WIPRO
CONFERENCE CALL
20 JULY, 2001 (11:30 AM)

Moderator: Good morning Ladies and Gentlemen, I am Prabhu, the moderator for this conference.

Welcome everyone to Wipro's Q1 results teleconference for the duration of the presentation all participant lines will be in listen only mode. I will be standing by for the question and answer session. I would to like to hand over to Mr. Azim Premji. Thank you and over to Wipro.

Shankar: Ladies and Gentlemen, a very good morning to you all. My name is Shankar, I am based in Bangalore. Along with Sridhar based in **Santa Clara,** we handle the investor interface for Wipro. We thank you all for your interest in Wipro. It is with great pleasure, I welcome you to Wipro's teleconference to post our results for the quarter ended June 30, 2001.

The results being discussed are as per the consolidated Indian GAAP accounting. 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 quarter ended June 30, 2001. They are joined by Mr. Vivek Paul, Vice Chairman, Mr. P. S. Pai, Vice Chairman, Mr. Suresh Vasvani, President of Wipro Infotech, and members of the company's senior management who will answer the questions which you may have. The conference call will be archived and the transcripts will be available on our website, 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 project, Private Securities Litigation Reforms Act of 1995. These statements are based on the management's current expectations and are associated with uncertainties and risks, which could cause the actual results to defer materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with the Securities 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 there on. Ladies and Gentlemen, Mr. Azim Premji, Chairman and Managing Director, Wipro Corporate.

Azim Premji: Good morning to all of you. Just let me introduce our team members who are present here, there is P. S. Pai, the Vice Chairman, there is Vivek Paul, who is our ViceChairman and Chief Executive Officer of Wipro Technologies, which is our global IT services business, there is Suresh Vasvani, who is our President of Wipro Infotech, which is our domestic IT services business, there is Suresh Senapaty, who is our Chief Financial Officer, there is Shankar who is our Corporate Treasurer and In-charge of Investor Relationship, and there is Vineet Agrawal, who is our Corporate VicePresident in-charge of quality, in-charge of brand and in-charge of the company-operation level or innovation initiative.

Today early in the morning your Board of Directors approved the accounts for the quarter ending June 30, 2001. The results we will be discussing in this teleconference is based on consolidated Indian GAAP financials.

The results for the quarter went ahead of our internal plan: Revenue for the quarter was 7.98 billion, a growth of 28% over the corresponding quarter of the previous year. Operating margin was Rs.2.05 billion, year-on-year growth of 70% and profit after tax at Rs. 2.14 billion, year-on-year growth of 97%.

Our outlook: A question that has frequently come up is, how is the IT slowdown and telecom meltdown going to affect Wipro? Are we still confident of growing faster than the market? We are not immune to the market forces, but continue to retain confidence based on a three pronged approach and a three-pronged strategy:

1. Address a larger market and compete with global players where our offshore delivery will enhance our margins instead of playing the rate war in a smaller addressable market that Indian companies have historically focussed on. We are addressing the $100 billion systems integration and technology infrastructure market in Wipro Technologies, and the growing Asia Pacific and Middle East market in Wipro Infotech.
2. In terms of our approach, 6-sigma operational audit teams and e-procurement are the tools we have used to prevent margin erosions**,** in fact grow our margin. We have the experience of managing domestic business in downturns when the competition gets intense. The periods of downturns, our experience shows, that addressing cost efficiency is the key to emerging stronger from the downturn.
3. We are focussed and grown price realization, both sequentially and year-on-year this quarter. This has resulted in a drop in volume for this quarter in Wipro technologies. This drop is a result of our strategic choice, that I would like to emphasise. There is a time lag before the volumes start to pickup again. I am very happy to share with you that yesterday evening we concluded a global systems integration business with a contract of $70 million from a telecom subsidiary of Lattice Group plc., a **FTSE** 100 company. This contract is a part of the Lattice Group’s previously announced investment for British Pounds 460 million in the construction of a national fiberoptic backbone network in the United Kingdom. This project is recognition of the competency that Wipro has built in the telecom space, and comprehensive skill sets covering systems integration to infrastructure support. This project win positions us as the only leading global service provider with offshore delivery capability to compete and win against the big 5 in large projects. Although the project will largely generate revenue in the second half of the year, we still expect revenues in excess of USD 30 million for this fiscal year, ending 31 March 2002. This opens out a whole new market, not only for Wipro but also for the Indian software industry.

Let me now summarize results for the quarter of Wipro Technologies. For the quarter Wipro Technologies, our global IT services business, grew their revenues for the quarter by 46% year-on-year to 5.21 billion, and profit before interest and tax by 70% to Rs. 1.9 billion. The highlights of the results for the quarter are:
Operating margin increased from 31% a year ago to 36% for the quarter. In Wipro Technologies, increase in price realization for the quarter was 15% for offshore work and 16% for on-site work year-on-year, and on a sequential basis price increase was 3.4% for offshore work and 2.6% for on-site work.

Customer added during the quarter had price realization in excess of 20% of the average realization, for both on-site and offshore. We added 25 new customers during this quarter in Wipro Technologies, 15 of these customers were in the R&D space. Geography wise 16 customers were in the US, 5 in Europe, and 3 in Japan of these 25 customers. Despite the slowdown in the market, our new account generation remained consistent with the historical trends.

Operating margins: Margin expanded from 31% in quarter ending June 2000 and 35% in quarter ending March 2001 to 36% margin for the current quarter, the highest in the industry. This was the result of a 3% price increase sequentially and our initiatives on cost management where we have seen some early results in this quarter. This was partially offset by lower utilization of 2%. Offshore revenue at 50% was at the same level as in the quarter ending March 2001, an increase by 3% compared to the quarter ended June 2000.

Volumes: On the volume front, sequentially we saw a decline of 4% in offshore and 5% in on-site man-months billed. The reduction is primarily due to decline in business from GE and decline in clients from computing platform and telecom equipment manufacturers. Contribution from dotcom companies was 0.4% of revenue and contribution from technology startups 4.1%.

