WIPRO TECHNOLOGIES
4Q and Yearend Earnings Teleconference
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Rachel: Good day everyone and welcome to the Wipro Ltd. 2001 Fourth Quarter and Yearend Earnings Results' Conference Call. Hosted by Wipro Ltd. Chairman, Azim Premji; Vivek Paul, Vice Chairman; Suresh Senapaty, Chief Financial Officer; Shankar Jagannathan, Corporate Treasurer; and Sridhar Ramasubbu, Investor Relations Officers. Today's call is being recorded. I will now turn the call over to Mr. Jagannathan in India. Please go ahead sir.

Shankar: Ladies and gentlemen, a very good day to you all. My name is Shankar and I am based in Bangalore and along with Sridhar based in Santa Clara, we handle the investor relations for Wipro. We thank you for your interest in Wipro. It is with great pleasure I welcome you to Wipro's teleconference post our results of fiscal year 2000-2001. We have with us Mr. Azim Premji, Chairman and Managing Director; Mr. Suresh Senapaty, Chief Finance Officer who will comment on the results of Wipro for the fiscal year ended March 2001. There are joined by Mr. Vivek Paul, Vice Chairman; Mr. P.S. Pai, Vice Chairman; and Mr. Suresh Vaswani, President of Wipro Infotech; and members of the company's Senior Management will answer questions which you may have. The conference call will be archived and the transcript will be available in our Web site www.wipro.com.

Before Mr. Premji starts his address, let me draw your attention that during the call we might make certain forward-looking statements within the meaning of the Private Securities Litigation Reforms Act of 1995. These statements are based on management's current expectations and are associated with uncertainties and risk which could cause the actually results to differ materially from those expected. These uncertainties and risks are being explained in detail in our filings with the Security Exchange Commission of United States of America. Wipro does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of filing thereof. Ladies and gentlemen, Mr. Azim Premji, Chairman and Managing Director, Wipro.

Azim Premji: Good morning to all of you all and good afternoon to some of you. Your board of directors in the meeting held this morning, approved the accounts for the year ended March 31, 2001. Revenue for the year grew 35% to Rs. $31 billion, equivalent of $662 million. Operating income grew by 102% to Rs. 7.2 billion equivalent of $153 million. And net income grew by 106% to Rs. 6.46 billion equivalent of $138 million, excluding the one-time gain of Rs. 412 million equivalent of $9 million in the previous year comprising issuance of stock by affiliate Wipro Net Ltd. to a minority shareholder.

Wipro Technologies, Our global IT services business grew their revenue by 73% to Rs. 17.79 billion equivalent $380 million and operating income by 108% to Rs. 6.02 billion, $128 million. Wipro Infotech, our Indian IT services and product business grew operating income by 76% to Rs. 764 million, $16 million. Revenue was flat in consumer care and lighting at Rs. 3.2 billion, $69 million, and operating income was Rs. 389 million, equivalent $8 million. Other segment, had a revenue of Rs. 1.32 billion, equivalent of $28 million.

Salient features of the performance in Wipro Technologies, our global IT services business for the quarter is 6% sequential growth in revenues and 14% sequential growth in operating income. A margin expansion of 260 basis point from 33.7% to 36.3%. Vertical showing strong growth including R&D services contribute to 54% of the overall revenue, up 4%. And embedded systems contributing 20%, up 3%. In enterprise solutions retail and utilities increasing their share by 4% to 18%.

We've seen all-round growth in clients. Accounts over $5 million run rate grew from 19 to 22, and greater than $1 million grew from 48 to 54. Three new accounts added in the quarter with a billing in excess of $0.5 million of the 32 accounts added. On de-risking front, we have made substantial progress. US accounts for 61%, Europe 31%, and Japan 7%. We have reduced dependence from US by 3% points. On customer concentration, the top customer accounted for 9%, top 5, 27%, and top 10, 43%. Contribution from GE drops from 6% to 3%.

On the margin front, expansion is due to sequential growth in pricing of 6% for onsite and 7% for offshore. Offshore revenue increased by 2% points to 50%. This was partially offset by utilization drop of 1% in both gross utilization and net utilization to 62% and 70% respectively. We added net 444 employees during the quarter. Receivable number of days has improved from 64 days to 62 days. Provision for doubtful debts has declined to 0.4% of revenue from 0.6%.

