WIPRO TECHNOLOGIES
CONFERENCE CALL
18 October, 2001 (7:00 PM)

Moderator: Welcome to the Earnings Call for the period ended September 30, 2001. At this time, all phone participants are in the listen-only mode. Later, we will conduct a question and answer session, and instructions will be given at that time. If you should require assistance during the conference, just “0” then “*” and as reminder this call is being recorded. I would like to turn the conference to our host, Mr. Sridhar Ramasubbu, Investor Relations Officer with Wipro. Please go ahead Sir.

Sridhar: Morning, Ladies and Gentlemen, and Good Evening to the participants across the globe. I am Sridhar Ramasubbu, Investor Relations Officer for North America. Along with Shankar in Bangalore, we handle the investor interface for Wipro. We extend a warm welcome to all the participants from US, UK, and elsewhere to Wipro’s 2nd Quarter results and Earnings Call for the period ended September 30, 2001.

We have with us today Mr. Azim Premji, Chairman and Managing Director; Mr. Suresh Senapaty, CFO, who will comment on the US GAAP results for the quarter ended September 30, 2001. They are joined by Mr. Vivek Paul, Vice Chairman; Mr. P. S. Pai, Vice Chairman; Mr. Suresh Vaswani, President of Wipro Infotech; and other senior members of the management team who will be happy to answer the questions you have. Before we go ahead with the call, we draw your attention that during the call, we might make certain forward-looking statements within the meaning of the Private Securities Litigation Reforms Act, 1995. These statements are based on management’s current expectations and are associated with uncertainty and risks, which could cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with Securities Exchange Commission in the USA. Wipro does not undertake any obligation to update forward-looking statements to reflect events or circumstances as to the date of filing thereof. The call is scheduled for 1 hour. The presentation of the 2nd Quarter results will be followed by a question and answer session. The operator will walk you through the procedure for asking questions. The entire Earnings Call proceedings are being archived and transcripts would be made available after the call at www.wipro.com. Over to Bangalore, Ladies and Gentlemen, Mr. Azim Premji, Chairman and Managing Director, Wipro.

Azim Premji: Good Morning to all the people who are onto this call. Thank you for being here. Your Board of Directors in the meeting held this morning approved the accounts for the quarter ended September 30, 2001.

Revenue for the quarter grew year-on-year by 12% to Rs. 8.479 billion equivalent of $177 million; operating income grew by 22% to Rs. 2.059 billion equivalent $43 million; and net income grew by 38% to Rs. 2.109 billion equivalent $44 million.

Wipro Technologies, our global IT services business grew their revenue by 37% to Rs. 5.723 billion equivalent $119 million and operating income by 30% to Rs. 1.887 billion equivalent $39 million.

Wipro Infotech, our India and Asia-Pacific IT business recorded revenue of Rs. 1.72 billion equivalent $36 million, a decline of 26% year-on-year. Excluding peripherals business, which was part of the Wipro Infotech, that was spun off as a separate company in September 2000, revenue declined by 15%. Operating income was Rs. 127 million equivalent $3 million, 7.4% of revenue; revenue was Rs. 743 million equivalent $16 million; and profit before interest and tax Rs. 110 million equivalent $2 million in consumer and lighting business.

Other segments had a revenue of Rs. 412 million equivalent $9 million.

The salient features of performance in Wipro Technologies, our global IT business for the quarter are;

- 10% sequential growth in revenue arising from 28% sequential growth in Europe and 9% sequential growth in Japan. Sequential growth in US of revenue for the quarter was flat.
- Our Lattice Group systems integration project win is progressing ahead of schedule. We received in advance of $10 million on this project from the customer during the quarter. Revenue from this project for the quarter is $10 million.
- During the quarter, we added 26 new accounts, including 10 who are in fortune 1000 list. We added from US 16 accounts, Europe 5, and Japan 3, and 2 from the rest of the world. Eleven clients were added in the month of September.
- The accounts over 5 million run rate increased sequentially from 22 to 24, and greater than $1 million run rate increased sequentially from 74 to 81.
- On the margin front, increase in on-site business by 2% to 52% on the services income, and bought out items contributing 7% of the revenue had an impact of lowering the margin while increase in rate realization by 4.8% enhanced the margin. The net result was a decline in operating margin by 3% to 33% in this quarter, from 36% in the quarter ended June 2001.
- Utilization for the quarter was at the same level of 60% as in the quarter ended June 2001, 60% being measured on the total head count and the total bills. We added 111 employees in the quarter while 495 employees separated from the company, which includes voluntary and performance-based separation.
- Receivables number of days has improved by 7 days from 65 in Q1 to 58 days at the end of Q2, reflecting the quality of our client base and the focus on receivables management in the business.
- Total capital employed has come down by 10% sequentially, driven by significant reduction in working capital.

Wipro Infotech our India and Asia-Pacific IT Business, in its tough domestic market environment grew their revenue sequentially by 26% to Rs. 1.72 billion equivalent $36 million and earned operating income at 7.4% of revenue at Rs. 127 million equivalent $3 million for the quarter. In Wipro Infotech, sequential increase in operating margins from 5.2% to 7.4% in this quarter was as a result of a 39% increase in product sales. During the quarter, our IT consulting and software solutions practice won 18 new orders. Receivables number of days was 59 for this quarter, an improvement of 16 days over the receivables for the quarter ended June 2001.

