

March 15, 2021

Wipro Limited - Update on Material Event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount	Current Rated Amount	Rating Outstanding
Fund-based (interchangeable) facilities	Rs. 696.00 crore	Rs. 696.00 crore	[ICRA]AAA(Stable)/[ICRA]A1+
Fund-based (interchangeable) facilities	USD 965.00 million	USD 965.00 million	[ICRA]AAA(Stable)/[ICRA]A1+
Non-fund based facilities	Rs. 2,799.10 crore	Rs. 2,799.10 crore	[ICRA]AAA(Stable)
Non-fund based facilities	USD 70.70 million	USD 70.70 million	[ICRA]AAA(Stable)
Unallocated - Non-fund based/fund-based facilities	Rs. 8,666.33 crore	Rs. 8,666.33 crore	[ICRA]AAA(Stable)/[ICRA]A1+
Total	Rs. 20,000.00 crore	Rs. 20,000.00 crore	

*Instrument details are provided in Annexure-1

Rationale

Material event

On March 4, 2021, Wipro Limited (Wipro) notified the stock exchange that it has signed an agreement to acquire a 100% stake in The Capital Markets Company (Capco) Group (through its holding companies – Cardinal US Holdings, Inc. and Cardinal Foreign Holdings S.à.r.l., and its Indian subsidiary – Capco Technologies Private Limited). The transaction is expected to be completed during the quarter ending June 30, 2021, subject to requisite regulatory approvals and customary closing conditions. The acquisition is for an all-cash deal of USD 1.45 billion and is not a related-party transaction.

Established in 1998, Capco is a global technology and management consultancy specialising in driving digital transformation in the financial services industry. It has an experienced executive team and over 5,000 world-class business and technology consultants based across more than 30 global locations.

Impact of the material event

ICRA takes note of the said acquisition and the ratings remain unchanged at [ICRA]AAA(Stable)/[ICRA]A1+. The banking, financial services and insurance (BFSI) segment is a priority and growth vertical for the information technology (IT) services industry. The acquisition will strengthen Wipro's position as a consulting and IT services provider (more comprehensive end-to-end solutions and offerings) in the BFSI space. Capco has more than 100 customers and the acquisition will provide both entities with the opportunity to cross-sell. Further, Wipro will add over 30 eminent financial services clients. The industry is witnessing demand for end-to-end transformation projects on the back of Covid-19-induced disruptions and the combination of Capco's consulting solutions and Wipro's technology offerings is expected to strengthen Wipro's position in transformation deals.

The company had a net cash and liquid investment reserve of USD 5.2 billion as on December 31, 2020 and completed a share buyback of Rs. 9,500 crore (approx. USD 1.3 billion) in January 2021. The acquisition will lead to a further reduction in the reserve by USD 1.45 billion (funded through a mix of cash reserve and debt), thereby impacting the liquidity buffer available with the company. Wipro's EBIT margins are also expected to reduce by ~2% in FY2022, majorly on account of non-cash charge. While the deal is expected to yield revenue and cost synergies in the near to medium term, the same would be a key monitorable. Further, the acquisition exposes the company to integration risk and the risk of a drag on revenue growth, given that Capco's revenue has been largely stagnant over the past three years.

ICRA will continue to monitor the operational and financial performance of the company and will take appropriate rating action as and when required.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in Information Technology industry
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial statements of the rated entity

About the company

Wipro is one of the leading global IT, consulting and business process services companies. It is the fourth largest Indian player in the global IT services industry, in terms of revenue, after Tata Consultancy Services (TCS), Infosys Limited (Infosys) and HCL Technologies Limited (HCL).

Wipro was incorporated in 1945 as Western India Vegetables Product Limited and was predominantly a consumer care product manufacturer till 1980 after which it diversified into the IT services business. With effect from April 1, 2012 (FY2013), the company demerged its other divisions (consumer care and lighting, medical equipment and infrastructure engineering) into a separate company called Wipro Enterprises Limited (WEL), to enhance its focus and allow both businesses to pursue their individual growth strategies.

Wipro's operations can be broadly classified into IT Services, IT Products and India State Run Enterprise. Wipro derives most of its revenue from the IT Services segment (96.8% in FY2020) under which it provides IT and IT enabled services to leading enterprises worldwide. These services include digital strategy advisory, customer-centric design, technology consulting, IT consulting, custom application design, development, re-engineering and maintenance, systems integration, package implementation, cloud infrastructure services, analytics services, business process services, research and development and hardware and software design.