The highlights of performance in Wipro Infotech, our Indian IT services and products business for the quarter are 88% sequential growth in revenue and 102% growth in operating income, a margin expansion of 60 basis points from 10.9% to 11.5%. On gross sales basis, that is including the sales that did not pass through our books as we have accounted only for services revenue. Revenue grew by 37% this year over the previous year. On sales without considering the (past two) revenue and excluding peripheral sale, the growth was 21% year-on-year. In our services business, facilities management and systems integration were the key contributor to growth.

Services coupled with newly launched solutions business contributed to 22% of revenue and 33% of operating margin. In the products business, the margins expanded significantly through focus on high-end enterprise products and increased volume. Receivable number of days has improved from 77 days to 63 days.

In consumer care and lighting, the toilet soap business grew by 14% and lighting products by 17%. This was offset by a drop in Vanaspathi sales of 41%. The revenue growth in high margin business of toilet soap and lighting products that has offset low margin business of Vanaspathi is not reflected in the operating margin growth as we have invested in advertisement and sales promotion. An increase of $60 million, equivalent to $1.3 million over the previous year.

Our investments have realized Rs. 231 million for the year at an average yield of over 10% for rupee denominated debts investment and over 5% for dollar denominated debt investments. Majority of the cash surplus we have is from the ADR proceeds which we did for strategic purpose of building a global brand providing dollar denominated stock options to our employees and creating a currency for acquisition. Our branding-building exercise has got off to a good start. Our price realizations have improved significantly over the pre-ADR days. We have a team for acquisition in place since August 2000. We have evaluated a number of companies. The positive factor is that we did not do a deal. Given what has transpired in the US markets, which you are well aware of, we are better off for not having done any deal. A gain has been the significant knowledge on due diligence that we have built up. Going forward, our intentions are clear. And we believe no deal is better than a bad deal.

Looking at the year ahead, US economic slowdown has put our target customer base of Fortune 1000 companies under profit pressure. This provides us with an excellent platform to demonstrate or value add to them in enhancing their profitability. We do have an attentive audience. Our demonstrated technical competency and quality process de-risk the customer in the efforts to enhance their profitability. We are confident that India will gain market share. On our part we plan to increase the sales team from the current size of 70 to over 100 within the next six months.

On the utilization front, we had gross utilization of 66% for the year. That is people billed divided by the total number of employees on our payroll in the business including support staff, trainees, and sales and marketing team. This stands unchanged from the level of utilization of 66% we had in the previous year. From a quarter-on-quarter perspective, the utilization was 62% compared to 63% for the quarter ended December 2000. The 1% drop in utilization during the quarter was offset by the profit improvement plan we had implemented. The profit improvement plan we have initiated is based on 6-sigma quality process and extensively leveraged the Web and reverse options. Our 6-sigma quality projects focusing on costs have realized savings of Rs. 315 million, $7 million for the year.

Most of the saving in our global IT services business centered around improving productivity. For example in Java projects, for coding, and unit testing phase, the project developed and identified tool by which the testing time was reduced from 10-person hours to 30 minutes. The benefit of improved productivity was passed onto the customer. This is the type of solutions that the customer in the current environment wants. We will intensify the activity level on this going forward. Using reverse options for procurement services, using our 01 market place, we realized saving of Rs. 23 million equivalent of $0.5 million, on purchases of 253 million, $5 million for the six months that 01 market operated. Procurements were of IT products, steel and cement for building our development centers. The gain is computed with reference to the best price we had negotiated using conventional procurement. We will expand the items procured using 01 markets.

Corporate audit in team with business units identified and realized Rs. 127 million, $3 million of profit improvements during the year, of which Rs. 67 million, $1.4 million was a one-time gain. Our continuing profit improvements plan will be countered margin pressures.

On people cost, in October 1999 we linked a portion of salaries to quarterly operating margins for each of the businesses. Today, around 15% of the manpower cost is linked to operating margins up from below 10% in 1999-2000, a trend we will continue aggressively. This provides a direct link for employees to share in the rewards and risks of business operations based on cash flows of the business. Industry data for the year is not available as of now. Based on our estimate of industry performance, we believe that we have grown ahead of the industry in our strategic business segments and we have achieved operating margins comparable to the best in the industry.