Consumer Care and Lighting business recorded revenue of Rs. 743 million equivalent $16 million. Operating margin in consumer products at Rs. 110 million equivalent $2 million was 14.8% of revenue. Our investments have realized Rs. 194 million equivalent $4 million for the quarter at an average yield of over 9% for rupee denominated debt investments and over 4% for dollar denominated debt investments.

We have over the last 6 months studied the IT enabled services business and the BPO business. While the similarity between software services business and IT enabled services business are visible, the revenue per person and the operating margin for person is significantly lower than the software services business. In view of this, we have decided to address IT enabled services business through strategic investment in ITES company. This will enable us to leverage our sale and marketing team and at the same time provide one-point solution to our customers for their entire services requirement. We see significant synergy between our R&D services customer base, our technology infrastructure support business, and ITES companies in offering technology customers, technical help desks and product support services from the offshore development centers of Wipro.

Our progress on acquisition front has been satisfactory. As in all acquisition initiatives where the results are binary, we cannot say how close we are to a deal.

Looking ahead, we have 3 initiatives to contribute growth for the quarters ahead. Our 6-Sigma quality program, which has taken deep roots in Wipro, was extended in the last 6 months to customer touch projects. We have as on date launched 163 customer touch projects. For example, for a telecom wireless handset manufacturer, we use the 6-Sigma customer touch project of DMADV to realize targeted performance improvement in 28 days versus what they were yet to achieve in over a year of effort. In the 3rd phase, we are taking 6-Sigma projects to the customer premise by working with them on 6-Sigma projects for their internal needs to develop deep customer relationships and understanding. This would be a step towards launching a 6-Sigma consultancy practice integrated with business process re-engineering. We have 6-Sigma consultancy already operative and profitable in Wipro GE today.

Our second initiative of enterprise application services vertical launched in April 2001 has shown significant promise. For the quarter ended September 2001, package implementation accounted for 6% of our revenue with a sequential growth of 63% to $7 million. More importantly in a business, which is predominantly on-site centric, we have this month, opened the first office development center for MySAP implementation in Pune for SCA Packaging, a Fortune 1000 customer.

Our third initiative for growth is to launch our expertise, developed in security practice in the domestic market into the global market. We have a strong customer base in the global market and the skill set developed in the domestic market can be a very strong use to us in launching one more initiative. The catalyst for launching this practice has been the September 11th incident and the customer requirements which have become more important due to this in the area of security.

On the operational front, our focus is on utilization improvements, pending this the people who are not billed to the customers are deployed on Operation Bench Press covering customer investment, IT development, and internal systems.

Looking back, over the last 6 months, the change in environment has been quite dramatic from growth focused to productivity and performance. It has made the entire industry work harder for growth. Today, unless you address productivity gate in a systematic and focused manner, revenue growth is a bigger challenge. This has helped us build competency in addressing fixed-price projects, which benefit the customer without diluting our realization. Addressing new markets like Germany and France has taken a higher priority. Language training is as vital to growth today as Java training was a year ago.

On the operational front, eliminating nonessential costs had never such a focus as it has today. Our profit improvements savings from 6-Sigma for the first 6 months was Rs. 315 million and profit improvement savings from operational audits was Rs. 143 million. We drive this parallel with digitization of the organization, which we use to simplify and make employee friendly all processes, and through our new initiative, which we have termed as innovation, to build profitable opportunities for tomorrow.

Wipro is stronger and more confident today than it ever was in the past. I can say this confidently.

Before I request Suresh Senapaty, our Chief Financial Officer, to share some highlights of our last assets position, let me acknowledge that it is a tribute to the character and dedication of our Wipro team that despite the tragedy on September 11th, the net income for the quarter and half year have met with our internal expectations. The September 11th tragedy resulted in several deferred customer visits and delays in closing large orders, while smaller projects orders continued without any significant delays. We believe we have grown ahead of the software services growth rate for the half year and for the quarter, and continue to believe that we will grow ahead of the industry growth rate for the full year.

For the next quarter, we currently expect to have a sequential growth rate of around 5% in our global IT business revenue. We continue to work towards large order wins to generate an upside on this. Thank you very much.

Suresh Senapaty: Good Morning Ladies and Gentleman, Mr. Premji highlighted the profit and loss account. I will touch upon a few aspects of our balance sheet before we take questions.

Cash flow from operations was Rs. 2.4 billion equivalent of $50 million for the quarter ended September 2001. During the quarter, investment in fixed assets was Rs. 747 million equivalent of $15 million compared to Rs. 650 million in the quarter ended June 2001. Our capital employed, as of September 2001, was Rs. 23.5 billion equivalent of $490 million. Of this, 30% was deployed in global IT services business, 3% in India and Asia-Pacific IT services business, 3% in consumer care and lighting, and the balance 64% including investment of Rs. 12.2 billion or 52% of the total capital employed in others. Cash surplus generated from operations in India is invested in AAA-rated companies in tenors not exceeding 90 days. ADR proceeds are invested in the US market in treasure instruments and bank deposits with tenor not exceeding 180 days. Our return on capital employed for the half year was 34% for the company, which consists of global IT services business at 108%, Indian IT services and products business at 67%, and consumer care and lighting business at 54%.

The Board of Directors today approved an investment of Rs. 480 million equivalent of $10 million in Spectramind e-Services Private Limited, an IT-enabled services company. The due diligence and valuation was done by a team from our business, internal audit, and finance team. The valuation is based on our internal evaluation norms, which considers post tax return on free cash flow of the enterprise. This investment decision is a fair investment risk considering the upside of the investment.

We will now be happy to take the questions.

