



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

## Analyst Day 2020 @ Dalal & Broacha

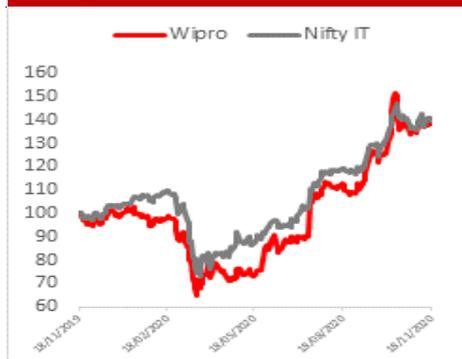
### Not Rated

Current Price	345
52 Week Range	160/382

### Key Share Data

Market Cap (Rs.Bn)	1973
Market Cap (US\$ Bn)	26549
No of o/s shares (Mn)	141
Face Value	2
Monthly Avg.	
Vol(BSE+NSE)('000)	8539
BSE Code	507685
NSE Code	WIPRO
Bloomberg	WPRO:IN

### Price performance



% Shareholding	Sep-20	Jun-20
Promoters	74.02	74.02
Public	25.60	25.59
Others	0.38	0.39
<b>Total</b>	<b>100</b>	<b>100</b>

Wipro's Analyst Day 2020 focused on key areas of Digital Transformation, Technological Adaption and Next Gen Technologies. Our Outlook for the company remains 'Positive'.

### Transformational Shift in Past Months

- Working Environment Perspective:** Pandemic has ensured that Technology becomes the key to survivorship in business. Technological transformation has been rapid and will be an opportunity for the firms as the year passes. Working from remote locations has become the new norm and we expect it to continue going ahead.
- Business Perspective:** Employees were working from home before the onset of lockdown which enabled them to adapt to the new working norms. Less than 3% of the workforce across the globe has been working from offices. Onboarded 18,000 employees virtually in the past 7 months. Expanded the margin by 90 bps for H1FY21 along with EPS growth of 3.1% and announced a buyback of \$1.3 Billion.
- Management Perspective:** New CEO Thierry Delaporte will be at the forefront leading Wipro through transformational changes. His previous quest as Capgemini COO was quite impressive and successful.

### Fundamental Aspects for Growth Trajectory

- Obsession for Growth:** Much stronger external market orientation and proximity to customers which will be the key driver of growth reflected via the new operating model.
- Change in Operation-Centric:** In the past, Wipro has been inward-looking and now it will change to operation-centric.
- Deep Focus:** Focus will be on prioritizing countries, industry sectors, offering and partnerships where Wipro has its strong presence.
- Simplicity Over Perfection:** Work will be driven by the principle of 'Simplicity over Perfection'.
- Agile yet Nimble Structure:** Covid led pandemic has transformed the way of working creating operating models which are agile and nondisruptive. Post-covid world will majorly be led by the impact of the pandemic and the speed at which businesses can transform and overcome the impact.

### 4-Factor Technological Transformation

- Digital Adoption:** Technology has transformed the way of conducting the business and going ahead what will matter is the speed at which operations are carried out from the historical cost models and outcome-based services vs only output
- Tech Transformation:** Traditional Technology was all about ease of technological adoption while doing the business. But technological stack has been transformed which enables you to work from anywhere using Cloud, Data Intelligence and Cybersecurity measures.
- Trust in Technology:** More now than ever trust has become an important factor for clients to render the services. Covid has changed the outlook and the way of working for various clients. Going ahead Wipro will be partnering with various clients to transform their operational capacity using technology.
- Talent Acquisition:** Talent will play an important role in driving the digital transformation across the industry.

### Consolidated Financials (In INR Mn)

Year	Net Sales	Growth (%)	EBITDA	EBITDA Margin (%)	PAT	PAT Margin(%)	EPS	Growth (%)	PE (x)	ROE (%)
FY18	544871	-1%	103882	19%	80031	15%	12.61	-28%	27.4	17%
FY19	585845	8%	116126	20%	90179	15%	14.95	19%	23.1	16%
FY20	610232	4%	123452	20%	97718	16%	16.63	11%	20.7	18%
FY21e	615972	1%	134490	22%	131277	21%	17.59	6%	19.6	17%
FY22e	663435	8%	141475	21%	142100	21%	19.09	9%	18.1	18%

Source: Company, Dalal & Broacha Research. Please Note: Estimates have been taken from Bloomberg.