Key financial indicators (audited)

Consolidated	FY2019	FY2020
Operating Income (Rs. crore)	58,584.5	61,023.2
PAT (Rs. crore)	9,022.2	9,768.9
OPBDIT/OI (%)	19.1%	20.0%
PAT/OI (%)	15.4%	16.0%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	0.5
Total Debt/OPBDIT (times)	0.9	0.8
Interest Coverage (times)	15.2	16.7

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; PAT figure does not include share of profit/loss from associates or joint ventures; FY2020 total debt includes lease liability

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated	Amount Outstanding as of Dec 31, 2020	Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018	
					Mar 15, 2021	May 27, 2020	Jun 10, 2019	May 10, 2018	Jul 10, 2017	
1	Fund-based (interchangeable) facilities	Long term/ Short term	Rs. 696.00 crore	NA	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	
2	Fund-based (interchangeable) facilities	Long term/ Short term	USD 965.00 million	NA	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	
3	Non-fund based facilities	Long term	Rs. 2,799.10 crore	NA	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	
4	Non-fund based facilities	Long term	USD 70.7 million	NA	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	
5	Non-fund based facilities	Long term	-	NA	-	-	[ICRA]AAA (Stable)	-	-	
6	Unallocated - Non-fund based/ fund-based facilities	Long term/ Short term	Rs. 8,666.33 crore	NA	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	
7	External commercial borrowings	Long term	-	NA	-	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	

& - Under Watch with Developing Implications

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated	Current Rating and Outlook
NA	Fund-based (interchangeable) facilities	NA	NA	NA	Rs. 696.00 crore	[ICRA]AAA(Stable)/ [ICRA]A1+
NA	Fund-based (interchangeable) facilities	NA	NA	NA	USD 965.00 million	[ICRA]AAA(Stable)/ [ICRA]A1+
NA	Non-fund based facilities	NA	NA	NA	Rs. 2,799.10 crore	[ICRA]AAA(Stable)
NA	Non-fund based facilities	NA	NA	NA	USD 70.7 million	[ICRA]AAA(Stable)
NA	Unallocated - Non-fund based/fund-based facilities	NA	NA	NA	Rs. 8,666.33 crore	[ICRA]AAA(Stable)/ [ICRA]A1+

Source: Company

Annexure-2: List of entities considered for consolidated analysis (as on March 31, 2020)

