

HCL Tech well poised to deliver growth, Wipro's performance lackluster

We recommend HCL Tech over Wipro Ltd considering its high revenue visibility (despite uncertain macroeconomic environment),. The company has won significant deals in the past and has a stronger deal pipeline of ~US\$ 2 bn. However, Wipro Ltd's performance since the last many quarters has been lackluster and we expect the company to take few more quarters to deliver growth in line with the industry. Moreover higher forex exposure will impact revenue growth and margins going forward.

Investment Rationale

Strong deal pipeline provides robust revenue visibility for HCL Tech

HCL Tech has signed 12 multi year, multi service transformational deals in Sep 2011 quarter and management has indicated a stronger deal pipeline going forward, which the company is likely to close in OND 2011. HCL Tech is eyeing on vendor churning exercise (whereby overseas clients are looking for new vendors to renew their contracts) to derive growth. According to TPI (Technology Partners International) the total size of deals on offer (for renewal) is as large as US\$8 bn primarily from continental Europe. HCL Tech has strong presence in Europe (after AXON acquisition) thus we see it as a big growth driver for the company going forward. HCL Tech was also featured amongst TPI's Global 6 IT Services providers by Total Contract Value (TCVs) awarded, across all the three regions of the world.

HCL to gain most from Rupee depreciation while Wipro to be highest loser

INR has depreciated significantly against US\$ (6.1% in since Oct'11 and 16.9% since July'11) and companies with lower hedges are going to benefit the most (due to lower forex losses) from INR depreciation. HCL Tech has total hedges of US\$713 mn (Options booked b/w Rs 48.3/\$ - Rs 49.7/\$) which is around 20% of FY11 revenues while Wipro has total hedges of \$1.5 bn (30.6% of total revenues). We believe that HCL Tech will benefit the most from rupee depreciation and Wipro (which realizes forex gain/loss on the top line) will face the heat going forward.

Revenue per employee highest for HCL Tech, whereas least for Wipro Ltd

HCL Tech has largely outperformed its peers in terms of revenues per employee with lowest rev/emp in 2006 to highest in 2011. HCL Tech revenue per employee stands at \$12,477/emp as compared to Infosys's \$12,311/emp, TCS \$11,758/emp and lowest among all Wipro \$11,178/emp. HCL Tech has been able to achieve better efficiency through just in time hiring strategy and hiring more of lateral employees (which can be directly put under billing cycle). Going forward we believe that HCL Tech will be able to convert its high revenue per employee into profits in a reasonable timeframe primarily due to lower forex losses, which dented profits earlier.

Pricing environment stable for HCL Tech, while Wipro reported pricing decline in Q2 FY12

Pricing environment has been stable for HCL Tech and management too sees no pricing pressure from clients going forward. HCL Tech has reported 1.2% improvement in realizations in Q1 FY12 which we believe to remain stable in the coming quarters. Wipro on the other hand which struggled on the pricing front, has reported 4% decline in offshore pricing due to closure of some large project (which requires more efforts which cannot be billed).

Utilization set to improve for HCL Tech, while it will remain flat for Wipro Ltd

HCL Tech utilization stands at 69.7% for Sep'11 which is at lower levels as compared to 76.4% for TCS and 76.1% for Wipro in Sep'11. We believe that TCS and Wipro are operating at peak utilizations levels and scope for improvement is limited, whereas HCL Tech has more room for improvement (with more laterals additions) in utilization, which can improve margins going forward.

HCL Tech available at attractive valuation as compared to Wipro Ltd

HCL Tech trades at a FY12E and FY13E P/E of 12.1x and 10.7x which is lowest amongst tier-1 peers. We believe that HCL Tech trades at a pretty attractive valuation considering its strong deal pipeline and robust revenue visibility going forward. We maintain our "BUY" rating on the stock and give a price target of Rs 476 (upside of 21.8%) ~13x FY13E earnings. Wipro on the other hand trades at a FY12E and FY13E P/E of 15.7x and 14.0x, which we believe is fully valued considering its lackluster performance since the last few quarters, lower revenue visibility and higher forex exposure. We believe the company will take another 2-3 quarters more to return back on track, hence we will have to wait and watch for the performance of the new management team. We maintain our "Hold" rating on the stock and give a price target of Rs 386.9 (upside of 3.5%) which is ~15x FY13E earnings.

HCL Tech - BUY

CMP (Rs)	390.7
Target Price (Rs)	476.0
Upside (%)	21.8%
52WeekH/L(Rs)	496.8/310.5
Sales(FY13E) Rs mn	241,774
EBITDA(FY13E) Rs mn	41,410
Net Profit(FY13E) Rs mn	25,422
EPS (FY13E) Rs	36.6
Market Cap (Rs bn)	268.4

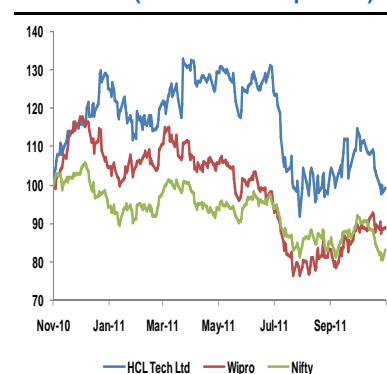
Wipro Ltd - Hold

CMP (Rs)	373.7
Target Price (Rs)	386.9
Upside (%)	3.5%
52WeekH/L(Rs)	496.8/310.5
Sales(FY13E) Rs mn	424,014
EBITDA(FY13E) Rs mn	85,533
Net Profit(FY13E) Rs mn	65,435
EPS (FY13E) Rs	26.7
Market Cap (Rs bn)	914.9

Share Holding Pattern (%)

	Wipro Ltd.	HCL Tech
Promoter	79.2%	64.3%
FII	5.1%	20.5%
DII	4.2%	6.7%
Others	11.6%	8.5%

