July 15, 2021

Wipro Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount	Current Rated Amount	Rating Action
Fund-based (interchangeable) facilities	Rs. 696.00 crore	Rs. 2,826.00 crore	[ICRA]AAA(Stable)/[ICRA]A1+; Reaffirmed
Fund-based (interchangeable) facilities	USD 965.00 million	USD 1066.40 million	[ICRA]AAA(Stable)/[ICRA]A1+; Reaffirmed
Non-fund based facilities	Rs. 2,799.10 crore	Rs. 4094.10 crore	[ICRA]AAA(Stable); Reaffirmed
Non-fund based facilities	USD 70.70 million	USD 70.70 million	[ICRA]AAA(Stable); Reaffirmed
Unallocated - Non-fund based/fund-based facilities	Rs. 8,666.33 crore	Rs. 4,767.70 crore	[ICRA]AAA(Stable)/[ICRA]A1+; Reaffirmed
Total	**Rs. 20,000.00 crore**	**Rs. 20,000.00 crore**	

**Instrument details are provided in Annexure-1; The exchange rate considered is Rs 75.6838 per USD for previous rated amount and Rs 73.1000 per USD for current rated amount.*

Rationale

The ratings favorably factor in Wipro Limited's (Wipro/the company) established position in global information technology (IT) services outsourcing industry, healthy operational profile, long-standing relationships with a strong customer base, healthy financial profile characterized by robust debt coverage metrics and superior liquidity. The ratings also continue to draw comfort from the company's presence in diversified verticals like Banking, Financial Services and Insurance (BFSI), Consumer Business unit (CBU), Health Business unit (Health BU), Technology (TECH), Energy, Natural Resources & Utilities (ENU) etc. All of the company's segments were impacted in FY2021 due to Covid-19. However, most segments showed quarter-on-quarter improvement since Q2 FY2021 backed by large deal wins. Overall, the company recorded 1.5% YoY growth in total revenues despite Covid-led disruptions backed by increased demand for digitalization and cloud migration. Wipro's operating margin improved to 23.9% in FY2021 from 20.0% in FY2020 on the back of higher utilization of workforce, lower subcontracting expenses, higher offshoring, reduction in travel cost and control on incremental and office spends.

Wipro has booked its largest ever deal wins in terms of Total Contract value (TCV) in H2 FY2021 backed by growth in terms of clients' transformation to cloud services, formation of large deal closure teams and implementation of global account executive structure. However, sustainability of strong deal momentum in the next few quarters is a key monitorable.

On April 29, 2021, Wipro completed acquisition of 100% stake in The Capital Markets Company (Capco) Group – a global technology and management consultancy specializing in driving digital transformation in the financial services industry (through its holding companies and Indian subsidiary) for an upfront cash consideration of USD 1.45 billion. This acquisition is expected to strengthen Wipro's position as a consulting and IT services provider in the BFSI segment. Capco has more than 100 customers which will provide both entities the opportunity to cross-sell their services. However, Wipro's EBIT margin is expected to reduce slightly in FY2022 following the acquisition. While the acquisition is expected to yield revenue and cost synergies in the near to medium term, the ability to successfully integrate capabilities of both entities remains a key monitorable.

In FY2021, Wipro announced 6 acquisitions as part of its revised strategy for strengthening its local presence and is expected to continue acquiring for driving inorganic growth. Any impact of its future acquisitions on the cash flows and debt metrics remains a key monitorable.

ICRA also notes the stiff competition faced by the company from other prominent players in the global IT services industry, leading to margin pressure. The industry continues to face challenges in the form of wage inflation, foreign currency fluctuations, talent acquisition and retention. These risks are, however, mitigated to an extent by Wipro's large scale of operations and diversified customer base across geographies.

The Indian IT services industry continues to face geopolitical uncertainties such as legislations on restricting outsourcing or immigration in its key markets, which may have an adverse impact on the current business model of the industry. In the past 3-4 years, there has been uncertainty regarding the US Government's visa policies for its non-immigrant and temporary visa programs, which is one of the key risks for the company. However, with migration of significant infrastructure and enterprise workload to cloud post Covid, overall industry prospects remain bright in the medium term. This is expected to be driven by the customer's need to derive business value from cloud native capabilities leading to higher technological spends. With its capabilities, Wipro is well positioned to exploit such opportunities and drive growth.

Further, the company's robust liquidity profile, given the cash and liquid investments of Rs. 34,550.0 crore as on March 31, 2021 coupled with minimal debt provide cushion to the company's financial profile. However, its liquid reserves will remain sensitive to the level of dividend pay-outs, future buybacks and large acquisitions, if any.

