Wipro beats estimates; Dec quarter net up 5.4%  

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Wipro, India’s third largest information technology services company, surprised the street by delivering better than expected numbers on the back of demand from customers in sectors like healthcare, life sciences and retail.

The Bengaluru-based company reported a net profit of ₹2,192 crore for the third quarter ended December 31, 2014, up nine per cent year-on-year and five per cent sequentially. Revenue at ₹11,992 crore grew six per cent year-on-year and 2.7 per cent sequentially.

In the infotech services business, excluding products, Wipro managed to inch closer to the upper end of its guidance in constant currency terms, posting 3.7 per cent growth at $1,836.2 million. This was better than what competitors TCS and Infosys reported during the same period. However, in dollar terms infotech services revenue growth was 1.3 per cent sequentially, ahead of the street’s expectation of 0.8 per cent.

By IFRS standards, the infotech services revenue grew 6.1 per cent over the previous quarter, followed by retail, consumer, and energy and gas segment, which grew 4.9 per cent sequentially. The financial solutions business, which grew 6.1 per cent sequentially, ahead of the street’s expectation of 5.5 per cent.

Wipro on Friday announced that its Chief Financial Officer and Executive Director Suresh Senapaty will retire from the company on March 15, 2015 after attaining the age of superannuation.

Senapaty who has spent almost three decades with the Bengaluru-based company took over the role of CFO in 1995. He however will continue in the board of Wipro Enterprises and Wipro GE Healthcare, the company’s joint venture with GE.

"Suresh has been an integral part of the company’s think tank and has played a catalytic role in taking the company to great heights. His exemplary contribution has seen Wipro setting new benchmarks in finance, governance and strategy. He has also emerged as a key industry voice, who has championed several governance and policy issues, pertinent to the IT industry," said Azim Premji, Chairman, Wipro.

Despite posing healthy top and bottom line growth, Wipro saw a 20 basis point (a basis point is a hundredth of a percentage point) contraction in its operating profit margin for the infotech services business to 21.8 per cent, primarily because of cross-currency movements. The utilisation rates, excluding trainees, also dropped sequentially by 60 basis points to 78.8 per cent.

"Wipro beat expectations on revenue as well as margins. The 3.7 per cent (constant currency) revenue growth was better than its larger peers and the best in the past 12 quarters," said Dipen Shah, head, private client group research, Kotak Securities.

"Wipro has won marquee deals over the past few quarters, which should help in accelerating growth," he added.

The performance was backed by two per cent growth in the Americas and the India and Middle East business, which grew 5.7 per cent sequentially. However, the company said growth in Europe would remain subdued because of headwinds in the oil and gas segment, and also due to currency volatility.

"Growth was driven by the healthcare and life sciences business, which grew 6.1 per cent over the previous quarter, followed by retail, consumer goods and transportation at 2.7 per cent. The financial solutions segment continued to show sluggish growth in constant currency terms, dragged down by insurance," added Kurien.

"Wipro again provided a wide range as the growth outlook for the next quarter. For the quarter ending March 31, 2015, Wipro expects its infotech services revenue to be in the range of $1,814-1,850, growing 1.0-3.0 per cent over the previous year.

Kurien said the wide range was primarily due to external factors, including currency fluctuation and the fall in oil prices. "The demand environment continues to hold steady with opportunities across key markets in North America and Europe. We see recovery of demand in the retail and manufacturing sectors... One area of caution is the oil and gas industry where we expect the plunge in crude prices to impact capital expenditure and discretionary spending in the near term," added Kurien.

During the quarter, Wipro added 44 clients, including eight large deals, while the number of clients contributing over $75 million in revenue per year increased by one to 16. The company also added 2,569 employees on a net basis, which took its headcount to 156,866 on December 31, 2014.

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