Vertical split: R&D services business contributed 52% of the revenue, up from 48% in the quarter ending June 2000. Telecom and internet working contributed 30%. Embedded systems and internet access devices 19% and telecom and internet service providers business 3%. Enterprise solutions contributed 42% with retail and utilities vertical growing sequentially by 1% to 19%. Technology infrastructure services contributed 6% of the revenue compared to 4% for the quarter ended June 2000 and 5% for the quarter ended March 2001.

Geographical split: In terms of geographical distribution and geographical split, Europe contributed 33% of revenue, up from 27% a year ago and 2% for the quarter ended March 2001 when we were at 31%. US contributed 60% of revenue; contribution from Japan was at 6% compared to 7% for the quarter ended June 2000. Our European business grew at a sequential growth rate of 7%. The sequential decline in contribution from Japan is primarily due to the annual phenomenon of April-June being the first quarter of their financial year.

We added 25 new accounts that contributed 2% of the revenue. Clients added in Q4 of 2000-2001 contributed 3% of revenue, and clients added in fiscal year 2000-2001 contributed 12% of revenue for the quarter. Our new client addition is in line with the trends seen in earlier quarters in the previous years, in terms of both numbers and new business generated.

I would now like to talk something about Wipro Infotech Q1, is traditionally been a slag quarter, that is because of the way the market is distributed in India in terms of quarter to quarter phasing. Wipro Infotech represents our India and Asia-Pacific IT services and product business, which complements our global IT services business to make us a comprehensive IT company globally, continued its dominance in the domestic market. Q1 is historically a slag quarter, as revenue in the Indian IT services and products is skewed towards the fourth and second quarter of the fiscal year. This reduces the relevance of sequential growth numbers. Wipro Infotech our India AsiaPacific IT services and products business, recorded Rs. 1.59 billion in revenue, the revenue grew by 23% for the quarter excluding peripherals business, which was spun off in to separate business as of September 2000. Profit before interest and tax was Rs. 80 million, year-on-year growth of 26%.

Let me say something about the services part of our Wipro Infotech business. Our services business consisting of facilities management, systems integration, and availability services grew year-on-year by 24%, contributing to 24% of revenue. Facilities management factors grew by 151% year-on-year to Rs. 83 million for the quarter. The 01 markets, our e-procurement services that started its operations in the last fiscal year, facilitated procurement of Rs. 438 million, earning revenue of Rs. 10.6 million. The concept of reverse auctions and e-procurement is catching on among Indian corporate. This business had an operating loss of Rs. 4.7 million for thequarter. In our Q1 in AsiaPacific and Middle East market, we had two marquee customers. We started the project execution in the second half of June and their contribution to revenue is not significant in this quarter.

I would like to now cover Consumer care and Lighting quarter results. Consumer care and Lighting business had a revenue of Rs. 759 million and Rs. 97 million profit before interest and tax at 13% operating margin. In Consumer care and Lighting, our strategic interest in toilet soap grew by 10% and lighting products was flat. Operating margin was 97 million, which was 13% of the revenue.

Quickly I will cover the results for the quarter of the other segments: Other segments had a revenue of Rs. 429 million and a loss before interest and tax of Rs. 24 million, compared to a loss of Rs. 78 million in the corresponding quarter of the previous year. Other segments recorded revenue of 429 million, which includes Rs. 168 million of WiproNet, where revenues grew to 36%. WiproNet is included in the other segments, pending the approval of the Karnataka High Court. On obtaining the approval of the High Court, the integration plans for WiproNet with Wipro Infotech will be implemented.

Our cash surplus realized Rs. 207 million for the quarter. Rupee investment had an average yield in excess of 9% and dollar investment had an average yield in excess of 4%. Looking through the quarters ahead, we are actively considering a few candidates for acquisition. At this stage, it is too early for us to communicate anything more precise. You can be rest assured that the expenditure budget of the **M&A teams** is not under the CFO's scrutiny for reduction. While **M&A** team and sales and marketing team remain outside the purview of scrutiny for budget cuts, all other items of expenditure are put through detailed scrutiny and continued to be put through detailed scrutiny. The focus of 6-sigma teams, operational audit teams, and e-procurement is on cost management. In the approach to cost management, the key aspect we consider, before effecting changes, our employee morale, quality enhancements, and customer impact. On the recruitment front, we have deferred the joining days for campus recruits in the quarter ended June 2001. In July, we had taken on all the MBAs we had made offers to. Our hiring plans for the year would be based on business flows and we are confident that all campus offers we have made for the year will be in Wipro sooner than later during this fiscal year. In the meantime, we had provided an access to our internet and e-learning facilities to enhance their skills sets while they wait to join.

On the utilization front, we had gross utilization of 60% for the quarter and the utilization rate on a net basis, that is billed man months to billable man months was at 66%. To utilize the staff not billed to customers, we have launched Operations Bench-Press, which focuses on customer investments, internal projects, training, and innovation initiatives. We have more than a 1000 people involved in this initiative. We have enhanced the sales process in Wipro Technologies significantly by implementing a sales automation process. We have enhanced the number in the sales team by 9 during the quarter and refined the process for prospect selection before we invest in building the customer relationship

Customers added in 2000-2001 accounted for 12% of our revenue for the current quarter and customers added in Q4 of 2000-2001 contributed 3% to our revenue. Our initiative to extend the 6-sigma process into customer relationship effectiveness has been rolled out during the quarter ended June 2001. We have introduced a DMA-DV methodology, which matches the process of capturing customer requirement and delivering against the requirement using techniques like voiceover customer table, quality function deployment charts, pugh matrix failure mode affect analysis, and design of experiments. Illustratively, for a US enterprise customer, by implementing this process, we were able to reduce the average number of defects, post release, by over 80% contributing to enhanced customer satisfaction.

Outlook for the year: Looking ahead, we are confident that we will grow ahead of the industry growth rates. With the large project win in Europe, we expect the growth to pickup from the second half of this current fiscal year. We expect revenue from this project in excess of $30 million in this fiscal year. I will now request Mr. Suresh Senapati, our CFO, to share some highlights of our financial statements for the quarter.