Moderator: If anyone has a question, please press 1 on your touchtone phone, you will hear a tone indicating you have been placed in queue. You can remove yourself from the queue at anytime by pressing the pound key. If you are using a speakerphone, please pick up your handset before pressing the number.

Our first question comes from Mr. Vijay Bhayani with Merrill Lynch, please go ahead.

Mitali : Hi, this is Mitali Ghosh from Merrill Lynch at Bombay. Sir, I want to get a feel of some of the projects, which you say have been delayed post September 11th, if you give us a little bit more color on that, in which areas, whether they are from existing clients or new clients, and what is the competition against which you have been facing for these projects?

Vivek Paul: Hi, Mitali, this is Vivek Paul here. Let me answer that question. We have seen that some of the other larger systems integration deals that we were working on competing against the likes of Accenture have been delayed and those are the large projects that we have said had been delayed.

Mithali Ghosh: Right, and these would be typically from new clients?

Vivek Paul: That’s correct.

Mithali Ghosh: Okay. The other question that I had regarding post September 11th where you had mentioned cancellations of visits, etc., have you also seen any cutbacks in outsourcing or any cancellation of projects which had earlier been confirmed post September 11th, and again linked to this, if you could give us some feel of what is the sort of customer mood post September 11th in terms of project flow or pricing?

Vivek Paul: Sure. I think what we have seen is that the project cancellation and deferral has been more as a result of the tech-wreck and the slowdown that preceded September 11th. I think post September 11th, we actually haven’t seen any significant shift in terms of customers either pulling back or delaying or canceling. I think that the mood after September 11th can first be summarized by what we have seen in our performance, we saw that of the 26 new accounts that we started billing in the last quarter, 8 of them started billing after September 3rd, 3 of them were from the US. So, what that indicated was that customers were still expressing confidence in Wipro and in our ability to provide services from India. In addition, since that quarter ended and this quarter has begun, we have announced 4 wins. We have announced wins with Visteon, which is in the area of telematics and multimedia in automotive, that is continuing on. We have got a win from a telecom manufacturer, a new company, new customer, large customer, that is going to setup an offshore development center. From SCA Packaging, there was a mention in the preamble, as well as from a mid-west based life insurance company for a $3 million fixed price project. Again, these are expressions of confidence. I think that what we are assuring from our customers is that you have to address my concern about business continuity and the way they are handling that is by pointing out the fact that both India is low risk and for whatever the risk is we manage it well. I can go into what we say, but fundamentally what we have heard is customers being more rigid in the due diligence of business continuity more than questioning the value of the Indian offshore model or questioning the value of a global supply chain. I think people are hooked on that.

Mitali Ghosh: Right. Just one more question, and I have a followup question, but I will wait for later. I understand there has not been a salary increase to date in this year, so should we be expecting something further or later in this year?

Vivek Paul: What we have is that we had a salary increase in February, which is not in this financial year, but in this calendar year for about half of our technology business employees, in addition effective October 1, 2001, we have also given an increase in the on-site allowance, which is really the topper in addition to the salary that our people working in distant client locations get, and that reflects that the last time we did this was about 21 months ago, so it was long overdue. In addition to that, there has really been no salary increase, so I think that the answer is that we have had some deferrals, but it is not that we haven't given any salary increases at all. We are going to look at the next lot of salary increases for effective January, but we will make a call on that in December, not right now.

Mithali Ghosh: Right, thanks very much.

Moderator: We have a question from Mr. Shekhar Singh with Cazenove, please go ahead.

Shekhar Singh: Hello Sir. I just wanted to know this revenue from telecom and the embedded software space, both continue to decline even this quarter. Can you just give us a feel of what exactly is happening and how long will this pain continue?

Vivek Paul: Well, I have to admit that the second part of the question is a little bit tougher to answer for all of us, because we all expected this pain to have stopped by now, but I think that what we are seeing is that telecom equipment manufacturers continue to retrench their workforce, and as they do that, if Nortel is going to cut their workforce across the board by half, it is going to affect outsourcing partners. The second is that on the embedded side are computing platform companies, computer manufacturers and semi-conductor equipment manufacturers are also cutting back. Offsetting that is we have seen growth in the embedded space, the true embedded space, which is things like designing system solutions around new DSPs or in the automotive electronics space, but that has not been enough to offset those declines. What we have used in our technology business to offset those declines is growth in the telecom service provider space. So, that's kind of the lay of the land in terms of the different segments.

Shekhar Singh: Secondly, the fixed portion of revenue coming from fixed-price projects has shot-up from 20% to 27%. Is it basically because of the Lattice Group order or are you taking other projects also in the fixed-price mode?

Vivek Paul: Without the Lattice Group order, it would be 21%, so you are absolutely right.

Shekhar Singh: Is there any cap on within the company as a part of the risk containment measure? Does the company have some sort of a cap on the percentage of revenue to come from fixed-price projects?

Vivek Paul: I think that cap has to link with how rigorous our fixed-price project management methodology is, so I don't think that there is any theoretical cap. I think though that right now we are looking at targeting not more than 35%, but may be when we get to 34%, we will take a look at using 6-Sigma more rigorously on our fixed-price process methodology and being able to up that number, but as of now, I say 35%.

Shekhar Singh: One more question. In terms of asking some employees who have not been up to the performance levels of Wipro to leave the company, is there any plan or is there some plan for retrenching some more employees going into the future?