Price Chart (HCL Tech & Wipro Ltd)



Research Analyst

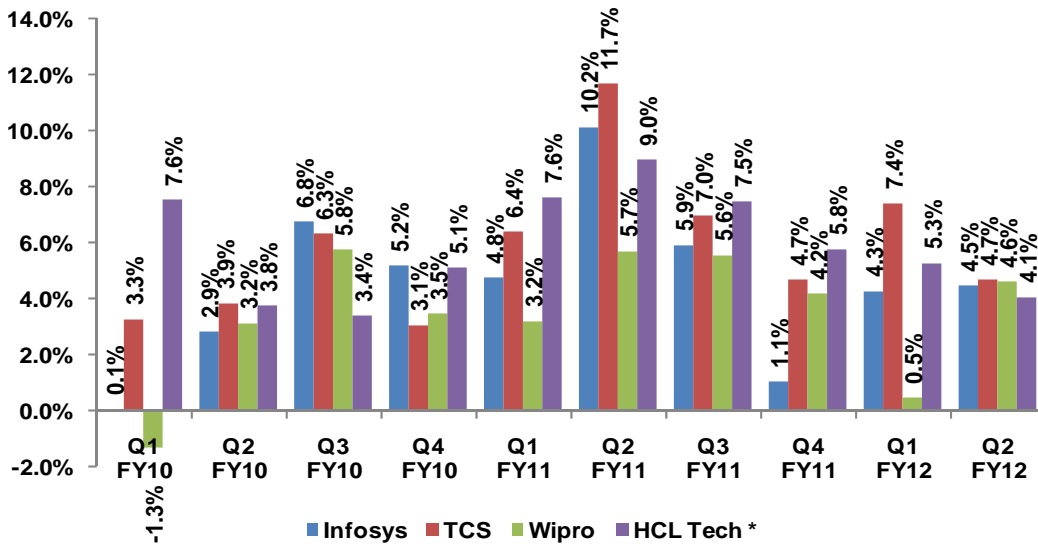
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Peer Comparative Analysis

Company	Market Cap US\$ bn	Sales	EBITDA	Net Profit	EBITDA Margin %	EPS (Rs)		P/E		P/BV		EV/EBITDA		EV/Sales		RoE		RoCE	
		FY11-13 CAGR %	FY11-13 CAGR %	FY11-13 CAGR %		FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
HCL Tech	5.2	22.8%	22.7%	21.9%	17.9%	17.1%	32.2	36.6	12.1	10.7	2.7	2.3	6.9	5.7	1.2	1.0	23.4%	18.0%	
Wipro Ltd	17.6	16.9%	13.6%	11.1%	20.8%	20.2%	23.8	26.7	15.7	14.0	3.5	3.0	11.5	10.2	2.4	2.1	22.9%	20.3%	
Infosys	28.6	22.5%	22.9%	22.8%	32.7%	32.8%	148.8	180.4	18.1	15.0	5.2	4.5	12.2	10.8	4.0	3.2	28.1%	28.0%	
TCS	41.2	24.5%	22.3%	19.1%	29.8%	28.9%	54.4	63.2	20.1	17.3	6.9	5.6	14.5	12.2	4.3	3.5	34.8%	33.3%	
Mahindra Satyam	1.5	20.0%	59.6%	42.9%	15.1%	15.5%	7.8	8.6	8.4	7.7	2.2	1.6	4.2	2.8	0.6	0.4	35.5%	24.0%	

Growth Of Tier-1 IT companies in US\$ terms


Growth pretty stable in Sep '11 quarter for all IT companies

Source: Company, BP Equities research

* HCL Tech (YE June) and YE March for others

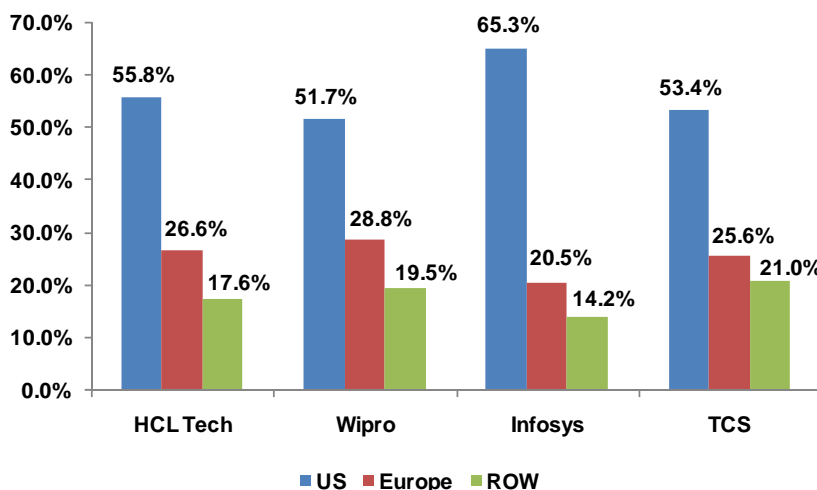
Top Indian IT companies grew by an average of 4.5% in Sep'11 quarter. Management commentary for the quarter was better than expected, as they don't see any kind of pricing cuts and significant budget cuts going forward. We view Europe as a promising market for Indian IT players as it is prevalent from the fact that America is declining as a percentage of revenues for the aggregate while Europe and RoW are gaining traction.

HCL Tech has clearly outpaced Wipro in terms of growth since many quarters and we expect the growth momentum to continue

HCL Tech has clearly outpaced Wipro in terms of growth since many quarters and we expect the growth momentum to continue for the few quarters more. Though Wipro's management commentary on growth was better than expectations, the company has delivered growth in line with peers for the first after management restructuring, but we would wait for the company to deliver before taking a positive stance on Wipro Ltd.

HCL Tech on the other hand has won 12 large transformational deals and management is confident on driving growth on the back of some large deal signings with vendors changing hands in the December 2011 quarter.