Suresh Senapati**:** Good morning everybody. Thank you Mr. Premji. I would like to take you through some changes in the accounting policies, which are effective this fiscal year and how we have dealt with the same. The key accounting policy which has become effective as of 1st April, 2001 are two, viz., accounting standard 21 on consolidation of accounts and accounting standard 22 on accounting for deferred taxes. For the first time this quarter, as required by accounting standard 21 on consolidation of accounts, we have published this segment wise account in line with the accounting standards. The results in the format prescribed by the SEBI prepared on a quarterly basis are for Wipro Limited only, the legal entity, without any consolidation, hence the accounts prepared in the SEBI format for the quarterly accounts contain results for Wipro Limited. Accounting standard 21 required consolidation of accounts for subsidiaries. This accounting standard specifically requires that investment in joint ventures be stated at cost. Accordingly, in the consolidated accounts, WiproInc, Wipro JapanKK, Enthink, Wipro Prosper, Wipro Trademark and Wipro Welfare, all of which are subsidiaries are consolidated line by line for the results prepared under the segment wise disclosure made during the quarter. Results of WiproGE medical systems, WiproEperipherals and Netcraker are not consolidated and are accounted at cost of investment and only the dividend, if any received, during the quarter are recognized in the consolidated accounts.

In line with the accounting standard 22, accounting for the deferred taxes, impact of deferred taxes computation is made, and the deferred tax asset of Rs. 19 million with respect to taxation in foreign jurisdiction is considered. This deferred tax asset aroused on stock option cost under the Wipro equity reward plus scheme being recognized, which is available as a tax reduction only on vesting of this shares to the employees.

We have accounted for WiproNet based on approval of share holders and creditors, of both the companies as amalgamated from April 01. This is subject to the approval of the High Court of Karnataka. The accounts prepared in compliance with the US GAAP principles, certain new guidance has been provided for classification of expenditure heads, these are guidance on TIPF 2000-10, 00-14, 00-22, and 00-25. Most of them are applicable for the accounting period commencing from January 01, 2002. These provisions also provides for an early adoption. Our financial year ends after January 01, 2002, to facilitate comparison of figures during the quarter and a step towards best practice in accounting we have adopted these standards with effect from April 01, 2001, and accordingly restated these figures for the previous period, to make the financial statements comparable.

Net income computed under the US GAAP is 88% of the profit after tax computed under the Indian GAAP. Reconciliation of the net income computed under the consolidated Indian GAAP and US GAAP is primarily on account of two major items, interest on sale of shares of WiproNet to ICICI with foot and a call option considered as a loan in US GAAP of Rs. 41 million and Rs. 45 million on amortization of goodwill on purchase of shares from KPN in WiproNet.

Going forward from Q2, the interest component will not be there as the loan obligation has been discharged in Q1 itself. And based on the FASB exposure draft on business combination, amortization of goodwill will not be required, if the exposure draft is issued as an accounting standard.

Now, we will be glad to take questions.
Moderator: Thank you very much Sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press "*7" on your touch tone enabled telephone key pad. To withdraw your question, please press "#7." On pressing "*7" participants will get a chance to present their questions on a first-in-line basis. To ask your question please press "*7" now.

Moderator: First in line we have Mr. Dange from CLSA, Mumbai.

Dange: Yes, Good morning and congratulations for an excellent quarter. My question is mainly on the new contract that you have won from the Lattice Group. Could you indicate what went into the decision making process and how was the contract awarded to Wipro, who were the competitiors and that. And secondly, more on the revenue side, what is the component of hardware/software in that, and what do you expect the operating margins to be on such a contract?

Azim Premji: I will request, Vivek Paul our ViceChairman and COO of Wipro Technologies to answer this question.

Vivek Paul: The business was won against one of the largest systems integration houses in Europe and also against one of the global big 4, so the competition there was that the last two was one of the global big 4 and us. The contract was initially, sort of not looked favorably at us, because we had to bridge the credibility gap in terms of doing it for the first time, but a lot of detailed planning, demonstration in terms of being able to prototype and explain how we could do this project, have really helped us bridge this credibility gap. And subsequent to that, the offshore cost advantage really swung the deal in our favor. So, we were able to win it on that basis.

In terms of the mix, if you look at this financial year of the $30 million, plus we expect in this financial year, 18 million of that is from buy/sell of hardware and software, that we will be buying from leading global companies and consulting services that we buy sell, and $12 million of services that we will provide are comfortably within our price range. In terms of the buy/sell we have a reasonable margin, but not obviously the same margins whichyou get on software services.

Dange: Would it be significantly executed offshore or it would be a similar component as your other businesses?

Vivek Paul: I think, it would be a little bit more on-site contract.

Dange: Okay. Second question is actually on the fixed price contract as the proportion has moved up to about 20%, which is a sharp jump from the last quarter, could you indicate some of the customers which contributed to move it into a fixed price basis?

Vivek Paul: Yes, I think that the sister company of this telecom subsidiary, Transco, which is also the subsidiary of the Lattice Group, which is the big customer of ours, have moved much of our business from time and material to fixed price. In addition, we had one major win for this quarter, for e.g. we continue to push this Bechtel, which was a employee portal creation that we wanted to do the fixed price projects. So, we continue to push fixed price projects out there.

Dange: Okay. One last question, basically you have added significant number of clients, but actually the total number of clients, which you were working with, has dropped. Now given that you have never had any high exposure on dotcoms or telecom startups, which are the clients which are lost, and any specific reasons for these?

Senapaty: Other than the dotcom area, we are also pretty much intrenched in the embedded area. Typically, in the embedded area you pickup projects which are not very long term, but shorter term, but you pick up more and more customers and more and more projects. From there also you have a phasing, some customers you get into delivery into this quarter and some you do not. So, these are the two reasons why our overall customer base has not added on compared to the numbers we have actually added on.

Dange: Any specific guidance on the Q2 in terms of volume or prices.

Vivek Paul: I do not think we are giving any specific guidance on the Q2.

Dange: Okay. Thank you.

Moderator: Thank you very much Sir. Next in line we have Mr. Sandeep Dhingra from JP Morgan Stanley, Mumbai.