Vivek Paul: I think that what we have done has been very clear about the fact our growth expectations have not vanished. We do continue to expect to have growth and as a result for us to lay people off and then hire them back in a few months does not make sense. By the same token, when we do performance management actions, those are actions that we would do regardless of market conditions, so I think we have been aggressive in terms of the performance management, but certainly slower than a US company would be in terms of doing any layoffs. We believe that we are better served by keeping the bench and letting the revenue raise offset that bench.

Shekhar Singh: Sir, just one more question. In terms of the campus software you had given last year, how many professionals are scheduled to join further?

Vivek Paul: We have scheduled a total number of 400 people to join of which about 200 and something.

Shekhar Singh: Okay, 200 more people would be joining in the next 6 months or so.

Vivek Paul: Yes. I am sorry I don't have the numbers of the top of my head, but we can get back to you with that. The total number is about 400. We can tell you how many have joined already.

Shekhar Singh: Last question. It has been fairly impressive the way you have added clients, 26 clients. What is the net client addition, taking into the account the attrition of clients?

Vivek Paul: Nine.

Shekhar Singh: Thanks a lot Sir.

Vivek Paul: Just to expand on that, attrition does not mean that a client parted company with us and left, it means that a fixed-price project was there, it stopped billing, it went dormant, and might start again, so a client declining does not mean there is the client going away permanently.

Shekhar Singh: Right. Thanks a lot Sir.

Moderator: We have a question from Mr. Rahul Dhruv from SSB, please go ahead.

Rahul Dhruv: Hi, good evening. I just had a couple of questions on the large contracts that you mentioned where you have seen delays. One is of course you mentioned that you are looking at system integration contracts. Are you looking at IS outsourcing contracts, because those are the ones which are being given out the most right now in the US?

Vivek Paul: Looking at it, but it is a little bit more distant and the reason is that we are still trying to crack that code of trying to do these deals without taking on the assets and the people. If you look at a full outsourcing opportunity, it consists of mainframe server and PC. PC is too low value added for us to make money. On mainframe, we don't have the skill yet. So I think that is a longer haul, a little bit further away than the system integration business, but we are taking a look at it, because until we did system integration, we had never done it before.

Rahul Dhruv: On the system integration contracts, as you said that there has been delay in closing some these large orders, what kind of numbers are you really looking at in terms of the company being a part of process of applying for or rather going in for these contracts, and when do you really see this delay going away?

Vivek Paul: I am feeling the hand of my CFO clamping on my mouth right now. We don't share sales follow on kind of data.

Rahul Dhruv: Okay. Just 2 more things on your new initiatives on, one is on security practice and disaster recovery and the other is on technology support given the new investment that you have done, what kind of a sales cycle you are looking at and what kind of scale you looking in these two businesses?

Vivek Paul: There is no precedent here to use. The reality is customers are asking us about security. We have got an offering that we think is pretty comprehensive in terms of network security, architecture vulnerability assessment, intrusion detection, VPN management, firewall management, access authorization, site and content filtering, etc., so I think that we have got a pretty good ask. I can't give you the number of the cycle time for such a sale is, because the cycle time only began sometime in late September.

Rahul Dhruv: Right, and on technology support, given the fact that you are basically operating or rather doing business with the who's who of the technology world, don't you think the sales cycle should be ideally much lower as an you can kickoff business over there much faster?

Vivek Paul: We certainly like to do that. We have gone back to our existing customer base and tried to make a proposal of doing a full product support out of India including the pieces that Spectramind could do. This is just a difficult time to propose new things with anybody. If you are a technology customer, you are struggling with so many issues that even if it has savings attached to it, it just takes a little while to percolate up, but we certainly have had bites of interest, but it is too early to call it a success.

Rahul Dhruv: Okay. Just one last thing on, I think this has been touched upon earlier, but I just wanted to get a more clear feel. Half of your revenue that is coming from telecom and embedded has de-grown by around 11% sequential this quarter and the balance half has actually grown by 12% in dollar terms, I think the second half is a very, very commendable job, but on the first side, that is on the embedded and the telecom side, where do you really see the, I am not saying the bottom, but then where do you really see slowing and going further? In the next 2 quarters, should we really see a further deterioration the way we have seen this quarter?

Vivek Paul: I think that if I look at what the telecom companies are doing, I think they have adjusted to the new reality and as a result layoffs and contractions announced may be even as long as a quarter ago are now beginning to find their way through. Similarly, on the computing platform side again, I think those companies themselves see their bottom, they can have a better handle on what they are going to look at from a demand perspective for us. Actually, "once bitten, twice shy", you know, I made a call in January about how we would not see more declines and I just hate to get down on the limb and say that my crystal ball is clearer than anybody else's, but certainly I can tell you that at least as we said right now, it looks like the reality has sunk in and through the end of December most companies would have taken the hard actions they needed to.

Rahul Dhruv: Okay, great. I am sorry about this, but one last one. The way the global support and TISP have become so prominent in the last 3 or 4 quarters. What is the next target that you really see going forward in the product portfolio or the service portfolio?

Vivek Paul: We don't want to keep adding new services. We want to be successful in the services we have started, and I think that as I look at our package implementation business for example, as a percentage of our IT revenue, it rose to be 12% of sales for the last quarter. I think there is still upside there. I think in the telecom service provider space, we are still not completely up to potential. What we don't want to be is an initiative of the month company. You want to launch a few initiatives and drive them to a large success. So I am not sure that, you know, we will be opportunistic, if something comes up, we will rush out and offer it, and clearly our employee self-service portals are one of those examples, but we are not going to launch many new initiatives in any given year.

Rahul Dhruv: Thanks. I have got some more questions but I will come back later on.