Company Name	Ownership	Consolidation Approach
Wipro Holdings Investment Korlátolt Felelősségű Társaság	100%	Full Consolidation
Wipro Technologies South Africa (Proprietary) Limited	100%	Full Consolidation
Wipro Technologies Nigeria Limited	100%	Full Consolidation
Wipro Corporate Technologies Ghana Limited	100%	Full Consolidation
Wipro Portugal SA	100%	Full Consolidation
Wipro Technologies GmbH	100%	Full Consolidation
Wipro Europe Limited (formerly SAIC Europe Limited))	100%	Full Consolidation
Wipro UK Limited	100%	Full Consolidation
Wipro Financial Services UK Limited	100%	Full Consolidation
Rainbow Software LLC	100%	Full Consolidation
Wipro Insurance Solutions LLC	100%	Full Consolidation
Wipro Philippines Inc.	100%	Full Consolidation
Wipro Technologies SRL	100%	Full Consolidation
Wipro Outsourcing Services (Ireland) Limited	100%	Full Consolidation
Opus Capital Markets Consultants LLC	100%	Full Consolidation
Wipro Arabia Limited	67%	Full Consolidation
Wipro Doha LLC	49%	Full Consolidation
Wipro Networks Pte Limited (formerly 3DNetworks Pte Limited)	100%	Full Consolidation
Wipro Technologies SDN BHD	100%	Full Consolidation
Wipro Shanghai Limited	100%	Full Consolidation
Wipro Chengdu Limited	100%	Full Consolidation
Wipro (Dalian) Limited	100%	Full Consolidation
Wipro Gallagher Solutions Inc	100%	Full Consolidation
Wipro Overseas IT Services Pvt Ltd	100%	Full Consolidation
Wipro Trademarks Holding Limited	100%	Full Consolidation
Wipro Holdings Hungary Korlátolt Felelősségű Társaság	100%	Full Consolidation
Wipro IT Services LLC	100%	Full Consolidation
Wipro Information Technology Netherlands BV	100%	Full Consolidation
Wipro Technologies SA DE CV	100%	Full Consolidation
Wipro Technologies SA	100%	Full Consolidation
Wipro Technologies VZ, CA	100%	Full Consolidation
Wipro Do Brasil Servicos De Tecnologia SA	100%	Full Consolidation
Wipro Japan KK	100%	Full Consolidation
Wipro Technologies Limited, Russia	100%	Full Consolidation
Wipro Technology Chile SPA	100%	Full Consolidation
Wipro Information Technology Kazakhstan LLP	100%	Full Consolidation
Wipro do Brasil Tecnologia Ltda	100%	Full Consolidation
Wipro Technologies Peru SAC	100%	Full Consolidation
Wipro IT Services Ukraine LLC	100%	Full Consolidation
Wipro Gulf LLC	100%	Full Consolidation
Wipro Information Technology Egypt SAE	100%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Wipro IT Services Poland Sp Zoo	100%	Full Consolidation
Wipro Poland Sp Zoo	100%	Full Consolidation
Wipro Australia Pty Limited	100%	Full Consolidation
Wipro Promax Analytics Solutions Americas LLC	100%	Full Consolidation
Designit Tokyo Ltd	100%	Full Consolidation
Designit Peru S.A.C	100%	Full Consolidation
Cellent GmbH	100%	Full Consolidation
Cellent GmbH Austria	100%	Full Consolidation
Wipro Travel Services Limited	100%	Full Consolidation
Designit A/S	100%	Full Consolidation
Designit Denmark A/S	100%	Full Consolidation
Designit Spain Digital SL	100%	Full Consolidation
Designit Colombia SAS	100%	Full Consolidation
Designit Oslo A/S	100%	Full Consolidation
Designit Sweden AB	100%	Full Consolidation
Designit TLV Ltd	100%	Full Consolidation
PT WT Indonesia	100%	Full Consolidation
Wipro Bahrain Limited Co. SPC	100%	Full Consolidation
Appirio Inc. (US)	100%	Full Consolidation
Appirio K.K. (Japan)	100%	Full Consolidation
Appirio Ltd. (Ireland)	100%	Full Consolidation
Appirio Ltd. (UK)	100%	Full Consolidation
TopCoder LLC	100%	Full Consolidation
Healthplan Services, Inc	100%	Full Consolidation
Healthplan Services Insurance Agency, Inc	100%	Full Consolidation
Wipro (Thailand) Co., Ltd	100%	Full Consolidation
Wipro Solutions Canada Limited	100%	Full Consolidation
Wipro LLC	100%	Full Consolidation
Wipro Holdings (UK) Limited	100%	Full Consolidation
Infocrossing LLC	100%	Full Consolidation
Drivestream Inc	44%	Equity Method
Denim Group Limited	33%	Equity Method
Denim Group Management LLC	33%	Equity Method
Women's Business Park Technologies Limited	55%	Full Consolidation
Cooper Software, Inc.	100%	Full Consolidation
Wipro US Foundation	100%	Full Consolidation
International TechneGroup Incorporated	100%	Full Consolidation
Rational Interaction Inc.	100%	Full Consolidation
Designit Germany GmbH	100%	Full Consolidation
Wipro IT Services SRL	100%	Full Consolidation
Wipro IT Services SE	100%	Full Consolidation
Wipro Arabia Co Limited	100%	Full Consolidation
Wipro Technologies W.T. Sociedad Anonima	100%	Full Consolidation
Wipro IT Services Bangladesh Limited	100%	Full Consolidation
Wipro HR Services India Private Limited	100%	Full Consolidation
Wipro Do Brasil Sistemetas De informatica Ltd	100%	Full Consolidation
International TechneGroup Ltd.	100%	Full Consolidation
ITI Proficiency Ltd.	100%	Full Consolidation
ITI SRL	100%	Full Consolidation
Mech Works SRL	100%	Full Consolidation
Rational Interaction Limited	100%	Full Consolidation
Rational Consulting Australia Pty Ltd.	100%	Full Consolidation

Source: Wipro Limited

Note: ICRA has taken a consolidated view of the parent (Wipro), its subsidiaries and associates while assigning the ratings

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