-09	Sep-09	Dec-09
Promoters	79.2	79.7	79.6
FIs	6.3	6.6	7.1
Banks & FIs	2.1	2.2	2.0
Public	12.4	11.5	11.2

Recommendation history

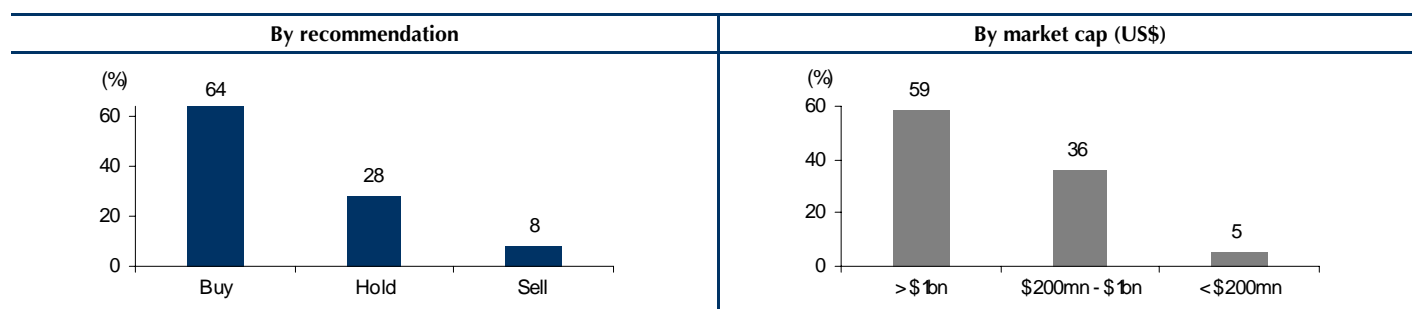
Date	Event	Reco price	Tgt price	Reco
21-Aug-08	RHH Compendium	418	366	Sell
6-Oct-08	Quarterly Preview	341	329	Sell
24-Oct-08	Results Review	267	280	Sell
21-Nov-08	Sector Report	231	275	Sell
24-Dec-08	Company Update	243	275	Sell
21-Jan-09	Results Review	228	233	Sell
6-Mar-09	Sector Report	206	193	Sell
22-Apr-09	Results Review	282	214	Sell
12-May-09	Sector Update	349	366	Hold
2-Jul-09	Quarterly Preview	378	407	Hold
22-Jul-09	Results Review	451	514	Buy
25-Aug-09	Sector Update	524	579	Buy
6-Oct-09	Quarterly Preview	600	635	Buy
20-Jan-10	Results Review	739	835	Buy

Stock performance





Coverage Profile



Recommendation interpretation

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and -5%
Sell	Less than -5%

Recommendation structure changed with effect from March 1, 2009

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

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