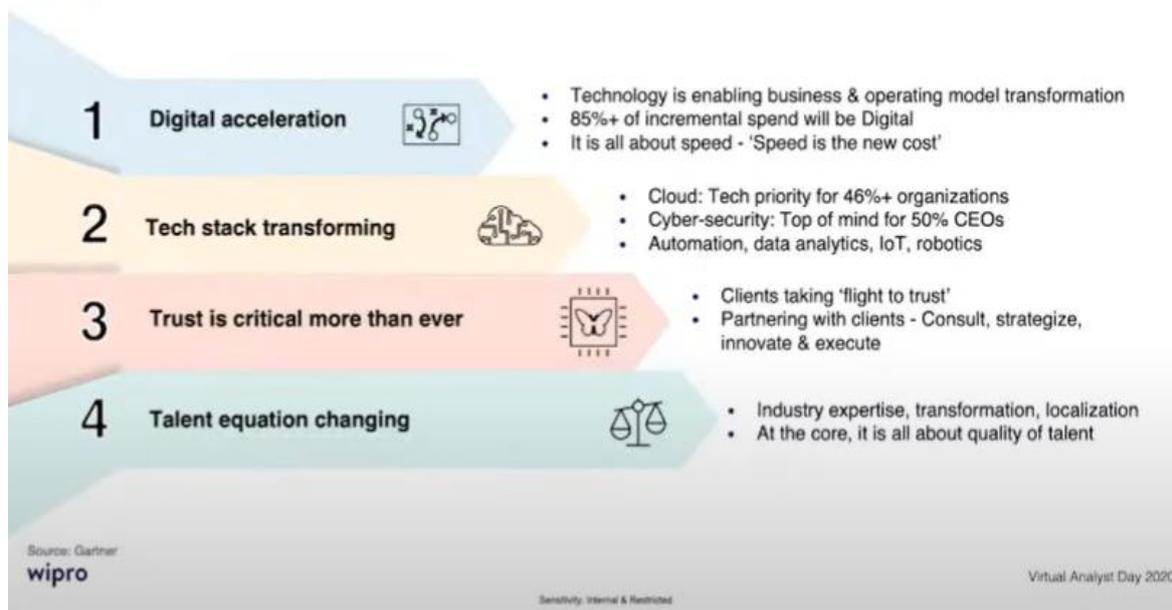


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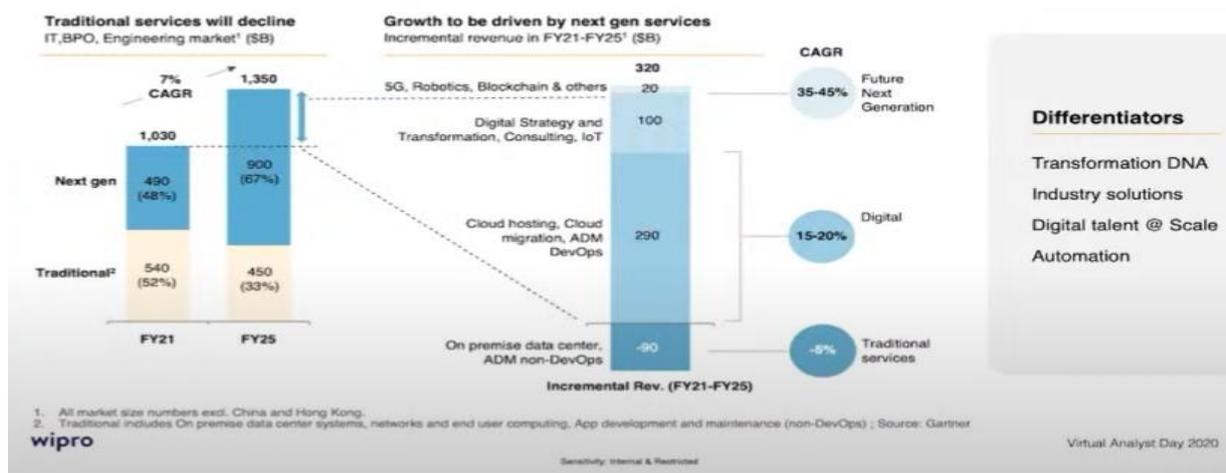
## Business transformation powered by technology