We will prefer HCL Tech over Wipro Ltd on due to higher revenue visibility due to strong deal pipeline and larger deals wins expected in the coming quarters

Geographical Revenue Spread for IT companies (Sep'11)


Revenue contribution from Europe and RoW set to increase going forward

Infosys aims around 40% revenues from Europe in the next 4-5 years

HCL Tech pretty strong in continental Europe, eyes big transformational deal in the next few months from this region

Source: Company, BP Equities research

Deal pipeline for HCL Tech Strongest —Provides robust revenue visibility

HCL Tech has signed 12 multi year, multi service transformational deals in Sep 2011 quarter and management has indicated a stronger deal pipeline going forward, which the company is likely to close in Q4 2011. HCL Tech is eyeing on vendor churning exercise (whereby overseas clients are looking for new vendors to renew their contracts) to derive growth. According to TPI (Technology Partners International) the total size of deals on offer (for renewal) is as large as US\$8 bn primarily from continental Europe. HCL Tech has strong presence in Europe (after AXON acquisition) thus we see it as a big growth driver for the company going forward. HCL Tech was also featured amongst TPI's Global 6 IT Services providers by Total Contract Value (TCVs) awarded, across all the three regions of the world.

Deals won for HCL Tech in the last 1 year

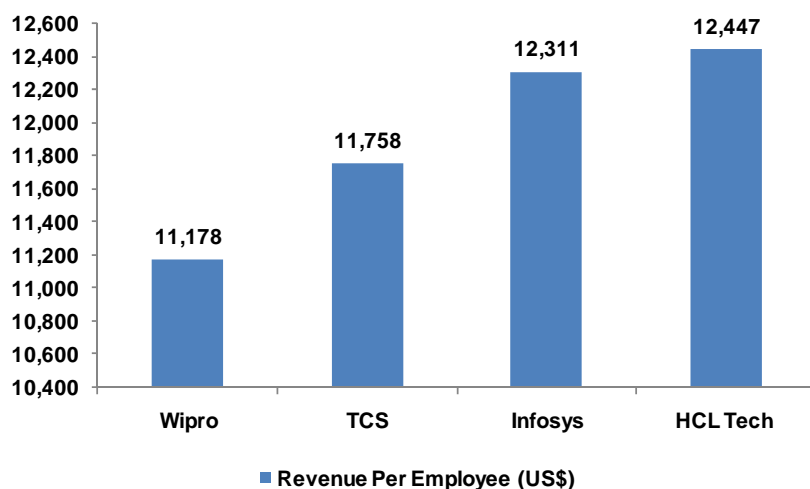
Date	Deal Won	Deal Size	Short description
Jan-11	Lippo Group (one of Indonesia's largest conglomerates)		Lippo signed a Memorandum of Understanding (MoU) with HCL Technologies Ltd in the presence of visiting Indonesian President Susilo Bambang Yudhoyono to offer IT Outsourcing in Southeast Asia's largest country
Apr-11	JDA Software		The announcement expands HCL's existing relationship with JDA thereby extending HCL's offerings in professional services for industries such as retail, manufacturing, CPG and life sciences for the Americas and the Europe
May-11	Etisalat		To explore the possibility of collaboration for offering joint ICT solutions to business customers in the areas of Mobility, Cloud Computing and advanced ICT services
May-11	First Horizon National Corp		HCL Tech Capital Stream Straight Through Processing Solution to Integrate Lending Systems and Standardize Processes
Jun-11	Dex One (a leading marketing solutions provider)		To energize its digital operations and optimize the development of digital solutions
Jun-11	Epicor (a global leader in business software solutions for manufacturing, distribution, retail and services organizations)		Sign Long Term Strategic Partnership to expand Global Implementation Services to Support Increasing Demand for Epicor Next-Generation Products Worldwide
Jun-11	Trintech (a leading financial software provider)		Collaboration changes BPO business dynamics by adding 'disruptive technology' to the F&A levers
Jun-11	Finzsoft (New Zealand finance and banking specialist and one of Australasia's leading proprietary Banking and Finance software solution companies)		Partnership between HCL & Finzsoft will focus on delivering new high value solutions to banking sector as it goes through transformational period
Jul-11	Eli Lilly (a global pharmaceutical corporation)		Will open IT Co-Innovation Lab in Singapore. The lab will leverage technology to support Eli Lilly's global IT innovation agenda to improve patient outcomes and bring novel solutions to the market to support Eli Lilly's global customer base
Jul-11	Blue Cross and Blue Shield Association (BCBSA)		HCL Selected by Blue Cross and Blue Shield Association (BCBSA) as Vendor for ICD 10 Transition
Aug-11	Vancouver City Savings Credit Union		CapitalStream Expansion (Straight Through Processing (STP) sol) into Retail Lending Provides Vancouver city a Single Straight Through Processing Solution to Increase Efficiency & Member Experience
Aug-11	Basware (a leading provider of purchase-to-pay solutions)		HCL will leverage Basware's industry leading Invoice Automation, Travel & Expense, Procurement and Connectivity solutions to deliver customers with process enhancements and increased cost reductions
Sep-11	Sacramento Municipal Utility District (SMUD)		Implementation of the SAP® Customer Relationship Management (SAP CRM) application and an upgrade of SAP® for Utilities solutions
Sep-11	Deutsche Bank	5 year Multi Million Dollar deal	Astrategic 5-year, Application Support Transformation deal with Deutsche Bank's Capital Markets arm
Oct-11	Apacheta		Apacheta, a mobile workflow application provider, announced a partnership to provide global delivery of mobile sales, delivery and merchandising solutions to the consumer goods industry to enhance operational efficiencies and provide improved time-to-market benefits
Nov-11	United Health Group		Will provide United Health Group, a leading US healthcare payer, to support its transition to ICD-10 diagnostic from ICD-9 and procedure codes