Looking forward, predicting the future is not a science anyone has perfected. We anticipate that we will grow ahead of the growth rates for Indian software exports. I will request Suresh Senapaty, our CFO to share some highlights of our assets position before we take on questions.

Suresh Senapaty: Thank you Mr. Premji. A very good morning to all of you in US and a very good afternoon to all of you Europe and a good evening to all of you in Asia. I will touch upon an accounting policy change made during the year and a few aspects of our financial statement before we take on questions.

First, in our Indian IT services and products business to comply with the revenue recognition norms prescribed by the staff accounting bulletin 101 which is effective January 01, 2001, on revenue recognition for sales where payment is linked to installation. We had two options: A) Deferring the entire sales. B) Deferring the portion linked to installation where ever installation has not been completed as of the yearend. We have opted for the more conservative practice of deferring the entire sales. Therefore, Rs. 370 million, equivalent of $8 million was deferred which has a profit impact of Rs. 59 million that is $1 million, not being recognized as of March 31, 2001 as sales and profit respectively.

In our Indian IT services and product business, sale of product directly by the principal to the customer on which we receive revenue for installation and integration is reclassified as service from the earlier practice of classifying them as products. This reclassification has been affected for the prior years for which revenue is reported. Internal capital employed for the year for the company is 34%, comprising of global IT services 78%, Indian IT services and products 71%, and consumer care and lighting 46%. ADR proceeds raised are invested in short-term money market instruments in United States. We will be happy to take questions now.

Operator: Thank you gentlemen. Today's question and answer session will be conducted electronically. If you would like to ask a question you may do so by pressing the star key followed by the digit 1 on your touchtone phone. We will proceed in the order in which you signal as long as time permits. Again, if you would like to ask a question it's star one on your touchtone phone. We will first go to Robert Austrian with Bank of America Securities.

Sandeep Rao: Hi. This is Sandeep Rao from Bob Austrian's office. Quick question on the obvious US slowdown, the impact of the likes of Nortel and Cisco firing so many people. So what is the impact on Wipro relationship with these people. And question number two is regards to guidance, you said faster than Indian software. The Indian software industry recently changed estimates to 40% to 45%. So, I am assuming you are guiding to a 50% growth. Thank you.

Azim Premji: I will request our Vivek Paul our Vice Chairman to take this question.

Vivek Paul: I think that – let me first talk about the telecom company that you mentioned, laying off people and the impact. We created a business unit in October called Telecom and Internet working, which basically was a business unit that serves all the telecom box makers. That business unit grew in the last quarter and we expected to grow in this coming year because of the portfolio of the box makers we work with. For example, Nokia actually grew their engagements with us. And so, I think that as we look out, certainly we see that there will be a shuffling in terms of some customers growing, some customers staying flat, or maybe even declining. But in aggregate that portfolio will continue to grow.

To answer your question about the US economic slowdown, I don't think any one of us has a significant crystal ball. I think that it will take its course through over the next few months. And I think that we continue to expect, as we said in our guidance to grow ahead of the industry. As you rightly said, the association for Indian software, NASSCOM had put a growth rate estimate out of 40-45%. Our guidance is that we are going to grow ahead of that. I think that's what you expect of Wipro and that is what we'd like to able to do that regardless of the industry environment out there, we would like to grow ahead of industry. The number 50 is not what we communicated. We communicated that we would grow ahead of the industry.

Sandeep Rao: Thank you.

Operator: Our next question comes from Michael Sherrick with Morgan Stanley.

Michael Sherrick: Hey, good morning and thanks guys. Just a followup on the prior question. You know, the forecast that exists out there for the industry growth rate in many cases were put out prior to the slowdown that we have seen first in the US and now starting to takeover Europe. How reasonable, based on what you see today, do you think the industry growth rates are for the rest of this year and then into 2002?

Vivek Paul: Mike, Vivek here. The forecast that I am referring to was put out only a few days ago.