### Traditional vs Next GEN Technologies

Traditional Technologies such as Non-Application Development and DevOps were thriving when they were introduced a few years ago as they enabled technological upgradation of various premises. But in the new age of technological transformation this has become quite obsolete. Focus has shifted towards Next GEN Technologies such as Cloud & IoT Platforms which helps in storage on Cloud space whilst enabling you to work from anywhere. Digital Strategy, Transformation and Consulting which enables you to not only build businesses on Digital Platforms but also target the right audience for business growth. 5G, Robotics and Blockchain which is upcoming technological transformation as business will shift from traditional work models and adapt to data intelligence models.

## Next gen technologies will drive incremental growth





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In FY21, **Traditional Technology (52% of Revenue)** reported a Revenue of \$540 Billion while **Next Gen Technology (48% of Revenue)** reported a Revenue of \$490 Billion. Going ahead, it is expected that **Next GEN Technology will be reporting approximately \$900 Billion in Revenues by FY25 (contributing 67% of Revenue)**. Traditional Technology will be reporting approximately \$450 Billion in Revenues by FY25 (contributing 33% of Revenue) which will be quite a reduction from its previous years. Growth will be driven by the Next GEN Technology within **which Digital Services (Cloud Platform & ADM Dev Ops) will grow by 15-20%** in the Next 5-year period whereas **Future Next GEN technology (IoT, Blockchain, Robotics) will grow by 35-45%** in the next 5 years.

### Prioritizing Industry Verticals & Geographical Regions

Sectors will drive growth based on their ability to spend on technology. Sectors such as **BFSI, Retail & Consumer, Energy & Utilities and Manufacturing** will be contributing over 50% of the incremental growth because of the hi-tech intensity. Segments such as **Media** will also be seen expanding as they adopt the digital transformation into their sector. From a geographical perspective, **America** continues to remain the major technological services market. **Europe, Middle East and Asian Pacific regions** will see a significant uptick in their technological spends. Infact, **Europe and APMEA** is expected to grow rapidly in the upcoming years due to its technological adaption and will contribute approximately 58% of the incremental revenue.

### 5-point strategy

- **Partnerships & Clients:** Existing portfolio of large clients coupled with winning large transformational deals from existing as well as new clients will be the key strategic area for Wipro. Participating in growth led by partnership with large technology players will also play a key role in Wipro's upcoming growth trajectory. Wipro has the strategic alliances with Large Clients such as Microsoft, Google, Salesforce, etc. and going ahead the firm expects more strategic partnerships with various companies. Inorganic Growth via Mergers & Acquisitions will help the firm scale up in its digital transformation journey.
- **Focus & Scale:** Prioritizing markets and sectors which will help in growth acceleration. Specific sectors will be targeted in the chosen markets where Wipro has a strong presence. America & UK have historically been major markets and the firm will continue to maintain its presence in these markets. Building a strong growth plan for Europe and APMEA regions. Wipro has also de-prioritized markets where presence is weak which will enable them to focus on key regions and stimulate growth trajectory. Eg. Major focus will remain in US which remains the primary growth area for the company. In Switzerland, Wipro will only prioritize few of the 23 sub-sectors in which they function such as Lifesciences, BFSI, Heavy Industries and Consumer.
- **Business Solutions:** Clients aren't just looking forward to adapting technology to conduct business with ease but also expect that the digital solutions will help them overcome business challenges. New Business models will enable the company to provide a platform and consulting services to the clients along with providing technological solutions. Eg. New B2B Solar energy business model was created for a Global Oil Operator which also included onboarding of first 100 customers.
- **Talent Scale:** Launching Ambitious program to hire talent with specific capabilities such as domain experience, digital architecture, large program managers, technology. The firm will also reinforce high performance culture to build the champions league of talent. There will be a sustained push towards gender diversity and nationality composition.
- **Simplification of Operating Model:** New Operating Model consists of 4 Strategic Market Units (SMUs) and 2 Global Business Lines (GBLs). 4 SMUs will include key regions such as **Americas 1, Americas 2, Europe and APMEA** which will be the primary access to the go-to market within which Wipro will have 4 P&L Ownerships. Americas 1 & 2 Markets will be structured by sectors whereas Europe and APMEA will be structured by countries with dedicated focus on certain identified sectors. Operating Model will have increased focus on Europe and APMEA market along with America. Capabilities will be underlined under two major GBLs: **1) Integrated Digital, Engineering & Application Services (IDEAS) & 2) Infra Cloud, Digital Operations, Risk & Cyber-security services (ICORE)**. GBLs will be structured in such a way that they will scale up Global-enabled capabilities and solutions. Simplified Operating Model will ensure adequate sector and domain focus in go-to market and execution which will stimulate focused growth. New Operating Model only has 4 P&L structure compared to traditional one consisting of 20 P&L's which has been simplified structurally and will help in Wipro's growth trajectory.