Source: Company, BP Equities research

Deals win for Wipro Ltd in the last 1 year

Date	Deal Won	Deal Size	Short description
Jan-11	McGraw-Hill Companies		To develop "mConnect," an open-standard mobile learning platform designed to bridge the skills gap in emerging markets
Feb-11	NV Energy		Implementation of an Enterprise Work and Asset Management (EWAM) platform
Feb-11	Continuous Computing		To provide carrier-class Deep Packet Inspection (DPI) and Femtocell products for network equipment providers supplying 3G wireless and Long Term Evolution (LTE) network infrastructure
Mar-11	Canara Bank's	5 yrs	To implement centralized Core Banking Solution for three sponsored Regional Rural Banks across 900 branches
Apr-11	SAIC's Global Oil and Gas Information Technology	US\$ 150 million	To acquire the Global Oil and Gas Information Technology practice of the Commercial Business Services business unit of Science Applications International Corporation
May-11	Rajasthan Government	3 yrs	implementation of e-Form applications, State Service Delivery Gateway (SSDG) and associated computing infrastructure for Rajasthan State
May-11	United Bank of India		To deploy a wide area network optimization solution from Cisco for all of its 1600 plus branches & offices
May-11	Imec		joint initiative to co-innovate and build next generation intelligent systems, called Applied Research in Intelligent Systems Engineering (ARISE).
Jun-11	Jammu and Kashmir Government	5 Yrs	Establish reliable and automated systems for sustained collection of accurate baseline data for Jammu and Kashmir Power Department, as well as enhance adoption of Information Technology in the areas of energy accounting
Jun-11	Chaucer Syndicates		To deliver a data warehouse and associated Extract, transform and load (ETL) solution to ensure compliance to meet the upcoming Lloyd's 10 day reporting and management reporting requirements within Chaucer's Solvency Smart Program for Solvency II compliance
Jun-11	Punjab Government		Deploy the Tax Management System across the State
Jun-11	OnStream Utility Metering Services Limited		Replace its existing legacy IT infrastructure with a new service driven model using a private cloud approach.
Aug-11	TalkTalk Telecom Group PLC		Operation of outsourced contact centre.
Oct-11	UGI Utilities		Streamline financial processes, update latest compliance mandates and create agile IT systems, to effectively support their new business processes.
Oct-11	Workday solutions		Consulting and IT Services to clients
Nov-11	Premier Foods	5 Yrs	TO support both systems and processes to enhance efficiency of Premier Foods' supply chain
Nov-11	Nippon Airways		Implementation of the new generation Aircraft Parts and Material Management System

Source: Company, BP Equities research

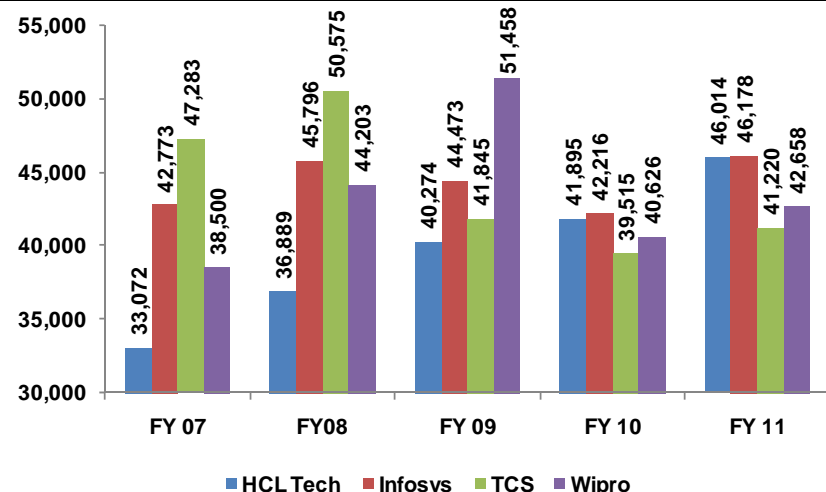
Revenue per Employee highest for HCL Tech among tier-1 IT Companies for Sep'11 quarter


HCL Tech will be able to convert its high revenue per employee into profits in a reasonable timeframe primarily due to lower forex losses, which dented profits earlier

Source: Company, BP Equities research

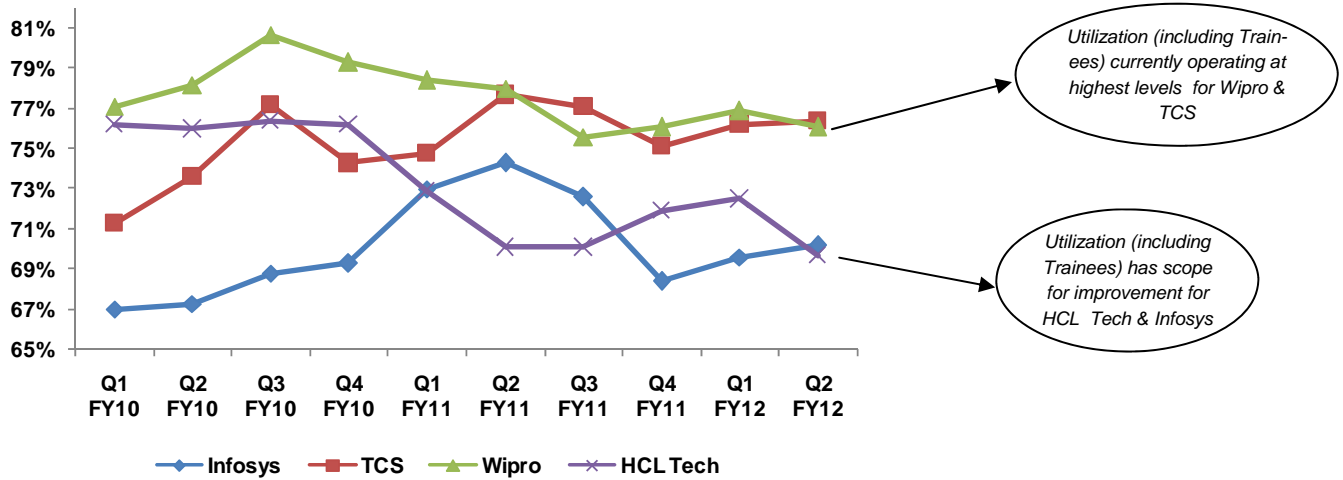
HCL Tech has largely outperformed its peers in terms of revenues per employee which depicts efficient management and utilization of resources. HCL revenue per employee stood lowest in the industry at \$33,072/employee in FY07 as compared to \$47,283/employee for TCS and \$42,773/employee for Infosys. It's interesting to note that HCL Tech has worked a lot on increasing efficiency and thus as of now its revenue/ employee stand highest in the industry.