Moderator: We have a question from Bank of America Securities, please go ahead.

Prakash : Congratulations. This is Prakash Parthasarthy. For the benefit of some of us who weren't on the late night call, Vivek, if you could give us a flavor across vertical industries in the US and also specifically focus on Europe where you had some very good successes, and I know some of the elements here have been answered, but just to give a demand environment perspective on how clients are buying and how are they getting into the next year in terms of their budgeting this year?

Vivek Paul: Okay, if I look at our second quarter numbers, I just wanted to give you this thread by vertical in terms of sequential growth. We saw in the finance and insurance industry, a sequential growth of 9%. In the IT space outside the financial services industry, we saw a sequential growth of 8%. In the technology business, we saw a sequential growth of 12%. These are all in rupee terms. So, I think we saw a pretty much across the board growth. If you look at sequential growth, in North America, we saw flat sequential growth where we had decent growth in some segments offset by it bearing the brunt of the tech wreck. In Europe, we saw 29% sequential growth; and then in Japan and rest of the world, we saw about 8% sequential growth. So I think what we have seen is that Europe has grown much more for us and that links a lot to the order that we got from the Lattice Group. So, I think that kind of profile the sequential growth by industry grouping and by geography.

Prakash: Going forward, if you remove the Lattice contract in Europe, are we seeing a lot of prospecting that is going on that can convert into more revenue and grow sequentially from here?

Vivek Paul: We continue to expand geographically in Europe. We have added sales head count and presence in Germany and France, and we continue to see even outside the 186 K a good sequential growth, so as a result I think Europe will continue to grow as a percentage of our sales, as it has secularly done for several quarters now.

Rahul Dhruv: Secondly, if you could address for me, the utilization matrix, again Suresh, Mr. Premji said 60%, is that across the total employee base, and if so, do you have a more finer measure about deployment of billable consultants?

Suresh Senapaty: Yes, 60% that he talked about was on a total head count basis. On a net basis, it will be 67%, which is up by 1% from the last quarter, which was 66.

Rahul Dhruv: All right, thank you.

Moderator: We have a question from UBS Warburg, please go ahead.

Trideep: Hi, this is Trideep here. I just wanted to know, for the December quarter, the guidance that you have given 5%, is it in dollar terms or in rupee terms what you are talking about?

Vivek Paul: Dollar terms.

Trideep: Second, if you could give a sense of what the revenues of Spectramind have been in the past, some sense regarding that?

Azim Premji: Spectramind employees about 850 people today.

Suresh Senapaty: Because it is a strategic investment by us, I don't it will be fair for us to disclose these numbers, but there is a report by the Deutsche Bank, a very latest report, where it covers the IT enabled services space and specific mention about Spectramind, I would invite your attention to page 28 there, where a lot of details on that company has been covered.

Trideep: Okay, fair enough. In terms of price negotiation with your clients, have you gone through, the last time I spoke to you in various meetings, you said that most of the clients do come for re-negotiation in the month of September to December, have you seen any of them, and what are your expectations going forward as you run through the December quarter?

Vivek Paul: I think clearly customers are not terribly enthusiastic about raising prices right now. What we are doing is trying to manage the mix of what we deliver. For example, in the last quarter, more than 50% of our enterprise revenue was from specialized services like e-commerce, package implementation, data warehousing, infrastructure services, etc., so our approach is going to be that we appreciate that this is not an environment where you have a lot of price levitation capability, but certainly you have the ability to mix up.

Suresh Senapaty: Just to correct one thing, it is page 44, and the report is dated 12th October.

Vivek Paul: On the pricing, just let me add one more thing which is Merrill Lynch did a survey of 50 fortune 1000 companies and they expected a price increase in India offshore work, 71% expected a price increase and 44% expected that price increase to be in excess of 5%.

Trideep: I see. On the HIPA opportunity, do you see any upside or any strong pipeline coming through in your own portfolio, could you comment on that?

Vivek Paul: You know we have looked at HIPA opportunity. We have put together an offering around that. What we found is that an individual sale to smaller institutions was not working in terms of our go to market model. We are talking to a couple of healthcare software companies to see if we can support them to be able to offer HIPA kinds of solutions to their customer base. That's still works in progress stuff.

Trideep: I see, thanks a lot.

Moderator: We have a question from CSFB**,** please go ahead.

Ashis: Hi, this is Ashis calling from CSFB. Congratulations to the whole team. Sir, if you could touch upon the IT budgeting cycle at the US clients. Something that was asked but I think you skipped, you didn't answer that.

Vivek Paul: I think the IT budgeting cycle is going on right now in terms of what the budgets will be set for next year. We have some survey intimation. If we look at again going back to the Merrill Lynch survey that I mentioned about, 70% of the CIOs said that they would try to treble their outsourcing to India.

Ashis: Vivek, at least in the past most of these surveys have been incorrect. I think, you know, I would clearly like to if you could…..

Vivek Paul: Ashis will you speak up please.

Ashis: Ya, I was saying that, you know, though 1 year doesn't prove anything, but in the past, surveys have been fairly inaccurate. Vivek, could you give us sort of anecdotes of what you are hearing from your top clients.