Sandeep Dhingra: Good morning and congratulations on a good quarter. Could you throw some colour on the 25 new clients you have added. What kind of assignment are these, are these larger big tickets order, or they are still similar starting off small and building up over a period of time?

Vivek Paul: Let me just give you sort of a sample of the projects, the kind of work we were doing and then also the price we can talk about. One example is BestBuy, which we added as a client, where we are going to be doing some package implementation roll outs, and the other one is United Utilities, where we are doing some consulting kind of work, and there it is a sort of higher end consulting work. Another company called Avid which is in the content business, we are doing a net PGA design for them, so that is right at the hardware base. Another one is Bachtel I mentioned earlier, which is a employee jobs portal. Another one is Indigita, which is a company to which we sold 1394 IP. So, really a pretty decent mix of customers. In terms of size of customers, I think that Bechtel was the fixed price project that we won, which was a decent size, but most of the other orders are in the range that we have had earlier which is you start small and then you grow from there.

Sandeep Dhingra: Vivek could you throw some light on the telecom side of the business, obviously that has been much speculated about, and we have also seen numbers that there have been some decline, so any sense of, are there areas which have been more volatile than some of the other areas, how do see this spanning out as we go forward?

Vivek Paul: If you look at this quarter, we really had three sort of forces that were against us. One, which is clearly well known is the fact that this was the last quarter for GE rampdown. So, we had to accommodate that. The second was that, our telecom business in terms of what we do for the telecom box makers, also declined sequentially quarter-on-quarter. And the third is that, we also do a lot of work for computing platform companies, including semiconductor companies, and that also declined quarter-on-quarter. As you saw from the overall results, we were able to make up that in terms of being able to drive pricing as well as new accounts, as well as new initiatives, for e.g., the Lattice Group order that we just won. So, I would say that in terms of the telecom sector, no secret, that's the sector that is going through a lot of financial hardship, we did see a sequential quarter decline. But again, what we were saying was that if you have a bad break, make up for it somewhere else and use the same telecom skills to enter the telecom service provider business, which we are expecting to be a good growth engine for us.

Sandeep Dhingra: Any comments on the price.

Vivek Paul: No, on the price basically, the way they were looking at it is that, we were a little bit dismayed at the earnings announcements from the other companies to see how much how much pricing had come down. We were seeing it in the market place, but were not quite ready for how much we saw in the numbers already. We do not view the pricing as being a strategic weapon, anybody can drop pricing anytime, in fact if you think about it, Wipro is in best position to lower prices, if it came to that, we have the lowest cost structure in the industry, plus with these new wins, we have a lot of flexibility. But that does not get you anywhere. The reality is that there is no price-volume game. Customers do not incrementally out source to India, because they get a 45% saving now instead of a 40% saving. Customer will out source the same thing or for a different reason will outsource. Yes, it can be a price-share game, but that is only short term. Because at the end of the day, people adjust to each others pricing, and pretty soon all that ends up is you have the same equilibrium, just at a lower price point. So, we have shown restraint this quarter, this has been a quarter of restraint, we have paid the price a little bit in terms of volume, but we thought that we should make up for that by going into new areas and new initiatives. In terms of outlook, I think that we continue to be reasonably optimistic, if you look at the new customers that we added this quarter, they were at least 20% above our current average prices. So, that was in a good position. So, we continued to agreed customers at a higher rate. But, by the same token we do not have religion on this side. If it means that we have to lower prices, we will and we can do it better and harder than anybody else can. We just hope we don't have to.

Sandeep Dhingra: Sure, thank you.

Moderator: Thank you very much Sir. Next in line we have Mr. Maninder Gupta from SBI Capital Market, Mumbai.

Maninder Gupta: Good afternoon Wipro management and congratulations on good result. I would like to know what is the breakup on the enterprise solutions side in terms of horizontals and verticals you have given, so in terms of horizontal can you give some breakup of that.

Vive Paul: Yes. If you look at the e-commerce vertical, which is eBusiness and eCommerce, that is about 15%, our global support with the technology infrastructure services is 6%, data warehousing is 2%.

Maninder Gupta: How is ERP segment looking to you.

Vivek Paul: The ERP segments are looking promising, and as you know, we created that as a separate segment on April 01 and that contributed 1% of our revenue in the first quarter.

Maninder Gupta: If I haven't got it wrong, new clients acquired in the last year have contributed around 12% of the revenue, is it right.

Vivek Paul: Yes, that is correct.

Maninder Gupta: But I think, it is lesser than the revenue contribution of these clients in the last quarter.

Vivek Paul: I am sorry, I didn't get that question.

Maninder Gupta: The new clients acquired by you in the last year have contributed about 12% of revenue in this quarter, and these same new clients contributed about 15% of the revenue in March quarter.

Suresh: Last year, in the quarter ending Q4, we had 9% coming from the new customers. The customers that we added in 2000-2001 had contributed 9% of our revenue for the year 2000-2001, and this year we are saying for the first quarter the clients added in the last financial year as well as this quarter combined are contributing to 12% of our revenue of first quarter.

Maninder Gupta: In which of the clients, I mean in verticals, you have been able to ramp up the business.

Male Speaker: Utilities, the telecom internet services space, and infrastructure services.

Maninder Gupta: Okay, thank you very much.

Moderator: Thank you very much Sir. Next in line we have Mr. Trideep Bhattacharya from UBS Warburg, Mumbai.

Mr. Bhattacharya you can present your question now Sir…

We will go to the next person, next in line we have Mr. Chetan Shah from DBS Securities.

Chetan Shah: Congratulations for good results and for bagging a $70 million order in face of global competition. I just wanted to know whether this will be the trend going forward.

Vivek Paul: Well, certainly yes, we would like it that way because once you have done one, you have broken the ice, you have credibility, and if you look at the features it is optical, so that is clearly the area that is going to grow. It is in the telecom service provider space that will come back and it's a large-scale order that shows we have project management skills of a higher level. So, it clearly sets the stage, plus it is in Europe, so once again it sort of helps us there as well.