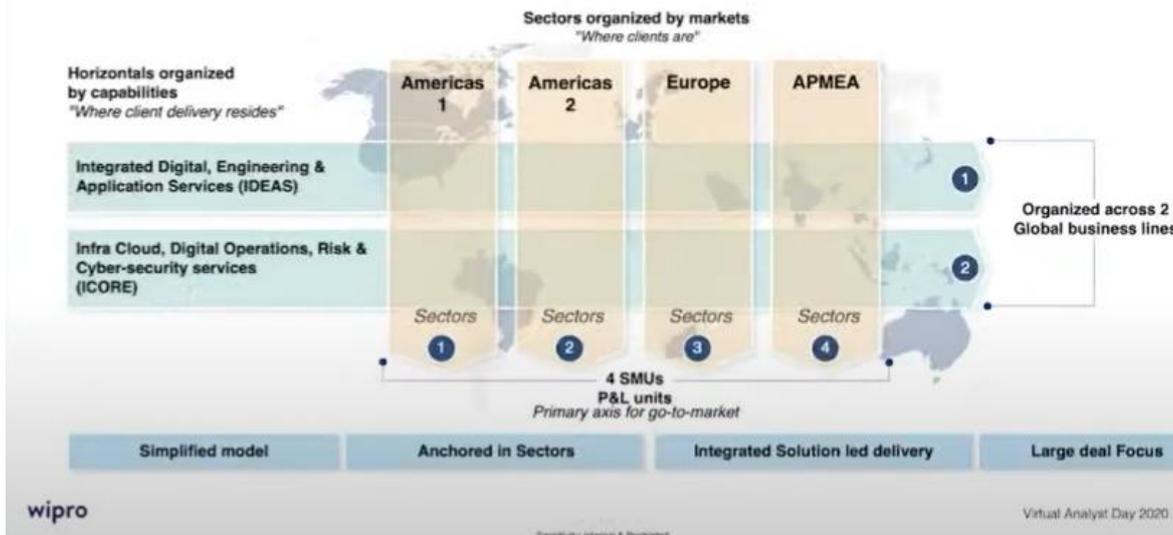
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## 05. Simplified operating model

4 Strategic Market Units (SMUs), 2 Global Business Lines (GBLs)



### Margin Walk

Operating Margin grown at a steady pace since FY18 and will continue its growth in the upcoming years. Operating Margin for H1FY21 stood at 19.1% and will be maintained in the current band during the upcoming quarters. Focusing on key areas and de-prioritizing will enable free flow of resources which can be used efficiently. Company is expecting robust cash conversion while keeping their balance sheet strong and generating strong FCF Growth.

## Operating margin, enough levers at play





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### **Valuation & Outlook**

In the COVID era, Digital transformation has gained significance with workplaces transforming from traditional offices to working from anywhere. In the post covid world, workspaces will be transformed with operations being carried out onsite and from remote locations. New GEN Technology will be the key driver of growth for the I.T. firms as the businesses migrate onto Cloud Platforms and adopt Data Intelligence strategies to carry out their day-to-day operations.

New CEO Mr. Thierry Delaporte was successful in his engagement as a COO at Capgemini and looking at his past record it is expected that his Leadership will transform the way Wipro conducts its operations. We believe that Wipro has the potential to perform if the strategies outlined by the management are executed well. Wipro will not only see a major transformation but also level up with peers such as TCS and Infosys over the next 2-3 years.

At CMP of INR 345. **Wipro Ltd. is trading at 22x** at Consolidated EPS of INR 15.5 on TTM basis and we are positive on the long-term prospects of the company.



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