Vivek: I think, what we are hearing is that there continues to be a strong interest in upgrading the IT applications and web connectability across multiple fronts, productivity driven, things that are supply chain related, customer driven, customer information systems, and also on the business to employee space. So, it all is pretty much business as usual in the IT field, which is that there is appetite for more and deciding factor is the budget and how much budget is set aside. So I think that it is not that IT CIOs have run out of ideas to present to their management, I think that they are all awaiting what the CEO tells them, as to how much money they are going to have to be able to make changes. I think that that whole answer is still going through a lot of churn as US companies themselves are trying to understand what all this means, the current environment uncertainty we are going through for them. So I would say that today not many CIOs have anything more than an expectation of what will happen, but I can't say that any of them is terribly pessimistic and they all know they are not going to get a lot of growth.

Ashis: One of the most encouraging things has been the guidance that you have given for the December quarter, implying about a 5% dollar terms quarter-on-quarter growth. You know, December, most of the people were expecting it to be pretty weak mainly because of September 11 tragedy, could you give us some color on the reasons for optimism, and you know, clearly you should be having very good visibility, so you know, we are convinced on the number but some color would help.

Vivek Paul: I think that again, you know, we continue to expect growth in the service provider space. Our enterprise business continues to do well. We are entering the quarter with the 4 orders that I just mentioned earlier. So we have visibility of book and bill. So I think that what we are seeing is an environment that is giving us fair amount of confidence. I think that if there is any uncertainty, it relates to if the tech sector gets any worse, and you know, we have already factored in a 10% decline on the telecom equipment space.

Azim Premji: About 62% of our revenue in quarter 2 came from our ODCs, so that is a revenue stream which has a high degree of predictability.

Ashis: I understand that a number of ODCs have opened both in the September quarter and also in the current quarter. As you explained the ODCs have very high degree of predictability, could you share some of these new ODCs, just ballpark what is the ramp up plan in a quarter, I mean, they could triple, or they could be four times.

Vivek: No, I think what we have done is, we made it easy for you by doing all that and giving you an overall number of that 5% sequential growth. I don't think we would be able to share that kind of detail.

Ashis: And earlier Vivek did you say that you have built in 10% quarter-over-quarter decline in telecom equipment or that is something that has happened in the past?

Vivek: No, that will be built in for next quarter.

Ashis: Fine. And one last question. Somebody's earlier question it was answered that utilization on a net basis is 67%, I didn't understand, could somebody explain that please.

Vivek: What we said was basically that if you keep out the support staff. Based on that the utilization is 67%. Because when we say that, billed to billable. All the billable people versus how much had been billed, so that is a general comparison, that is the general statistics every company provides, where as we also additionally provide on a complete head count basis, which includes the support staff, total billed as divided by the total head count of Wipro Technologies.

Ashis: Okay, thank you very much, thank you so much that is all.

Moderator: We have a question from JP Morgan, please go ahead.

Sandeep Dhingra: Hi, this is Sandeep Dhingra. Most of my question are answered, just on the enterprise side, Vivek, I mean, you have been lagging your competition on the enterprise side for the last couple of years, so now when you go into client pitches where you go in pitching for new business, what is your selling proposition versus an Infosys or a TCS, who are like been in this space longer than you have.

Vivek: Dense fighting words! You know, I think that if you take out the GE ramp down effect we haven't done that badly on the enterprise space, and in fact part of the reason why we are showing good sequential growth in enterprise after so long is because of that. In fact, if you look at our year-on-year growth in enterprise, we would be at something like 55% on a year-on-year basis for the quarter. But anyway, coming back to your question of how do we differentiate ourselves, I think that the way we differentiate ourselves it the practices that we talked about in terms of the data warehousing, the e-commerce, etc., and I think that customers believe that we do have a lot of technical depth. And the second is the whole notion of 6-Sigma. It is interesting that I am finding more and more CIOs that I have visited have a 6-Sigma chart in their office somewhere, and I think that they resonate well when we talk to them about our 3 year 6-Sigma journey and what we have learned over that time period.

Sandeep Dhingra: Right, thank you.

Moderator: The question from Merrill Lynch, please go ahead.

Mithali: Hi, this is Mithali again. I had a question on the new accounts, which have been signed up. Some feedback we had from the industry is that while a lot of customers are choosing India as a strategic option long term, due to the current uncertainty in their own businesses, the ramp up is getting delayed or is basically getting lengthened. Are you also seeing a similar experience.

Vivek: I think if you look at our new accounts as a percentage of sales for the quarter, it is 13%. So, it is really higher than it has ever been in this quarter.

Mithali: Right, and you haven't seen it changing in the last couple of weeks.

Vivek: No, as I said earlier, we have not had any customer come back and say "stop" or "I am delaying this." So, post September 11, we have had accounts that started billing, we have had accounts that went ahead and placed orders. So I think that it has not been, we haven't seen that in terms of people think stop. I think that people are coming back and saying "yeah, I have to make a board presentation on why it is a good idea to go offshore, can you help me with the, you know, how you guys are going to establish business continuity and what is the risk assessment." We have helped out with that.

Mithali: Right. One question on pricing where, you know, overall in the enterprise side, would you say the pricing levels are different from the pricing levels in technology, in R&D.

Vivek: Yes, today we do have different price points in R&D versus technology, and the difference is not much though but there is one. I think that what we are seeing right now in terms of a pricing environment is that, in the technology space, demand is down but competitive intensity has not increased. So as a result there is a little bit better protection on pricing. On the enterprise side, if you are the specialized services or in the large projects where you are competing against the Accentures and Price Waterhouses, you can still get a decent pricing. But when you get down to the vanilla commodity, you know, mainframe or what look like staff augmentation kind of roles, boy, it is tough to find bottom.

Mithali: Right. And overall, therefore you are saying that on the R&D side the price points are higher, I mean, even on absolute terms they are higher than enterprise as of now?