Michael Sherrick: Okay. And what is the assumption in that forecast relative to where it was before?

Vivek Paul: The earlier forecast was 50%, 52% growth for the year and it has now been lowered to 40-45%.

Michael Sherrick: And as you look at what you are seeing in the US across verticals, do you, do you think the market share gains that you can achieve and other providers in this space can achieve will enable the export number to reach that type of level?

Vivek Paul: That's right. Because if you look at, you know, I can't speak for the others. But if you look at what is it that gives us confidence in terms of being able to stay ahead of the market. I think that first of all, if you look at the numbers, we have continued to have a very strong business unit embedded software, as well as the newly launched technology and Internet service provider business as of October. So as you look at our technology business, I think that we have on the one hand, the box makers, which we said as a portfolio we can grow. And then some nice upsides on the embedded systems and the telecom and Internet service provider business. Just a brief aside. Those two embedded systems and TISP became 23% of our total revenue in the fourth quarter.

In terms of pricing, we also see - we saw some good movement in the fourth quarter not because we re-negotiated prices in the fourth quarter. But as we have been negotiating contracts over the entire year, we entered the fourth quarter and are leaving the fourth quarter at an average 8% higher price productivity than the average for the year. So, in other words, if we did nothing, in terms of raising one more cent on pricing, we would still have 8% revenue productivity for the year.

And the third is on the enterprise side. We see no reason why we should expect our business to not grow as fast as the market. So I think that these are the factors that we continue to see as being bullish for us. One other element that I would add is that and again linked to our revenue diversity, is that we have a very strong presence in Europe and Japan. Europe for the first time crossed 30% and is now 31% of our total revenue and Japan is at 7%. So I think that between the business line diversity and the geographical diversity as well as I mentioned earlier, coming in with a nice price position, I think that we are expecting that we would continue to grow ahead of the market.

Michael Sherrick: And can you also - as you talk about the pricing year-to-date that you have achieved? Can you talk a little bit about new projects that are coming in and what you are seeing with regard to pricing there?

Vivek Paul: If you look at our new project pricing, we continue to see a nice price increase relative to our average pricing. I will see if we have the number offhand. But if you look at - if you look at did we face any adverse pressures in terms of in the fourth quarter, I don't think that we have discounted any deeper than we would normally do. And if you look at our overall pricing, in the first quarter our sequential pricing increase was 8%. So if you look at the percentage of revenue over our cutoff price, for offshore in the first quarter was 8%, second quarter was 12%, third quarter was 16%, fourth quarter was 18%. So that is a good way to take a look at it as, you know, percentage of our business that was above our floor price.

Michael Sherrick: Okay. And one last one, and that is you know, can you just talk a little bit about the competitive environment? Who do you see yourself competing with today? And where do you see the sort of biggest threats coming from, from a competitive perspective?

Vivek Paul: I think that if you look at who we find ourselves most against. It is IBM and Accenture, simply reflecting the size of their presence in the United States and European marketplaces. I think that in terms of any changes in competitive threats, I think that as part of the slowdown, US companies and European companies are looking more to Indian companies as being a provider of the offshore model which provides quality and cost savings. When they come to us specifically for the offshore model, effectively they are putting all the Indian companies in one bucket and so as a result, we are seeing more RFP kind of business and more competition with the Indian players.

Michael Sherrick: Okay thanks. Congratulations.

Vivek Paul: Thanks Mike.

Operator: Once again, ladies and gentlemen, if you would like to ask a question, it is star 1 on your touchtone phone. We will next go to David Lu with Strong Funds.

David Lu: Hi gentlemen. In your press release, you showed that there was 6% sequential growth in revenue in this quarter and also a pricing increase of about 6-7% also on a sequential basis. If that is the case, does it mean that you didn't really have much of a volume increase in terms of billable hours.

Shankar: My name is Shankar. If I can clarify on that. For the last year, for the last quarter of the last year, we had a subsidiary which was Enthink operating out of US in the semiconductor IT space which had a sales which was formed part of Wipro Ltd.'s account. In the current year, the operations in that company is almost close to negligible due to which you are not seeing growth in terms of growth being at about 6% as compared to 6-7% sequential growth rate. If you were to ignore the subsidiary which has been consolidated and look at global IT service business as an independent operation, the sequential growth is 8%. The second factor that affects in terms of volume growth is we have had a shift in terms of offshore - revenue moving in favor of offshore as compared to onsite. So the increase in volume that is there in the business does not get reflected in terms of top line revenue growth.