At the end of Sep'11 quarter revenue per employee for HCL tech stands at \$12,477/emp as compared to Infosys's \$12,311/emp, TCS \$11,758/emp and lowest among all Wipro \$11,178/emp. HCL Tech has been able to achieve better efficiency through just in time hiring strategy and hiring more of laterals employees (which can be directly put under billing cycle). Going forward we believe that HCL Tech will be able to convert its high revenue per employee into Net profits in a reasonable timeframe primarily due to lower forex losses, which dented profits earlier.

Revenue per employee of Tier-1 IT companies (US\$)


HCL Tech revenue per employee was lowest in FY07 however became highest in FY11

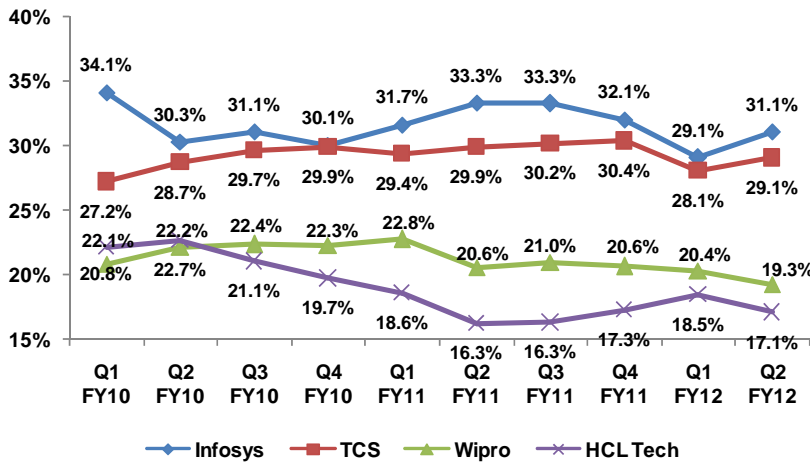
Source: Company, BP Equities research

Utilization (Including Trainees) has room for improvement for HCL Tech — A Margin lever


Source: Company, BP Equities research

* HCL Tech (YE June) and YE March for others

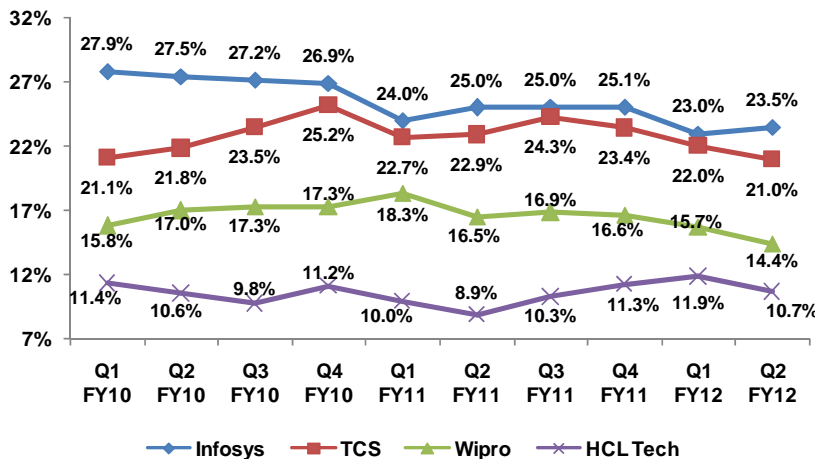
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EBITDA Margin of IT peers


Source: Company, BP Equities research

* HCL Tech (YE June) and YE March for others

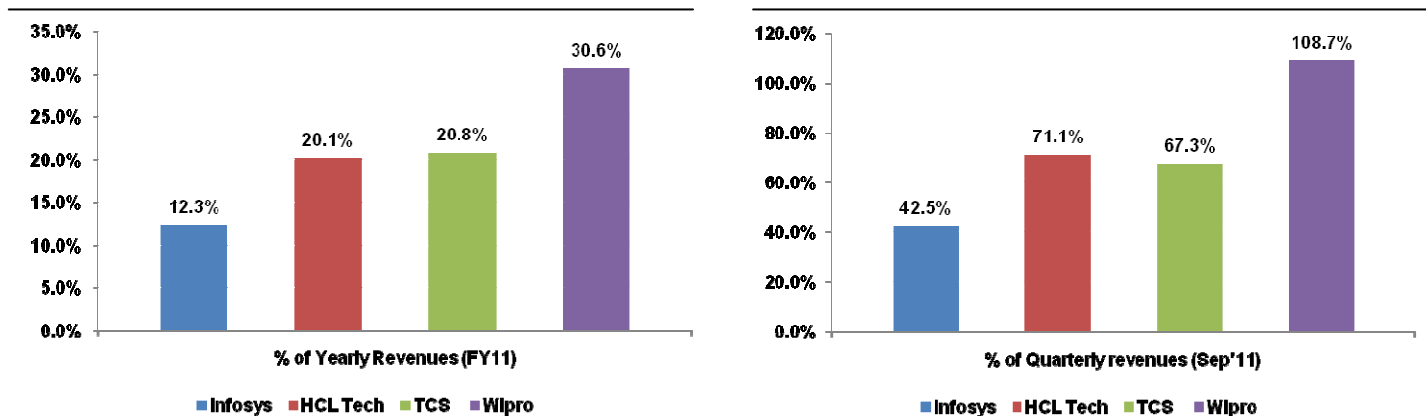
EBITDA Margin of HCL Tech lowest in the Industry however we expect it to improve going forward