Key rating drivers and their description

Credit strengths

Global player in IT services industry with diversified presence across sectors – Wipro has a long track record and established position in the Indian IT services industry. It caters to clients across various sectors such as BFSI (contributing 30.7% to revenues in FY2021), CBU (~16.4%), Health BU (~13.5%), ENU (~13.1%) etc. and across service lines such as modern application services, cloud and infrastructure services, digital operations and platforms, etc. However, with migration of significant infrastructure and enterprise workload to cloud, digital services have gained strong momentum since Q2 FY2021. Going forward, the company's diversity across sectors is expected to follow past trends and strong traction in digital revenues in near term is expected due to improved demand for cloud services.

Strong financial profile characterized by healthy cash position and robust debt coverage metrics – Wipro's financial profile is characterized by robust debt coverage metrics with a gearing of 0.2x, TD/OPBITDA of 0.7x and interest coverage of 29x as on March 31, 2021. Wipro's financial profile is further supported by its healthy accruals coupled with cash and liquid investments of Rs 34,550.0 crore as on March 31, 2021. Wipro's cash flows are expected to remain robust with healthy cash accruals despite high cash payout for CAPCO acquisition of USD 1.45 billion in April 2021. Going forward, the metrics are expected to be in line with past trends and remain healthy backed by revenue growth and healthy liquidity position.

Strategic relationships with diversified customer base supported by high repeat business – Wipro has a strong base of 1,120 customers with 98.0% of the business generated from existing clients in FY2021. Company has added 280 new customers in FY2021 as against 240 customers in FY2020. Clients in 'More than USD 75 million' bucket increased from 22 in FY2020 to 27 in FY2021. The company is witnessing healthy renewal of deals and adding new deals from existing clients in the field of digitization. Going forward, Wipro is expected to maintain a diversified revenue stream across customers in various segments.

Large new deal wins supporting sequential growth – Wipro recorded TCV wins of USD 7.1 billion (which included USD 2.6 billion worth large deals) in H2 FY2021 which is significantly higher than its average deal wins in the past showing Y-o-Y growth of 33%. The company bagged a mega deal worth USD ~ 700 million with Metro AG in Q3 FY2021 and has potential to ramp it up to USD 1.0 billion. Going forward, Wipro is expected to benefit from the deals bagged and synergies from CAPCO acquisition.

Credit challenges

Margin pressure arising from wage inflation, competitive pressure and foreign currency fluctuations – With ~97% of its revenues being generated in foreign currencies, Wipro is exposed to foreign currency fluctuations. To mitigate the same, Wipro enters into various derivative contracts (forwards/options) to hedge against these exposures. Further, the global IT services industry is dominated by several large players, leading to intense margin pressure. Although Wipro is the fourth largest Indian IT services company, it continues to be impacted by industry-specific factors such as wage inflation and challenges of retention and reskilling of the talent pool. Wipro has also provided wage hikes to ~80% of its employees in January 2021 and June 2021 to ensure strong talent supply; impact on operating margins post the increments is a key monitorable.

Geographical concentration risk – Wipro's geography-wise revenue trend is in line with the global IT services industry with the US being the largest contributor to its revenues. Wipro derived 59.1% of its overall revenue from the US in FY2021 (in the similar range of FY2020), exposing the company to the US' structural and region-specific challenges. Europe and US markets together contributed 86.4% of the revenues in FY2021. Uncertainty prevailing over US H1-B visas remains a key risk for the company. Wipro's long standing and strategic association with its wide customer base mitigates concentration risks to a certain extent.

Liquidity position: Superior

Wipro's liquidity position is **Superior** with cash and liquid investments of Rs. 34,550.0 crore as on March 31, 2021 despite regular dividend pay-outs and large buybacks in the past. Despite high cash outgo of USD 1.45 billion in Q1 FY2022 for funding acquisition transaction of CAPCO, Wipro's cash flow position is expected to remain robust backed by healthy cash accruals at year ending FY2022. Going forward, Wipro is expected to make dividend pay-outs / buybacks and incur capex for supporting its operations and for acquisitions, which is likely to impact its cash reserves to some extent. Overall, ICRA expects Wipro to be able to meet its near-term commitments (debt-servicing obligations and capex requirements) through internal sources and yet be left with a robust cash surplus.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – Pressure could arise in case of a material deterioration in the company's credit profile because of a sharp decline in the company's operating performance and/or a large debt-funded acquisition and/or higher than expected shareholder pay-out.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	[Corporate Credit Rating Methodology] [Rating Methodology for Entities in the Information Technology (Services) Industry]
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered consolidated financials of Wipro

About the company

Wipro is one of the leading global IT, consulting and business process services company. 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.

The company's operations are broadly classified into IT Services and IT Products. Key service offerings under IT Services which contributed 97% revenues in FY2021 includes 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 to leading enterprises worldwide.