Chetan Shah: Second quarter is, are you concentrating on the government accounts, because in the uncertain period government may try and pump the economy, so what is your call on that.

Vivek Paul: No, we have not concentrated on government accounts, but I think you made a good point.

Chetan Shah: Another thing was, in the Indian IT services, now you are diversifying into Asia Pacific region as well, so are we going to see some kind of regrouping in the organization.

Azim Premji: No, we have no plans for regrouping in the organization. Asia Pacific comes under our domestic IT services business with leadership under our President Wipro Infotech.

Chetan Shah: What of the e-procurement and reverse auction division, where will it fall.

Azim Premji: The reverse auction division, which is zero-one markets falls under Wipro Infotech.

Chetan Shah: I also was wondering whether in Indian infotech business, do you also do most on B-to-B transaction within the organization, I mean, how are you exploiting the technology there.

Azim Premji: Let me request Suresh Vasvani, who is President of Wipro Infotech to take this question.

Suresh Vasvani: Zero-one markets which we launched last year is focussing as e-procurement services provider in the domestic market. So, we started off in the IT domain, but now we are looking at multiple domains. We work with large customers to help them in their procurement processes by e-enabling them and using methodologies of reverse **auctions** as a starting step.

Chetan Shah: Sir what will be the revenues from that particular activity.

Suresh Vasvani: One of the key objectives of zero-one markets is to drive more and more transactions through the market place, so the revenues in the first quarter has been roughly, the transaction revenue in the first quarter for zero-one markets has been Rs. 438 million while our revenues that we have earned had been roughly 10 million.

Suresh Senapaty: But the other part of the B-to-B which is WiproNet, which is pending merger high court order, is currently classified under others, but going forward, when the integration takes place, it will come under the Wipro infotech.

Chetan Shah: Coming to the consumer care and lighting business, if you can share the latest market share position.

Shankar: What was the question please.

Chetan Shah: What would be the market share in consumer care and lighting business, like in consumer care primarily the toiletries and baby products.

P.S.Pai: There are too many players in the system, so the market share can vary, like in toilet soap, state to state it varies, like Andhra Pradesh, we may be having about 18% market share, in Kerala about 7%, so nationally about 4%.

Chetan Shah: And about lighting.

Male Speaker: Yes, lighting also it varies from state to state between 8% to about 11%.

Chetan Shah: Okay, thank you Sir.

Moderator: Thank you very much Sir. At this moment, I request participant who are using speaker phones to use their receiver while presenting question Sir. Next in line, we have Mr. Anantha Narayan from Morgan Stanley, Singapore.

Anantha Narayan: Hi, good afternoon, this is Anantha from Morgan Stanley. This is a question coming back to the contract from the Lattice group, I guess you would have been negotiating this for a few months, so would it be fair to assume that this was at the back of the mind, when you gave guidance in the last quarter.

Vivek Paul: Not really, because the way that we look at this order is that it is big one and it is binary, you win it or you don't, it is not that you win part of it or half of it, so as a result we really didn't want to include it in the guidance, but at that same time what we do know is that over the year, you have some wins and some losses, so I would say that this order particularly was in the back of our mind in terms of the guidance, but we knew that over the year, we would win deals like this.

Anantha Narayan: Would it be then fair to assume that you are more comfortable now with a full year guidance, what have been other areas of the business which have suffered in the last one quarter.

Male Speaker: Again, as I said earlier, we had a sort of some downsides and some upsides. We had the downsides in the telecom and computing platforms industry, and we had some upsides in terms of wins like this. I think that we are continuing to stick with our guidance that we will grow faster than industry.

Anantha Narayan: Alright, just coming back to the guidance, you said that you are comfortable with the NASSCOM numbers in the past, but unfortunately the numbers are not really static, they keep on moving, so are you sort of still looking at the 40-45% range or you are pegging yourself to whatever numbers NASSCOM comes up with.

Vivek Paul: I think that the reality is nobody has a clear crystal ball in the market environment we are in right now, and many people would rather give you very conservative number as the safe number, what we have said is probably the best way to go with is the industry association number, which is a composite of multiple companies, and we recognize that this quarter they may take it down, next quarter, they may take it up, so clearly not what any of us would like, analyst don't like it, we don't like it, but at the end of the day, what we want to maintain is that we will grow faster than industry.

Anantha Narayan: Just one final question on the guidance. What is the intrinsic assumption between volumes and prices that is behind this faster than industry growth.

Male Speaker: I think that we had guidance last quarter that if we just continue at the pricing at the end of the fourth quarter, we would end up with an 8% price increase over the year and we are seeing nothing that is inconsistent with that.

Anantha Narayan: Thanks a lot.

Moderator: Thank you very much Sir. Next in line we have Mr. Manoj Singla from CSFB, Mumbai.

Ashish: Hi, this is Ashish calling from CSFB. Congratulations to all of you. I have a couple of question, first, on the top line guidance that you explained, you are sort of benchmarking it with the NASSCOM number, Sir if you could also give us the sense of either EBIDTA or EBIT margin guidance, because now that the system integration work that has come in, and out of which as you explained, some of that is hardware/software, which include in you top line number.

Vivek Paul: That is a good question and we are not ready yet to give you the EBIDTA percentage guidance, but it is something that we will take a look at. I think that it is a good question, we are still working through that ourselves, but I repeat what I had said earlier that this project itself does have a mix of $18 million of buy and sell and $12 million of services for this year, and $12 million of services is at consistent margins, $18 million is buy-sell, where we will have lower but pretty decent margins.

Ashish: Sure Sir. On this large value contract which is unique, it appears to me that it is a fixed-price contract, am I correct, and if I am correct what are any potential legal liabilities that you might have taken up.

Vivek: Yes, I think that you are absolutely right on that. We have committed to be able to do this in a fixed-price, fixed-time basis, and as a result we have entered into a commitment with the customer to the extent that, if we do not meet our obligations, there is risk involved, but at the same time we have created a lot of risk mitigation steps as well.