David Lu: Can you tell me what the increase in billable hours was in the March quarter versus the December quarter?

Shankar: See, in terms of the for the full year of 2000-2001 of our growth, 14% came from pricing, 6% came from rupee depreciation. We had 36% increase in terms of offshore billing and 12% increase in terms of onsite billing.

David Lu: Thanks. Another question is in terms of pricing increase, chairman. It's good that you were able to increase it by about 8% in the last quarter. How about going forward? What kind of pricing increase are you now projecting given the tough environment in the US for the last nine months of this year?

Vivek Paul: I think that if you heard part of my answer earlier, if we did nothing right now, just pricing that we are exiting the quarter with, relative to the average pricing for the last year, we have an 8% benefit. So I think that even if we raise no prices from here on out, I think that is something that we feel pretty comfortable about.

David Lu: Okay.

Operator: Once again, it's star 1 to ask a question. We will take a follow up from Robert Austrian with Bank of America Security.

Sandeep Rao: A quick question on visibility. In the past, you guys have said that you know have visibility in the next six to twelve-month timeframe of about 50% of revenue. Given all the rate increases and other things that are happening, what is that visibility at now? And part two of the question is, what are the absolute onsite and offsite rates as of this quarter, exiting this quarter and the blended rate?

Vivek Paul: Okay. Well, let me answer first on the visibility. I am just not a believer in that number at all. I don't know what it means if you say 50% visibility for the year versus 55% visibility. Because we are talking about growth here and customers can easily shift projects, delay them, accelerate them, etc. I don't understand how anybody, I don't think anybody is signing up projects today with the certainty for the third, fourth quarters. I am not sure I look at that. I look at business from that perspective. So I don't know where you got that statement that Wipro made about 50% visibility. But I think that the visibility that you have to judge is what do you see as indicators that assure you of a guaranteed revenue stream. And let me just give you a few variables. Repeat business from customers was 85% for the quarter, 91% for the year. Business from dedicated development centers which is ones where our customers have invested was 58% for the quarter, 59% for the year. Customer engagements in excess of million dollars which is where we have some hold, so that the customer consolidates vendors we tend to be the winner, accounted for 85% of our business. And finally offshore revenue which means customers having invested in going offshore with us was 50% of our business. So I think that these are the things that give us confidence that we have a good strong revenue stream.

In terms of your second question about billing rates. If you look at the price realization for offshore as we exited the fourth quarter, it was $4,121 per man-month. For onsite it was $10,096 per man-month.

Sandeep Rao: All right. Can you give me. You gave the 50% offshore onshore split, 50-50 was in revenue terms or was that in effort terms.?

Vivek Paul: That was in revenue terms. In effort terms, 21% of our work was done onsite and 79% offshore.

Sandeep Rao: Okay. Thank you.

Operator: Our next question comes from Lia Levenson.

Lia Levenson: Hi guys, congratulations on the quarter. I have a couple of questions. In terms of, you know, all of these customers that you have and you have dealt with, for example, Cisco are talking about setting up centers in India. What's your sense, is that changed it all, given that they are laying off people and shutting of the centers?

Vivek Paul: Actually, we have had examples of two different things. I think, one is we have had examples of some customers actually, you know, going out and closing Indian Development Center. For example Aspect, which is now part of I2, closed their India Development Center. I think that the head count that sits on a company's payroll gets more visibility, whereas an outsourcer like us in terms providing offshore projects is a cost management initiative. I think it is too early to tell, Lia. But I think we are seeing some trends in that direction.

Lea Levenson: what is the status of the GE contract now?

Vivek Paul: GE declined to 3% of our revenue this quarter. We expect that in this coming quarter it will be 1% or less than1% and about $1 million. So as you can tell GE contract is pretty much winding down.