Vivek: Yeah, they are slightly higher. They are like 3% higher.

Mithali: Right. And in the fixed price projects does one typically have higher margins?

Vivek: Yes we do. Because we do get a higher price realization and we are able to take more work offshore.

Mithali: Okay right. And one question of course on your forecast for the full year, where you have mentioned that, you know, you are likely to grow ahead of industry. What is the kind of benchmark that one can use, I mean, earlier in a previous call we had discussed a benchmark of about 40-45%. Have we sort of seen that changing? And the other thing is that does the forecast include growth from inorganic means as well? So, does it factor in any possible growth from an acquisition?

Vivek: I think Mithali there are two things. One is that as far as the industry association growth numbers are concerned they have not come out yet post September 11th, which is why we gave a more specific estimate for the next quarter. In terms of, is this an expectation of including the acquisition, the answer is ”No,” this is organic.

Mithali: Alright. But the association, if I remember right in June they had brought their level down to about 37% from their April forecast of 40 to 45. So, should one then at least be looking at 37?

Vivek: Nice try. I think that what we need to do is to wait for what they come out with, because they are still compiling all the industry data. We announced and shared with you what the industry association data was last time, because it was available, at this point it is not. I don’t want and try and guess what it is going to be. So I think, we should just wait and see what they come up with. Again, their numbers include both IT enabled services and software services, you have to take a look at the software services side of the game.

Mithali: Sure. And just one last question on the enterprise application services, which you said has seen considerable growth this quarter and you mentioned that includes things like package implementation. So, the vertical split up that you have in terms of finance and retail, etc., that would not include package implementation projects from client and retail for example?

Vivek: Actually, you know it is a little bit more complex than that. What we do is any account that have over $3 million of billing, we give the credit to the verticals under the theory that they are the ones who have account control. So, if you were to subtract that the pure vertical which is new account generation within the EAS business itself, that number is lower. So, I would say that the answer is half true, half of that is already built into the vertical, half is not, and that is simply because from an organizational perspective internally we want to make sure that we treat our package implementation business as not being different from our existing business, so that there is no internal conflict.

Mithali: Okay. And does enterprise application include items other than package implementation as well?

Vivek: No that is it. It is package implementation. And the services it would go along with that. For example, one of the projects that we won last quarter was to do a consulting study for a finance software company, for us to do a gap analysis and try and do an assessment which package to use. So, it is package implementation side including ancillary work.

Mithali: Right.

Moderator: We have a question from Soloman Smith Barney, please go ahead.

Rajesh: Hi this is Rajesh from Solomon Smith Barney, New York. I have basically three questions. First question is, how has the September 11th event has changed the large **RFP** based projects that were being offered, and that you were seeing very strong growth from. Second, just today SAP has announced a pretty significant cut in their outlook for the forerun for the year. Does that, going forward, mean a slowdown or any kind of risks to your package implementation business. And third, basically from an acquisition stand point, from the three alternatives in terms of adding new verticals, adding new customers, or adding a new business, what is the direction and focus of your acquisition strategy?

Vivek: Okay, let me start with the last one backwards, and hopefully I will be able to remember the first one still. If I look at third question, our acquisition strategy is going to be to get deeper into the verticals we are already in. Bring a capability of go-to-market and bring a capability of business process consulting. Again acquisitions are not meant to be to do things you can do, but to do thing you can do faster. So, I think that is what we would like to do, to get deeper into the verticals we are in, and that is not to say we could not create a different vertical that, let us say we are not in travel or media and publishing, but that is only because we do not have enough scale in that. Right now it is lumped into one vertical. So, I think that those are the kind of things that we would look at from an acquisition perspective. We do not want to go and get into a completely new space through an acquisition, neither do we want to do it just to acquire one client although again there may be opportunistic place for that.

In terms of your second question being SAP going down. I think that clearly as you look at the package implementation business and all the package companies having reported weak numbers including SEBEL, including I2 and now SAP, I think that is a cause of concern, but really what we are doing right now in most instances is that our offshore model lends itself best to upgrades. Because by then the business process definition is over and…. I do not have the exact mix right now between upgrade versus new implementation, but that is a good back up. In addition, I would say that relative to the space we are so small, that even if that environment has shrunk, yeah it has pinched a little bit, but not a whole lot.

Rajesh: Okay, and my question on **RFP** based projects which were very very prevalent 3 or 4 months ago. How has the September 11th events changed that?

Vivek: Although we had a couple of those **RFP-**related projects, canceled trips to India, but the good news is that they have said that since we have saved those dates for you guys anyway, instead of us going to India why don't you guys come and see us in our offices. So, clearly more flying time by Wipro employees has happened, but as far as that is concerned, other than that, there has really been no impact. I think, all the **RFP** business, what I see may be one customer has, they were going to decide last week, and they have said they are going to take two more weeks. But nothing material.

Rajesh: Okay, that ends my questions. Thank you.

Vivek: Thank you. Operator, can you have the last question?

Moderator: Sure. The last question is from Lia Levenson. Please go ahead.

Lia : Excellent. I am firing the last question. Congratulations on the quarter. I have a couple of followup questions on couple of things that have been asked before. Starting with you talked a little bit about your hiring plans and then the performance related people that were let go, if you think about the turnover that has happened in the past, if you think about the performance related departures and then people who left on their own. Can you talk about the trends that you have been seeing, meaning can you talk about what the turnover rates are, and if that percentage of people being let go for performance reasons is increasing as a proportion of that number.