Ashish: Okay. Sir, I was just trying to understand, it will be a very stupid question again, but the 20% increase we are getting from new customers, both offshore and on-site suggest about $30 per man hour offshore is the minimum rate that we have got from the customers added in this quarter, is that correct.

Suresh Senapaty: What we said is that the new customers that we have got they are on an average 20% higher than our last year average price.

Ashish: Last year average price or the current quarter-average price.

Azim Premji: Current quarter-average price.

Ashish: This translates to $30, I am just sort of trying to recheck that minimum we have taken is USD 30 per man hour offshore, because the 20% on 25 is about $30.

Vivek: Right, you are pretty close.

Ashish: Okay. Sir, in these calculations, I just wanted to understand the way you have done it, as we understand the number of top Indian companies are offering some of their people who are on the bench to work with the client and they are not being billed, and this is the phenomenon across many companies on the assumption or presumption that it might be true even here, are these individuals being included in the utilization rate under billing rate calculation.

Vivek: No, they are not. I think that we launched operation bench press, which Mr. Premji talked about in his comments, where we are using employees in the customer facing projects and other things like training, but where we use them, we do not treat them as being billable.

Ashish: Okay Sir.

Azim Premji: Numerator continues to be billed employees, so unless the customer is paying for those billed employees, they do not figure in utilization.

Ashish: I get you Sir. One just last question, this is for Mr. Senapati, Sir, if you could explain the Rs. 100 crores, close to that, increase in other current assets quarter-over-quarter.

Senapati: There is increase in the DSO by 3 days in terms of Wipro Technologies.

Ashish: No Sir, this is actually the other current assets, which is in your schedule for current assets.

Senapati: There are some advances to the, let say, on the loans and advances to suppliers and certain prepaid expenses at the beginning of the year, as a result of which you put money in advance which is to be adjusted against the subsequent quarters.

Ashish: Yes, sure Sir. Thank you very much.

Moderator: Thank you very much Sir. Next in line, we have Mr. Shekhar Singh from Cazenove, Bangalore.

Shekhar Singh: Hi Sir, congratulations on a good quarter. I just wanted to understand that in the telecom domain, the revenue or the loss of revenue, is it happening because of product rationalization by many of the clients or some sort of vendor consolidation, or is it that the new projects are not coming in.

Vivek Paul: Actually, since it is declining, it is not just new projects not coming in, it is product rationalization. If there was to be a vendor consolidation, I think that we would be the beneficiary not the loser in that area, though we haven't seen that vendor consolidation yet, we are seeing the downside though of product rationalization, product line rationalization.

Shekhar Singh: How long do you think will this product rationalization will go on, or like, when do you think the stability will come.

Vivek Paul: I will tell you there are a lot of people who would like to know exactly that for the telecom area. We are seeing, at least right now, that decline continues but my own senses were close to the end.

Shekhar Singh: Secondly, because the percentage of fixed-price projects have increased, are you providing for some sort of provision for the risks that are associated with the fixed-price projects.

Vivek: Yes, we have it as a reserve for warranties.

Shekhar Singh: How much will that be.

Vivek: We haven't communicated that exact number.

Shekhar Singh: Okay, thanks a lot.

Suresh Senapaty: Excuse me Ashish. Let me clarify the point Ashish was asking me in terms of the increase in the other assets. The other assets amount was as of 31 March, 2001, was 276 crores, which has run up to 333 crores, which is like 55 crores increase and not 100 crores increase.

Moderator: Thank you very much Sir. Next on line, we have Mr. Sugit Sehgal from UBS Warburg, Singapore.

Sujit Sehgal: Hi, again, congratulations to the management team on excellent results. We wanted to check a couple of things, initially on the billing rate increase that you have experienced in the quarter, also given the fact that some of the communication customers are on a drop down, can you give us some idea, how is the sustainability of this sequential billing rate increase, is there something peculiar about this or we should take this as a healthy trend.

Vivek: I think, that is the reasonas I said, both in terms of existing customers as well as new customers. I think that billing to me in terms of a forward looking perspective is purely a strategic choice. It purely is a matter of how we see the industry dynamics working. We would like to make sure that we are not losing our position, and so if it means we have to take strategic pricing decisions, we will. We would like not to, as I said, we have exercised a quarter of constraint, but by the same token, we do not want to be stupid about it either.

Sujit Sehgal: Am I hearing it right that you have been experiencing pressure from customers on price, but you have kind of resisted getting into that.

Vivek Paul: No, we have been experiencing pressure from competitors on price not from customers.

Sugit Sehgal: Okay. What has been the exact volume growth this quarter actually, total man months bill.

Vivek Paul: It is down 3%.

Sujit Sehgal: The last question was, you talked about this project bench press, where you are allocating programmers to clients but not billing them, how does that align with your strategy of not playing the price game and sticking by your price levels, why are you talking about not billing them at all, will you clarify the strategy.

Vivek Paul: Yes, first of the volume decline is 4% not 3%, I had the wrong number there. In terms of this, we don't have these employees doing work for the customer for free, what we have instead is they developing prototypes, for example, there projects that customers have told us are not going to start because of funding, we are starting work here on our side to the extent that we know that it is in the pipeline, when the project comes, we are able to get that done quickly and be able to use that revenue factor and things like reusable tools. We do not have any of these employees working gratis in an environment where they would normally get paid, none of them.

Sugit Sehgal: Okay fine, thanks.

Moderator: Thank you very much Sir. Next on line, we have Mr. Chellappa from Kothari Pioneer, Chennai.

Sir, we will move on to the next question. Next question is from Mr. Bhupinder Ahuja.

Bhupinder Ahuja: Hi, this is Bhupinder Ahuja from Duetsche Bank, congratulations on good results. My first question is to Mr. Vivek Paul regarding the enterprise solution side, I note that for most of the other leading companies the financial services and the manufacturing segment grew in double digit sequentially, where as for Wipro it is pretty much flat sequentially, can you throw some light on that, is it that that's not that much of a focus area, or Wipro does not have a critical mass in these areas, and in terms of your new plant additions, if you could also talk about how they are split vertically and in any of these verticals.