Lea Levenson: Given that there is so far slowdown in the US and some of your competitors have started to comment on the possibility of giving discounts or going below their floor rate price, if they can get volume. Is there any possibility that you are going to start looking as this is an avenue and maybe start working with GE or somebody else that is below your floor rate in order to get the volume?

Vivek Paul: Let me talk a little bit about the factors that push us forward again. Let me first start with, you know, if you looked at what are the things that would cause you to discount. One would be that GE, you know, you have a higher bench on a low utilization than you planned. If you look the cost of the incremental bench between a target 70% utilization on a gross basis and the actual 61%, that is 1.5% of sales as an extra cost. We have more than made that up in cost management initiatives alone. So internally we are creating no pressure on our teams to discount. In addition, if you look at the competitive environments we are in where we are primarily still competing against US companies, I think again we still have the head space. I think that the factor that drives us to have a pressure in discounting is that if we have a continuing trend from our customers that puts all the Indian IT companies in one bucket and has us compete much more aggressively with each other. So I think that as I have said earlier, you know, it is tough to call exactly which were the things are going move. But the thing that gives us some level of confidence is all the hard work that we already did in the last year that resulted in continuous price increases over the year that gave us a exit price from the fourth quarter that is higher than the average price.

Lea Levenson: And how much of that was actually negotiated in the fourth quarter. Of the contracts that you negotiated in the fourth quarter, what was the average increase that you saw?

Vivek Paul: You know, Lea, I don't think we negotiated many contracts in the fourth quarter. I think that the last big contract negotiations we had were during the third quarter.

Lea Levenson: I have just one more question. In terms of the cancellation rates can you give us some color on whether that has been running up, down, you lost, is anybody canceling contract, deferring?

Vivek Paul: I would distinguish between deferment and cancellation. First of all, we have had really no contract that has been canceled. But one that sounds like it has been canceled because the customer told us it has been deferred indefinitely. So I will count that as a cancellation. But that's it. There is only one project that is in that category. Pretty much all the other projects that we were counting on for the last quarter but didn't happen were projects where the customer said, you know in this uncertainty I don't know which way we are headed in terms of spending, in terms of which projects are a higher priority. So I think that I don't have a financial enumeration in terms of how many millions of dollars. Because as you can imagine every quarter you always count on more than you really think you will do and then some slips happen. And I think that this quarter perhaps more happened. So it is tough to figure out which ones would happened in the normal course of business, which ones happened as part of the slowdown. But we have not seen any cancellation except for one project. And in at least one of the instances, a customer that deferred the project has now restarted their discussions in terms of starting the work.

Lea Levenson: And this was in new contract or an existing contract ?

Vivek Paul: The one - the customer that actually are restarting their discussions is a new contract.

Lea Levenson: And actually, can I ask one more question.

Vivek Paul: Sure.

Lea Levenson: What is your utilization like onsite?

Vivek Paul: It is a 100%. We do not keep an onsite bench. That is the power of the Indian offshore model.

Lea Levenson: Then what happens to the people that are working out it the US? You just shift them back home if there is no longer need for them or are all temporary assignments or do you actually relocate people and their families?

Vivek Paul: Well, you know, if you look at our business, you know, primarily our business is such that people who are onsite are there on a defined term and are on H1B visas and very few of our people are permanent technical onsite people. I could probably count them as under 20 I think. So I think that when you have a situation where a customer says that I don't need an onsite staff, they come back to India. The way that we pay compensation to our onsite people also consists of an Indian salary component and what we call an onsite allowance. So automatically when they fly back to India, we do not pay that onsite allowance. So I think that this system works pretty well. This not any different than we would have had before this economic environment and it is working pretty well.

Lea Levenson: Thank you.

Operator: We will take a follow-up question from David Lu with Strong Funds.

David Lu: Hi, Vivek. Earlier you mentioned about the industry growth rate of about 30-35% and NASSCOM a few days ago, talked about 40-45%. Could you reconcile with these much two much higher rates with what Infosys said two weeks ago of about 25%?

Vivek Paul: You know, David, I could not do that. I don't know the workings of Infosys and I don't know, you know, what crystal ball they use. So I am afraid I can't help you with that one.

David Lu: Okay, but your revenue growth rate that you mentioned earlier, is that you said that would be higher than the industry growth is much higher than what they are forecasting. And you are aware of that I presume?

