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Wipro Limited— BUY—687—INR

Sector — Software (Diversified)
Regd. Off.— Doddakanneli, Sarjapur road, Bangalore, Karnataka - 560035
Listed — NSE, BSE.

Company Overview—

Company started its operation as a vegetable oil distributor in the 1940s, and it moved into high tech in the 70's when the Indian government exiled multinationals. Wipro Limited is the first PCMM Level 5 and SEI CMM Level 5 certified IT Services Company globally. In the Asia Pacific and Middle East markets, Wipro provides IT solutions and services for global corporations. Wipro's ADSs are listed on the New York Stock Exchange. Wipro Ltd provides comprehensive information technology (IT) solutions and services, including systems integration, information systems outsourcing package implementation, software application development and maintenance, and research and development services to corporations globally through its IT services, solutions and products division. Wipro provides IT solutions and services for the corporate segment in India offering system integration, network integration, software solutions and IT services. In the Asia Pacific and Middle East markets, Wipro provides IT solutions and services for global corporations. Wipro's Chariman, Azim Premji is a graduate in Electrical Engineering from Stanford University, USA. Premji took on the mantle of leadership of Wipro at the age of 21. Premji started off in Wipro with a simple Vision – to build an organization on a foundation of Values. In the past few years Wipro has also become the one of the largest BPO services provider in India.

Products & services—

Wipro is the No 1 provider of integrated business, technology and process solutions on a global delivery platform. Company has presence in over 35 countries and customers across USA, Europe and Japan (140 of these are Global 500 companies). Wipro provides comprehensive IT solutions and services, including systems integration, information systems outsourcing, package implementation, software application development and maintenance, and research and development services to corporations globally. In the Indian market, Wipro is a leader in providing IT solutions and services for the corporate segment in India offering system integration, network integration, software solutions and IT services.

Wipro BPO provides a broad range of services from customer relationship management, back office transaction processing to industry specific solutions. The key element of services delivery is an integrated approach towards providing increasing value over the entire course of our client relationships. This involves a phased approach towards process standardization, process optimization and process re-engineering. Company's BPO unit handles the loan processing, including loan application data entry and submission; the ensuing follow-up process; the query handling process; and the re-submission, closing, and notification process.

Strategic Alliances & tie-ups— Wipro has many best-in-class alliances across products and services include the following:

B2B integration

Webmethods

Business intelligence & data warehousing

Business Objects, Cognos, Informatica, Microstrategy, Oracle

Customer relationship management

Clarify, Oracle, SAP, SIEBEL

Enterprise application integration

IBM MQ Series, Mercator , SeeBeyond, TIBCO , Vitria, Webmethods

Enterprise resource planning

PeopleSoft, Oracle, SAP, SIEBEL

e-procurement

Ariba

m-commerce

Aether Systems

Portals & content management

ATG, BroadVision, Interwoven, Vignette

Product design services

3DSP, ARM, Artisan, Embedded Linux Consortium, Hyundai, Metrowerks, MS Embedded Developer's, Symbian, Texas Instruments, TSMC, UMC.

Supply chain management

Ariba, i2 Technologies, Oracle, SAP

Technology infrastructure services

Cisco, Computer Associates, Nortel, Sun Microsystems

Telecom service providers

Agea, Axiom, Granite, Hewlett Packward Micromuse, Metasol, NetCracker Technology, Portal, Signalsoft, Webraska, Xacct

Web security

Blockade, Borland, Critical Path, IBM, RSA

Web services

BEA, Microsoft .Net

Financials—

Annual results for FY2009-10

Description	Amount(Rs. in lakhs)
Net Income from sales / services	2317760.00
Increase/Decrease in Stock in trade and work in progress	-11100.00
Consumption of Raw Materials	98920.00
Purchase of traded goods	311280.00
Other Expenditure	1090550.00
Gross Profit	828110.00
General Administrative Expenses	114130.00
Selling and Distribution Expenses	138270.00
Depreciation	57960.00
Operating Profit before Interest	517750.00
Interest	-8260.00
Operating Profit after Interest and Exceptional Items	526010.00
Other Income	42870.00

Profit from Ordinary Activities before tax	568880.00
Tax Expense	79080.00
Net Profit for the period	489800.00
Face Value (in Rs.)	2
Paid-up Equity Share Capital	29360.00
Reserves excluding Revaluation Reserves	1739680.00
Basic EPS (in Rs.)	33.61
Diluted EPS (in Rs.)	33.38
Public Shareholding (%)	18.83
Cash EPS	37.31
Net profit margin (%)	21.13

Recent developments—

In March, Wipro Technologies has entered into a seven year strategic agreement with the Main Street America Group, a leading provider of commercial, personal and surety insurance products exclusively sold through independent agents to individuals, families and small businesses in 24 US states. This will engage with Wipro for applications development, maintenance and quality assurance using Wipro's CMMi level 5 quality services. Wipro will supplement Main Street Americas IT organization in its endeavor to support its present and future business needs. Main Street America will leverage Wipros global delivery model to achieve faster time-to-market capabilities and reduce operating costs by utilizing economies of scale. Wipro will support Main Street Americas Personal Lines business on its Main Street Station and legacy platforms. In addition, Wipro will support its Main Street Station Commercial Lines and Bond processing systems. Wipro will also bring service level improvements over the initial term of seven years.

Wipro Infotech won turnkey project from the Financial Intelligence Unit-India (FIU-IND), ministry of finance, government of India. As a part of the project, Wipro will implement FINnet (Financial Intelligence Network) for FIU-IND. The scope of work includes development of portal, data warehousing, de-duplication, and analytical application and ERP implementation at the data centre and disaster recovery site. The project is scheduled to be completed in 24 months in different phases with a further service period of 36 months.

Wipro also inked a Microsoft Business Productivity Online Suite (BPOS) "Dedicated Advisor" agreement with Microsoft Corp. This agreement allows Wipro to advise and enable its global enterprise customers to migrate to the BPOS cloud services by provisioning a range of professional services from "go-live" assessments to full migration and solution implementation accelerators. Wipro is developing Microsoft Enterprise Architecture Transformation Platform to help accelerate the migration to Microsoft technologies. By migrating to the Business Productivity Online Suite, enterprises will be able to achieve significant cost reductions, saving up to 50% for their customers while helping them becoming more agile and flexible.

Valuations—

Wipro expects revenue from IT services business for quarter ended June 30 2010 to be in the range of USD 1,190 million to USD 1,215 million. We expect company revenues to grow at a CAGR of 21% for next 2 years. At current market price, stock is trading at 16.76 P/E multiple of its FY2011 Estimated EPS. We recommend investors to BUY “Wipro Ltd.” for medium to long-term investment horizon.

We invite Readers to send Valuable feedback, stock and subscription queries at E-mail investment_guru1@yahoo.com

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