NPM Margin of IT peers


Source: Company, BP Equities research

* HCL Tech (YE June) and YE March for others

NPM Margin of HCL Tech lowest in the Industry however we expect that lower forex losses will help the company convert its EBITDA to Net Profits hence NPM set to increase going forward

Lower forex losses for HCL Tech as compared to Wipro due to lower exposure


Source: Company, BP Equities research

* HCL Tech (YE June) and YE March for others

Rupee has depreciated significantly (6.1% in since Oct'11 and 16.9% since July'11) in the past few months, and companies with lower hedges are going to benefit the most (due to lower forex losses) from rupee depreciation. HCL Tech has total hedges of US\$713 mn (Options booked b/w 48.3/\$-49.7/\$) which is around 20% of FY11 revenues while Wipro has total hedges of \$1.5 bn (30.6% of total FY11 revenues).

On quarterly basis exposure for Wipro as a percentage of quarterly revenues stand at 108.7% of Q2 FY12 revenue, which is pretty high as compared to industry standards. Infosys and HCL Tech which has lowest exposure are set to benefit the most from rupee depreciation. We believe that HCL Tech will benefit the most from rupee depreciation and Wipro (which realizes forex gain/loss on the top line) will face the heat going forward.

Total Hedges for IT companies at the end of September'11 quarter

Total Hedges Of IT companies	Total Hedges USD (mn)
Infosys	742
HCL Tech	713
TCS	1,700
Wipro	1,600

Source: Company, BP Equities research

Details of HCL Tech Hedges

Hedges – HCL Tech	As of 30-Sep-11
Total Hedges (\$mn)	713*
Rate (INR/ USD)	
Booked Rate (Forward)	48.35
MTM Rate	49.77
Mix – Instrument wise	
Forwards	235
Options	478 [#]
Mix – Currency wise	
USD/ INR	550
Euro/USD	64
Euro / INR	34
Others	65

* Includes USD 616 Mn of hedges against INR & balance against USD Equivalent.

[#] Booked Rate for Range Options between 46.23 – 48.15 Rs./US\$.

Income Statement– HCL Tech

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Total Revenues	105,908	125,882	160,342	204,782	241,774
Revenue Growth (Y-o-Y)	39.4%	18.9%	27.4%	27.7%	18.1%
Less:					
Employees Cost	65,482	82,103	109,140	138,636	165,569
SG&A	17,362	17,995	23,714	29,566	34,804
Total Op. Expenditure	82,844	100,098	132,854	168,203	200,373
EBIDTA	23,064	25,784	27,488	36,579	41,401
EBIDTA Growth (Y-o-Y)	39.4%	11.8%	6.6%	33.1%	13.2%
Less: Depreciation	4,490	5,022	4,975	5,848	7,179
Operating Profit	18,574	20,762	22,513	30,731	34,222
Operating Profit Growth (Y-o-Y)	37.5%	11.8%	8.4%	36.5%	11.4%
Non-operating Income	(3,287)	(5,291)	(561)	(847)	(788)
Profit Before tax	15,287	15,471	21,952	29,885	33,434
Tax	2,545	2,418	4,854	7,525	8,024
Share of Minority Interest	32	2	4	5	12
Net Profit	12,774	13,055	17,102	22,365	25,422
Adjusted Net Profit	12,774	13,055	17,102	22,365	25,422
Diluted EPS (Rs.)	19.0	18.9	24.4	32.2	36.6
Growth (Y-o-Y) %	15.1%	-0.1%	28.9%	32.0%	13.7%
Adjusted Diluted EPS	19.0	18.9	24.4	32.2	36.6
Growth (Y-o-Y) %	15.1%	-0.1%	28.9%	32.0%	13.7%

Source: Company, BP Equities Research

Key Ratios– HCL Tech

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Key Operating Ratios					
EBITDA Margin (%)	21.8%	20.5%	17.1%	17.9%	17.1%
Tax / PBT (%)	16.6%	15.6%	22.1%	25.2%	24.0%
Net Profit Margin (%)	12.1%	10.4%	10.7%	10.9%	10.5%
RoE (%)	22.0%	20.0%	21.4%	23.4%	22.3%
RoCE (%)	16.0%	12.9%	15.4%	18.0%	17.7%
Current Ratio (x)	1.7x	2.0x	2.0x	2.1x	2.3x
Dividend Payout (%)	55.2%	24.1%	30.4%	24.3%	24.0%
BV Per Share (Rs.)	84.3	102.0	120.3	145.8	173.6
Financial Leverage Ratios					
Debt/ Equity (x)	0.5x	0.4x	0.3x	0.2x	0.2x
Interest Coverage (x)	NA	NA	NA	NA	NA
Interest / Debt (%)	NA	NA	NA	NA	NA
Growth Indicators %					
Gross Block Growth (%)	26.1%	18.2%	22.3%	17.9%	15.2%
Sales Growth (%)	39.4%	18.9%	27.4%	27.7%	18.1%
EBITDA Growth (%)	39.4%	11.8%	6.6%	33.1%	13.2%
Net Profit Growth (%)	13.6%	2.2%	31.0%	30.8%	13.7%
Diluted EPS Growth (%)	15.1%	(0.1%)	28.9%	32.0%	13.7%
Turnover Ratios					
Debtors days	93	88	78	77	75
Creditors days	20	9	7	7	7