Vivek Paul: Yes, I'm aware of that. As I said, I don't have the same data that they had to call something much lower. All I can go by is the fact that we have a diversity of business whether it is technology and enterprise or US, Europe, and Japan that I think gives us a little bit more stability. But I really can't comment on their numbers.

David Lu: If we look at your sequential growth in this quarter versus the December quarter, I am looking at here about 6 to 7% right?

Vivek Paul: As Shankar said, 8% if you remove the Enthink factor.

David Lu: Okay 8%. So basically if we grow it for four quarters at 8% on a sequential basis then you will get something around 35%?

Vivek Paul: 36%, yeah, you are right. You do get 36% as you roll that out. And I think that our expectations are in terms of a quarterly phasing, we would probably see another quarter, maybe even slower for the next quarter. And I think that then the things would start picking up. And as I said earlier, many of the project deferments should start kicking in. So I think that we would expect not a, you know, just an average 8%, 8%, 8%. And you have to recognize also that for next quarter, we will see the final ramp down of the GE contract. And finally I will be able to stop saying GE in these quarterly calls.

David Lu: Okay. So basically you are saying that there would not be a linearity in terms of this revenue growth in the next three quarters. But for the next quarter which is the June quarter, you will see something like flat revenue versus this March quarter?

Vivek Paul: You know, I don't want to try and pick a number here. But I think it's better than flat. We will grow. I think that we will swallow the last of the GE contract ramp down. Our technologies businesses in terms of embedded and service provider business will continue to power their way through. And I think we are going to begin to see some unfreezing of the deferments.

David Lu: Okay, and then so you are expecting some compensation in higher growth rates for 3Q and 4Q?

Vivek Paul: That's right.

David Lu: Thanks.

Operator: We will now return to Robert Austrian with Bank of America Security.

Sandeep Rao: Vivek, followup on what you had said earlier. I will repeat what I think you said. So correct me if I am wrong. Is that the percentage of businesses above floor prices in Q1 through Q4 was 8%, 12%, 16%, and 18%. Is that correct?

Vivek Paul: That numbers I gave you was for the offshore rates. I can give you the numbers for onsite as well if you would like?

Sandeep Rao: Sure.

Vivek Paul: Onsite was, first quarter 14%, second quarter 21%, third quarter 30%, and fourth quarter 29%.

Sandeep Rao: Now this incremental because how can this number come down from 30% to 29%. So you are losing people under the floor price, is that?

Vivek Paul: No, it just says that in the third quarter 30% of our business came in at above floor and in the fourth quarter the new business that came in, 29% came in above floor.

Sandeep Rao: These numbers apply to new business and not the total clientele across the existing customer base. Is that right?

Vivek Paul: That's right. This is for new business.

Sandeep Rao: And you were on a campaign to re-negotiate prices with all existing customers to bring them above floor or drop them? So how many of those existing people are back up, rather above floor now or how many have you dropped?

Vivek Paul: No, I don't think we ever had any ambition that we would move everybody above floor. Especially, since if you look at our average, it is well below our floor. Or drop them because then we will be having a very different revenue profile as the floor keeps changing. I think that the best parameter there is to take a look at our total pricing performance on a year-on-year basis. And I think that is pretty healthy. It is 18% for offshore and 22% for onsite on a total basis. Q4 versus Q4 a year ago.

Sandeep Rao: I missed the last part I think the call is slightly echoing in my ear here so.

Vivek Paul: If you look at the pricing quarter ended March versus quarter ended March a year ago, onsite was 22% better, offshore was 18% better. So that is a combination of new contracts and existing business, existing business being 85% of the mix.

Sandeep Rao: I see. So year over year this is the percentage price increase?

Vivek Paul: That's right.

Sandeep Rao: All right, thank you.

Operator: Gentlemen it appears there are no further questions at this time. So I will turn the conference back over to you for any additional or closing remarks.

Azim Premji: Thank you for this conference, thank you for your questions. Good night to most of you all and a good morning to most of you all.

Operator: Thank you Ladies and gentlemen that will conclude today's conference call. We do thank you for your participation and you may disconnect at this time.