Key financial indicators (audited)

Consolidated	FY2019	FY2020	FY2021
Operating Income (Rs. crore)	58.584.5	61,023.2	61,943.0
PAT (Rs. crore)	9,022.2	9,768.9	10,855.0
OPBDIT/OI (%)	19.1%	20.0%	23.9%
RoCE (%)	19.7%	20.4%	22.7%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	0.5	0.5
Total Debt/OPBDIT (times)	0.9	0.8	0.7
Interest Coverage (times)	15.2	16.7	29.0
DSCR	5.3	11.8	4.5*

*Source: Wipro Limited; PAT figure does not included share of profit/loss from Associates or Joint Ventures; *includes current portion of le ase liabilities; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated	Amount Outstanding	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					15-July-2021	27-May-2020	10-June-2019	10-May-2018
1	Fund-based (interchangeable) facilities	Long term/ Short term	Rs. 2,826.00 crore	NA	[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 1066.40 million	NA	[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. 4094.10 crore	NA	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
4	Non-fund based facilities	Long term	USD 70.70 million	NA	[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. 4767.70 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)

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-based (interchangeable) facilities – Long term / Short term	Very Simple
Non-fund based facilities – Long term	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA’s 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. 2,826.00 crore	[ICRA]AAA(Stable)/ [ICRA]A1+
NA	Fund-based (interchangeable) facilities	NA	NA	NA	USD 1066.40 million	[ICRA]AAA(Stable)/ [ICRA]A1+
NA	Non-fund based facilities	NA	NA	NA	Rs. 4094.10 crore	[ICRA]AAA(Stable)
NA	Non-fund based facilities	NA	NA	NA	USD 70.70 million	[ICRA]AAA(Stable)
NA	Unallocated - Non-fund based/fund-based facilities	NA	NA	NA	Rs. 4,767.70 crore	[ICRA]AAA(Stable)/ [ICRA]A1+

Source: *Wipro Limited*

Annexure-2: List of entities considered for consolidated analysis

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
Wipro Opus Mortgage Solutions LLC (formerly Opus Capital Markets Consultants LLC)	100%	Full Consolidation
Wipro Arabia Co. 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 Ltda	100%	Full Consolidation

Wipro Japan KK	100%	Full Consolidation
Wipro Technologies Limited	100%	Full Consolidation
Wipro Technology Chile SPA	100%	Full Consolidation
Wipro Information Technology Kazakhstan LLP	100%	Full Consolidation
Wipro do Brasil Technologia 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
Wipro IT Services Poland Sp Z.O.O	100%	Full Consolidation
Wipro Poland Sp Z.O.O	100%	Full Consolidation
Wipro Technologies 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
Wipro IT Services Austria GmbH (formerly Cellent GmbH)	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. W.L.L (formerly Wipro Bahrain Limited Co. SPC)	100%	Full Consolidation
Wipro Appirio Inc. (formerly Appirio Inc)	100%	Full Consolidation
Appirio K.K. (Japan)	100%	Full Consolidation
Wipro Appirio (Ireland) Limited (formerly Appirio Ltd)	100%	Full Consolidation
Wipro Appirio UK Limited (formerly 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	37%	Full Consolidation
Designit North America, Inc. (formerly Cooper Software Inc.)	100%	Full Consolidation
Wipro US Foundation	100%	Full Consolidation
International TechneGroup Incorporated	100%	Full Consolidation
Wipro Designit Services, Inc. (formerly Rational Interaction, Inc)	100%	Full Consolidation
Designit Germany GmbH	100%	Full Consolidation
Wipro IT Services SRL	100%	Full Consolidation
Wipro SA Broad Based Ownership Scheme SPV (RF) (PTY) LTD	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
International TechneGroup S.R.L	100%	Full Consolidation
Mech Works SRL	100%	Full Consolidation
Wipro Designit Services Limited (formerly Rational Interaction Limited)	100%	Full Consolidation
Rational Consulting Australia Pty Ltd.	100%	Full Consolidation
Wipro VLSI Design Services, LLC (formerly Eximius Design, LLC)	100%	Full Consolidation
Wipro 4C NV (formerly 4C NV)	100%	Full Consolidation
Wipro 4C Danmark ApS (formerly 4C Danmark ApS)	100%	Full Consolidation
4C Nederland B.V	100%	Full Consolidation
Wipro Weare4C UK Limited (formerly Weare4C UK Limited)	100%	Full Consolidation
CloudSocius DMCC	100%	Full Consolidation
Wipro 4C Consulting France SAS (formerly 4C Consulting France)	100%	Full Consolidation
Wipro IT Services UK Societas	100%	Full Consolidation
Encore Theme Technologies Private Limited	83%	Full Consolidation
Wipro VLSI Design Services India Private Limited	100%	Full Consolidation
Wipro do Brasil Servicos Ltda (formerly IVIA Serviços De Informática ltda)	100%	Full Consolidation

Source: Wipro Limited

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About ICRA Limited:

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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