Vivek Paul: Okay, I think that if you look at the financial services and manufacturing areas, we have had lower growth, part of it is because again we continued to have that GE ramp down in both those spaces, GE Capital and the GE manufacturing businesses, the second is that we had one financial services customer, where we were working on a fixed-price project of a fairly large magnitude come to an end, but other than that, I can't say that we have had a planned strategy of not growing faster. So, I would say that we would like to have growth faster in those spaces. In terms of the additions of new clients for his quarter, we have had 7 of the clients in our embedded space, 6 clients in the telecom service provider space, 3 clients in retail and utilities, 2 clients in telecom and inter-networking, 2 in the financial services, 2 in our corporate sector, 2 in our package implementation sector, and 1 in our manufacturing sector.

Bhupinder Ahuja: Okay thanks. My next question is for Mr. Vasvani, if you could talk a little bit about what you have added in terms of infrastructure, hiring, and marketing efforts for expanding into services and solutions in Asia Pacific and Middle East.

Vasvani: We have opened up an office in Dubai internet city and one of our senior people, Mr. Moiz**,** he is based out there. We have also based people in Taiwan, in Singapore, as well as in Australia. We have already in the first quarter, as mentioned earlier, we have already won 2 contracts from Dubai, worth roughly $2 million, and we have currently over 5 people working out of the Dubai office addressing the Middle East market on the technical side. Parallerly, see our approach into the Asia Pacific is going to be, our business development people addressing those markets creating opportunities, and we have a pretty substantial system integration, facilities management, and services business here in India, so we would deploy resources on-site of offshore depending upon the case and we grow our business there. So, we are leveraging the investments that we have in the domestic market, and a pretty substantial services investment and solutions investment for the Asia Pacific region.

Bhupinder Ahuja: Okay, thanks for that. I have one last question for Mr. Suresh Senapati, this is regarding the inventories in the balance sheet, even though all the areas IT products and consumer care in terms of revenues are lower than the previous quarter, the inventory has gone up significantly, any particular reasons for that.

Suresh Senapati: In the Wipro Infotech part of business, inventory has gone up there, I think we are putting an effort to be able to bring that down.

Shankar: Bhupinder, I am Shankar here. If you look at in terms of our inventories as of 30th June, 2001, compared to the inventories as of 30th June, 2000, overall inventory at about 1.28 billion as of 30th June, 2001 is lower than the figure that it was of 1.462 billion as of June 30th, 2000.

Bhupinder Ahuja: I am actually looking at the US GAAP figure of 1.82 compared to 1.34.

Mr. Shankar: Are you referring to the Indian GAAP or the US GAAP.

Bhupinder Ahuja: US GAAP.

Shankar: Okay, in US GAAP, we have accounting policy which has been implemented called SAB101. Under SAB101, it requires that sales made for it to be recognized have to be installed at the customer premises. So, for the current quarter, we have had about 20 crores, where we have actually sold to the customer, which are pending installation and hence have been considered as inventories. This is primarily a timing issue where we have effected the sales to the customer, but as of 30th June these have not been installed and certified by the customer as installed, hence considered as a part of inventories.

Bhupinder Ahuja: Okay. Thanks for that Shankar. Thank you.

Moderator: Thank you very much Sir. Next in line, we have Mr. Amit Khurana from Birla Sunlife, Mumbai.

Amit Khurana: Hi, this is Amit here from Mumbai. My first question is to Mr. Vivek. Vivek, if I may use your specific words, last quarter we were given to understand that the ice in the market seems to cracking, is there a qualitative change that you have witnessed over the last 3 months over there.

Vivek Paul: Yes, I think that we are seeing few more enterprise sort of wins happening and coming in, and I think that the decisions are being made more, I think, we are also seeing a lot more interest in offshore. So, I think that the numbers are, sort of, slowly creeping up in terms of people who are interested and are looking at the decision making.

Amit Khurana: Just one look at the embedded segment, we were kind of hearing that there seems to be a lot of activity happening on that front, but going by the numbers, that has actually contracted, would it be correct to presume that the engagements on the embedded side are tending to be more on the short term side rather than big ticket contracts right now.

Vivek Paul: No, actually in the embedded space, which really is software that goes into a lot of the product in various industries, we also have the work we do for computing platform companies like the HP's and the Sun's, and the NCRs, and we also have the company work we do for semiconductor companies, both the computing platform and the semiconductor company as a whole declined for us in a sequentially basis, and that is what hurt the embedded systems performance for the last quarter.

Amit Khurana: Issue of the $30 million order, the expected revenue flow from the European clients, I just need one clarification on the breakup that you just gave us, $18 million on the hardware and software side, and $12 million, if I got it right, this $30 million will be accounted for by global IT services at Wipro.

Vivek Paul: That's correct, and that is only the year 01 number.

Amit Khurana: If you could throw some light, if we take out this particular order, if you could throw some color on the new client acquisition, the average billing in that case, would it be higher than 20% or lower than 20% if you could give some guidance on that.

Vivek Paul: I think that's too specific. I am not sure we could do that. You are talking about it in the past or on a forward looking basis.

Amit Khurana: Okay, let me just come to the issue of specifically SG&A that kind of decline in absolute terms, if you could throw some light as to how that was achieved.

Vivek Paul: We went into a enormous cost reduction mode here in terms of re-looking at how we negotiate with suppliers, looking at our travel costs, looking at our facilities costs, admin costs, etc., and as we mentioned earlier that the good thing about Wipro is, we lived through downturns before and we were able to quickly snap into action in terms of the cost management initiatives and the 6 sigma productivity tools, and I think both of those have thus managed our G&A costs.

Amit Khurana: Last question. This is specifically on the effort breakup. If Shankar give could give me that right now, that will kind of help me.

Shankar: Effort in terms of offshore/on-site?

Amit Khurana: Yes.

Shankar: Are you looking for information in terms of offshore/on-site in terms of number of people.

Amit Khurana: Yeah, that is right.

Shankar: We had 20% of our total employees based outside India as of June 2001.

Amit Khurana: I am looking at the number of people onsite location and offshore.

Shankar: We have in terms of the total number of people what we track is in terms of 9795 is the total number of people we have, 20% of them are based outside of India.