Source: Company, BP Equities Research

Valuation Ratios– HCL tech

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
P/E (x)			16.0	12.1	10.7
P/BV (x)			3.2	2.7	2.3
EV/EBIDTA (x)			9.7	6.9	5.7
EV/Sales			1.7	1.2	1.0
Market Cap/ Sales (x)			1.7	1.3	1.1
Dividend Yield (%)			1.9%	2.0%	2.3%

Source: Company, BP Equities Research

Balance Sheet– HCL Tech

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Equity Capital	1,597	1,565	1,592	1,576	1,576
Reserves & Surplus	55,246	68,789	82,753	99,684	118,992
Equity	56,843	70,354	84,345	101,260	120,569
Net Worth	56,843	70,354	84,345	101,260	120,569
Minority Interest	16	14	14	14	14
Net Deferred tax liability/ (Asset)	1,653	1,282	1,122	1,433	1,692
Other Non-current Liabilities	5,740	5,886	5,740	7,167	8,462
Total Loans	30,162	26,924	21,240	20,154	19,654
Capital Employed	94,415	104,461	112,461	130,028	150,391
Assets					
Gross Block	32,878	38,851	47,505	56,005	64,505
Less: Depreciation	17,011	20,365	25,340	31,188	38,367
Net Block	15,868	18,486	22,165	24,817	26,138
Investments	369	707	2,780	2,780	2,780
Intangible Assets	45,325	43,122	41,878	41,878	41,878
Other Non-current Assets	4,794	5,098	5,339	6,143	7,253
Deferred Income Tax Assets	3,815	4,542	5,049	6,873	7,690
Current Assets					
Inventories	1,732	652	1,047	1,519	1,814
Sundry Debtors	27,062	30,496	34,067	43,201	49,680
Cash and Bank Balance	18,994	24,428	22,452	32,228	47,141
Other Current Assets	8,982	8,185	11,464	15,051	15,715
Total Current Assets	56,770	63,760	69,031	92,000	114,350
Less: Current Liabilities & Provisions					
Sundry Creditors	4,652	2,461	2,691	3,418	4,083
Provisions	2,304	2,443	3,029	4,184	4,514
Other Current Liabilities	25,568	26,350	28,060	36,861	41,102
Total Current Liabilities & Provisions	32,524	31,254	33,780	44,463	49,698
Capital Applied	94,415	104,461	112,461	130,028	150,391

Source: Company, BP Equities Research

Cash Flow Analysis– HCL Tech

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
EBITA	18,574	20,762	22,513	30,731	34,222
Less: Adjusted Taxes	3,092	3,245	4,978	7,738	8,213
NOPLAT	15,482	17,517	17,535	22,994	26,009
Plus: Depreciation	4,490	5,022	4,975	5,848	7,179
Gross Cash flow	19,972	22,539	22,510	28,842	33,188
Less: Increase in Working Capital	385	3,426	5,753	3,844	3,313
Operating Cashflow	19,587	19,113	16,757	24,998	29,875
Less: Net Capex	7,040	7,640	8,654	8,500	8,500
Less: Increase in Net Other Assets	37,595	(943)	(190)	890	373
FCF From Operation	(25,048)	12,416	8,293	15,607	21,002
Less: Inc./(Dec.) in Investment	67	38	24	0	0
FCF after Investment	(25,115)	12,378	8,269	15,607	21,002
Plus: Gain/(loss) on Extraordinary Items	0	0	0	0	0
Plus: Foreign currency Translation Effect					
Total FCF	(25,115)	12,378	8,269	15,607	21,002
Financing Cash Flow					
Interest Exp/(inc) After Tax, Net	2,740	4,464	437	634	599
Inc/(dec) in Excess Cash and Marketable Securities	(6,321)	5,135	(960)	8,443	13,802
Dec/(Inc) in Debt	(29,612)	3,238	5,684	1,086	500
Dividends	7,015	3,144	5,187	5,429	6,101
Share Repurchase/(Issues)	1,063	(3,603)	(2,080)	16	(0)
Total Financing Flow	(25,115)	12,378	8,269	15,607	21,002

Source: Company, BP Equities Research

Income Statement– Wipro Ltd

YE March (Rs. mn)	FY09*	FY10*	FY11	FY12E	FY13E
Total Revenues	256,995	272,129	310,542	370,796	424,014
Revenue Growth (Y-o-Y)	28.6%	5.9%	14.1%	19.4%	14.4%
Less:					
Employees Cost	172,879	178,714	212,823	259,691	293,906
SG&A	32,277	33,921	40,493	47,371	57,242
Forex gains/(losses), net	0	0	(444)	(3,222)	(1,570)
Total Op. Expenditure	205,156	212,635	252,872	303,840	349,578
EBIDTA	51,839	59,494	65,881	77,177	85,533
EBIDTA Growth (Y-o-Y)	29.8%	14.8%	10.7%	17.1%	10.8%
Less: Depreciation	6,864	7,543	8,211	10,221	11,097
Operating Profit	44,975	51,951	57,670	66,956	74,436
Operating Profit Growth (Y-o-Y)	30.0%	15.5%	11.0%	16.1%	11.2%
Interest Paid	2,400	1,232	1,933	4,497	3,424
Non-operating Income	2,621	4,376	7,299	9,004	9,225
Profit Before tax	45,196	55,095	63,036	71,463	80,237
Tax	6,460	9,163	9,714	12,980	14,443
Minority Interest	99	185	345	235	359
Share in earnings of affiliates	362	563	0	0	0
Net Profit	38,999	46,310	52,977	58,248	65,435
Adjusted Net Profit	38,999	46,310	52,977	58,248	65,435
Diluted EPS (Rs.)	16.0	18.9	21.2	23.8	26.7
Growth (Y-o-Y) %	18.7%	18.1%	12.1%	12.1%	12.3%
Adjusted Diluted EPS	16.0	18.9	21.2	23.8	26.7
Growth (Y-o-Y) %	18.7%	18.1%	12.1%	12.1%	12.3%