Vivek: I think, if I look at the last quarter attrition rate, it is about 8% on a voluntary basis, and on an involuntary basis, I think it was about totally 21%, so 13%.

Azim Premji: Thirteen percentage annualized.

Lia : That was the number?

Azim Premji: Thirteen percentage annualized, nonvoluntary. That means what ever it is you multiply it by 4 to come to the annual figures.

Vivek: And we don't expect it to be 13% every quarter. What we would like to do is implement our performance management systems, at a very ongoing level not just one big lump that we had this quarter. So, I think that we will not see that to be a large portion, going forward. But if you look at voluntary attrition, it is down significantly, to about 8%. We also understand that there will be a return to saner times, and at that time if we don't have lock ins for our employees, we will be at risk. So, we are taking the appropriate actions to make sure we secure our talent.

Female Participant: Are you still looking to hire a lot of campuses in the coming here?

Vivek: I am sorry I didn't hear that.

Female Participant: Are you still looking to hire the same number of people on campuses as you had previously thought you were going to hire, when you initially make the offer you have a certain attrition rate in mind which needs to be higher than it is now. With the implication be that, you neither have to, going forward, hire even fewer people given the number of people who, as I understand extended offers to that have not joined. What is the mix there, are utilization rates going to come down?

Vivek: I think, what we are doing is really toning back our campus recruiting for next year. In other words, what recruiting we would normally be doing at this time for campus graduates that are graduating in the year 2002, and staggering the joining dates of hires we made this year to be able to fit business needs. So, I think that given the fact that our model always had something like 60% hiring from lateral sources, i.e. experienced hires, and so it never really relied that strongly on campus. I think, we have a little bit of protection. But at the end of the day what we want to do is hire to demand, not hire to forecast, or hire to inertia.

Female Participant: In terms of H1B visas, are you seeing any issues there in terms of getting over the new rules?

Vivek: We have not seen any issues in getting them, but what we have seen is that we have had to tell all our engineers who are working in the United States that they have to carry all their documentation with them at all times. So I think that we have had a couple of them get questioned because they were not carrying their full documentation, but I think once you have taken care of that sort of hygiene factor, I think it is working fine.

Female Participant: You were talking about pricing earlier and there was a question that was being asked in terms of what you are seeing and you said that clearly it is difficult to get higher price, and I think we all expect that. I think, the question that we are more interested in, and I am sure you are too, is how low can the pricing go? Of the people who have come up for renegotiations or are due to have their contract renegotiated, say in the past month or whatever. Can you give us some color as to whether there have been asking for price reduction, and how you want to talk about it, and what is the magnitude of that may be?

Vivek: I think that for sure customers have asked for price reductions, and they have asked for price reductions ranging anywhere from 5-10%, but so far I would say that the cumulative total of price reductions we have given are marginal to none, and the one or two instances we have done has been small customers where we said, if we get substantial volume increases, we can lower price. So lowering prices for existing customers has not had any material impact so far.

Female Participant: Have you had any customer coming to you before their contract is up for re-negotiation and asking for price decreases or additional bodies to get things done.

Vivek: Ya, one.

Female Participant: You mentioned that there is a delay in terms of getting in the larger contracts where you are competing against the likes of Accenture. Are you saying that maybe that **Accenture** is winning out more than they used to on some of those projects because of perceived geopolitical issue working in India.

Vivek: No actually we haven't seen that. It is really just a delay of decision making. These are big investments, people don't want to commit funds right now with all the uncertainty.

Female Participant: Right. My final question is on the guidance. At the last quarter, there was a conference call. There was a little bit aftermath, some have revised there numbers downward, and at that time you had implied that you were actually looking in terms of the previous higher number and that was were you were guiding us to, a 40-45% target, and as opposed to a moving target of whatever NASSCOM sets, is that different now, should we just be looking to NASSCOM, and if they say 30%, we should assume that Wipro can grow higher than that, and if they go down to 10%, we should just assume that you are going to grow marginally higher than that, or is there some sort of fixed number because if you look at the quarters, unless I am doing my maths wrong, and you assume a 5% growth in the subsequent quarter, the fourth quarter requires roughly a 30% growth, quarter-on-quarter to meet a 40% growth rate.

Vivek: Well I think that clearly you are right, I mean, it is very simple arithmetic to say that 40% looks very tough, and I think that we may have communicated to you that we grow ahead of industry and that's what the industry growth rate was. But if we communicated a flat number then we did not do a good job of communicating. I think that at the end of the day with all the turbulence around what we do know is that Wipro will out perform the market, the industry, and that is kind of what we have stuck to, the industry has gone up and down, that is why what we said was that to the extent the latest industry numbers were not available, we wanted to put a specific number on the outlook for next quarter. I am not saying that anything is without risk and I think we are working very hard to see if we can get in more big projects that might give upsides in the fourth quarter, which is why we didn't put a number for the fourth quarter because we didn't want to count the big projects out and we didn't want to count them in.

Female Participant: And just a final question. In terms of the projects that you signed in subsequent, say the last quarter, even in the beginning of this quarter, is the ramp up faster, slower, or as you had expected.

Vivek: One customer has slowed down, which was a small one, otherwise they were all normal.

Female Participant: Okay, thanks a lot.

Vivek: Thank you Lia.

Moderator: There are no further questions at this time.

Vivek: Thank you very much for joining us, we will call an end to this teleconference. Thank you very much.

Moderator: That concludes our conference for today. Thank you for your participation and for using AT&Ts executive teleconference service. You may now disconnect.