Amit Khurana: Alright. Thanks a lot Shankar.

Moderator: Thank you very much Sir. Next on line, we have Ms. Renuka from Myiris. Com, Mumbai.

Ms. Renuka: Hello. The last time you spoke about worries or fears of Indian companies, I mean, the general trend towards more competition from Indian companies as they lower their pricing earnings. So, how will that be in this quarter, I mean, are you facing more pressure from Indian companies, or is it more on the global side.

Vivek Paul: I think that what is emerging is that there are a lot of US companies that are now looking at targeting a Indian offshore play, and as a result there is more competition from Indian companies. We would like to have seen the competition be a little bit more responsible and not completely on price, but we are seeing pretty serious price competition also emerging.

Ms. Renuka: Have you also witnessed competition from midrang American companies and other Indian software companies.

Vivek Paul: Oh yes. I mean, on a daily basis we also feel the competition from an American company as well, for example, the Bechtel order we won, the last 2 choices were the big 4 and Sapient and us.

Ms. Renuka: Secondly, you spoke of the fact that you exercise a certain amount of constraint and did not lower your billing rates this quarter, are you looking at any kind of threshold and when will you really go in for a change.

Vivek Paul: It is tough to tell. Again, we were giving, the sort of, the industry some time to settle down, but I don’t think there is any sort of specific date we have said that if by then otherwise this. I think, we just have to be aggressive.

Ms. Renuka: Are you looking at any quantitative or qualitative parameters which might influence this change.

Vivek Paul: Probably, look at really focussing on some of the big deals out there, some of the big, sort of, offshore development center deals out there, I am **saying** which are the ones that we will win.

Ms. Renuka: No, my question was, if you were to look at your volume lead growth, or if you were at any drop in your pricing, what will be the factors which will influence the strategy.

Vivek Paul: I am sorry.

Ms. Renuka: The question was, if you would look at a change in strategy or if you would look at lowering your billing rate, what would influence this change.

Vivek Paul: What would influence this change would be if we were unable to get volume growth without doing that.

Renuka: And secondly, what is the kind of offshore/on-site mix that you are looking for the fiscal end?

Vivek: I think, that's sort of a forward-looking, so, I am not sure we can specific guidance on that.

Shankar: See in terms of current quarterwe had a offshore/on-site mix which was 50% offshore 50% on-site. We do not make forecast in terms the offshore/on-site mix going forward.

Renuka: And, have you seen any changes in this quarter which might influence your recruitment strategy and what is your recruitment strategy going to be going ahead?

Vivek Paul: The recruitment strategy going ahead is that we have already made commitments to the campus recruits and we are fulfilling those commitments and living upto them, but we are deferring the joining dates. In terms of other hiring, we continue to hire on a need basis, so for e.g., even right now, we are hiring specialized skills, that we might need, and we are certainly hiring our sales team. But on the go forward basis, it is going to be hired to need, not hired to forecast.

Renuka: But you are not forecasting any manpower requirement for the fiscal, or is it there any figures you are coming out with?

Vivek Paul: No,. we have not. The manpower requirement is a derivative of actual business, it is like saying how much inventory you will manufacture this year, you never do that. You manufacture inventory to what the market needs are. And I think, the same thing, we are not going to hire to forecast, we are going to hire to demand.

Renuka: What is the kind of salary hike you have given and what is the kind of salary hike you are looking forward

Vivek Paul: Our salary hike process is in October, and we are in a comfortable position of not having to make a decision until we get closer to that date. So, we will take a look at the market conditions at that time and make a decision accordingly.

Renuka: What is your view on the slowdown in Europe?

Vivek Paul: The slowdown is there. The good news though is that so far we have been able to avoid the impact with 7% sequential growth last quarter, and with this big win should continue to have a strong presence in Europe.

Renuka: What I notice from the statement that you have given is your sticking with your guidance of revival in the second quarter of the fiscal. So, you do not see any reason to change that statement, the slowdown the scenario is going as expected. Is that right?

Vivek Paul: I think, we said that the second half would be better, I am not sure about the second quarter.

Renuka: Sorry, I meant second half.

Senapaty: Yes. Basically, to clarify on this large system integration order that we have got, if you look at the total order, it is $70 million to be executed by three years period, it has a component which is the buy/sell, that we have talked about is about 30%, in terms of the overall total. Whereas in year-to-year it may be little different, particularly in the first year, it may have a higher component. But in terms of the profitability on this, it would be in line with the kind of profitability Wipro has in the global IT services business.

Renuka: Going forward on the margins.

Senapaty: Sorry.

Renuka: What is the margins that you are looking at going forward?

Senapaty: We don’t give any projections for our margins but generally you know what is the Wipro’s track record in terms of the operating profits.

Can you have the last question please.

Moderator: Yes, shall we move on to the next question? At this moment I request participants who are using speaker phones, to use the handsets, while presenting questions, please.

Shankar : We will have the last question. We have gone on for about 1 hr 15 min, due to some prior engagements, we can take one more question from now.

Moderator: Okay Sir. Next on line we have Mr. Nilabu Shyam from Kotak Securities.

Shyam: Hi, Vivek and team, congratulations on a good quarter. I just wanted to check at the time of the last earnings call, you had mentioned that telecom as a basket would continue to grow despite volatility in certain clients. Do you still stick to that estimate?

Vivek Paul: The telecom business, as I said earlier, if you look at the box maker business we did have a decline and I would be wrong to say that I had projected that decline, it was disappointing, but if you look at the overall telecom sector, we made up for that with the telecom service provider business. So, I think as we look at the technology business as a whole, we continue to do alright, but there is no doubt that the telecom sector slowdown, in terms of the box business was not one that I had forecasted when I was talking to you last quarter.

Shyam: Thank you.

Azim Premji: Thank you very much for your time, end of the teleconference with our investors and analysts and the general public.

Moderator: Thank you very much Sir that concludes the conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.

NOTE:

1. Please check the correctness of the speakers.
2. Please confirm the correctness of highlighted words, phrases, and abbreviations.