Source: Company, BP Equities Research

* US GAAP rest numbers IFRS

Key Ratios– Wipro Ltd

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Key Operating Ratios					
EBITDA Margin (%)	20.2%	21.9%	21.2%	20.8%	20.2%
Tax / PBT (%)	14.3%	16.6%	15.4%	18.2%	18.0%
Net Profit Margin (%)	15.2%	17.0%	17.1%	15.7%	15.4%
RoE (%)	30.0%	28.2%	24.7%	22.9%	22.1%
RoCE (%)	22.7%	21.1%	20.0%	20.3%	19.9%
Current Ratio (x)	1.8x	2.3x	2.3x	2.3x	2.4x
Dividend Payout (%)	17.6%	21.8%	41.1%	33.6%	32.0%
BV Per Share (Rs.)	56.0	74.5	90.0	107.5	125.6
Financial Leverage Ratios					
Debt/ Equity (x)	0.4x	0.3x	0.2x	0.2x	0.1x
Interest Coverage (x)	21.6x	48.3x	34.1x	17.2x	25.0x
Interest / Debt (%)	4.7%	2.1%	3.4%	8.9%	7.6%
Growth Indicators %					
Gross Block Growth (%)	33.9%	14.5%	15.2%	10.1%	9.1%
Sales Growth (%)	28.6%	5.9%	14.1%	19.4%	14.4%
EBITDA Growth (%)	29.8%	14.8%	10.7%	17.1%	10.8%
Net Profit Growth (%)	18.8%	18.7%	14.4%	10.0%	12.3%
Diluted EPS Growth (%)	18.7%	18.1%	12.1%	12.1%	12.3%
Turnover Ratios					
Debtors days	71	68	73	74	74
Creditors days	34	33	35	41	40
Inventory Days	13	14	14	13	13

Source: Company, BP Equities Research

Valuation Ratios– Wipro Ltd

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
P/E (x)			17.6x	15.7x	14.0x
P/BV (x)			4.2x	3.5x	3.0x
EV/EBIDTA (x)			13.7x	11.5x	10.2x
EV/Sales			2.9x	2.4x	2.1x
Market Cap./ Sales (x)			2.9x	2.5x	2.2x
Dividend Yield (%)			1.9%	1.9%	2.0%

Source: Company, BP Equities Research

Balance Sheet– Wipro Ltd

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Equity Capital	2,943	2,952	4,913	4,923	4,923
Reserves & Surplus	133,356	179,491	219,964	258,644	303,112
Equity	136,299	182,443	224,877	263,567	308,035
Net Worth	136,299	182,443	224,877	263,567	308,035
Minority Interest	236	437	691	877	987
Total Loans	56,892	62,513	52,802	47,802	42,802
Capital Employed	193,427	245,393	278,370	312,246	351,824
Assets					
Gross Block	75,353	86,253	99,324	109,324	119,324
Less: Depreciation	36,342	42,314	48,706	58,927	70,025
Net Block	39,011	43,939	50,618	50,397	49,299
Capital WIP	13,552	12,355	7,246	9,270	10,600
Investments	18,096	34,060	52,406	60,668	72,783
Intangible Assets	56,521	53,346	54,266	55,619	55,970
Others - A	684	254	38	371	424
Current Assets					
Inventories	7,587	7,926	9,707	11,050	12,636
Sundry Debtors	50,370	51,150	61,773	75,175	85,964
Cash and Bank Balance	49,117	64,878	61,141	69,456	82,840
Loans and Advances	43,573	58,175	71,005	85,283	100,491
Total Current Assets	150,647	182,129	203,626	240,963	281,931
Less: Current Liabilities & Provisions					
Sundry Creditors	19,081	19,133	24,222	34,151	38,651
Provisions	19,286	23,931	28,810	27,507	30,923
Other Current Liabilities	46,717	37,626	36,798	43,383	49,610
Total Current Liabilities & Provisions	85,084	80,690	89,830	105,042	119,183
Capital Applied	193,427	245,393	278,370	312,246	351,824

Source: Company, BP Equities Research

Cash Flow Analysis– Wipro Ltd

YE March (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
EBITA	44,975	51,951	57,670	66,956	74,436
Less: Adjusted Taxes	6,428	8,640	8,887	12,162	13,399
NOPLAT	38,547	43,311	48,783	54,794	61,038
Plus: Depreciation	6,864	7,543	8,211	10,221	11,097
Gross Cash flow	45,411	50,854	56,994	65,016	72,135
Less: Increase in Working Capital	(2,109)	1,283	7,428	7,428	8,752
Operating Cash flow	47,520	49,571	49,566	57,588	63,383
Less: Net Capex	17,844	11,274	9,781	12,024	11,330
Less: Increase in Net Other Assets	11,739	15,329	9,884	9,088	6,049
FCF From Operation	17,937	22,968	29,901	36,476	46,004
Less: Inc./(Dec.) in Investment	327	708	615	850	750
FCF after Investment	17,610	22,260	29,286	35,626	45,254
Plus: Gain/(loss) on Extraordinary Items	0	0	0	0	0
Plus: Foreign currency Translation Effect					
Total FCF	17,610	22,260	29,286	35,626	45,254
Financing Cash Flow					
Interest Exp/(inc) After Tax, Net	(189)	(2,621)	(4,539)	(3,689)	(4,757)
Inc/(dec) in Excess Cash and Marketable Securities	10,450	30,714	13,226	14,521	23,685
Dec/(Inc) in Debt	(12,042)	(5,621)	9,711	5,000	5,000
Dividends	6,856	10,092	21,774	19,569	20,967
Share Repurchase/(Issues)	12,535	(10,304)	(10,886)	224	359
Total Financing Flow	17,610	22,260	29,286	35,626	45,254

Source: Company, BP Equities Research



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