

WIPRO TECHNOLOGIES
OCTOBER 18, 2001
CONFERENCE CALL (11 A.M.)

Moderator: Good morning ladies and gentleman, I am Vinod the moderator for this conference. Welcome to Wipro Limited's conference call post announcement of results for Q2 FY2001-2002. For the duration of the presentation, all participants lines will be in the listen-only mode, I will be standing by for the question and answer session. I would like to hand over to Mr. Azim Premji. Thank you and over to Wipro.

Shankar: Ladies and Gentleman, a very good morning to you all. My name is Shankar and I am based in Bangalore along with Sridhar based in **Santa Clara** we handle the investor interface for Wipro. We thank you for your interest in Wipro, it is a great pleasure, I welcome you to Wipro's teleconference post our results for the period ended September 30, 2001. The results being discussed are as per Indian GAAP. 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 period ended September 2001. They are joined by Mr. Vivek Paul, Vice Chairman; Mr. P. S. Pai, Vice Chairman; and Mr. Suresh Vaswani, President of Wipro Infotech; and members of company's senior management who will answer questions which you may have. The conference call will be archived and the transcripts will be available in our web site www.wipro.com. Before Mr. Premji starts his address let me draw your attention that during the call we might make certain forward-looking statements within in the meaning of the Private Securities Litigation Reforms Act of 1995. These statements are based on management's current expectation and are associated with uncertainty and risk, which could cause the actual result to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with the security exchange commission of United States of America. Wipro does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of filing there of.

Ladies and Gentleman, Mr. Premji, Chairman and Managing Director Wipro.

Azim Premji: Good morning to you all ladies and gentleman. The Board of Directors in the meeting held this morning approved the accounts for the quarter ending September 30, 2001. Revenue for the quarter grew year on year by 15% to Rs. 8776 million. Profit before interest and tax grew by 23% to Rs. 2138 million, Profit after tax grew by 40% to Rs. 2165 million. Wipro Technologies, our global IT services business, grew their revenue by 36% to Rs. 5726 million. Profit before interest and tax by 31% to Rs. 1939 million. Wipro Infotech, our India and Asia Pacific IT business, recorded revenues of Rs. 1.88 billion, a decline of 18% year on year. Excluding peripherals business that was spun off as a separate company Wipro e-Peripherals in September 2000, revenue declined by 4%. Profit before interest and tax was Rs. 129 million, 7% of the total revenue. Revenue was Rs. 776 million and profit before interest and tax Rs. 110 million in consumer and lighting business. Other segments had revenue of Rs. 394 million.

Salient feature of the performance in Wipro Technologies, our global IT business for the quarter are:

1. 10% sequential growth in revenue quarter over quarter rising from 28% sequential growth in Europe, 9% sequential growth in Japan. Sequential revenue from US was flat for the quarter.
2. Our Lattice Group systems integration project win is progressing ahead of schedule. We received in advance of Rs. 10 million on this project from the customer during the quarter. Revenue from this project for the quarter is \$10 million.
3. During the quarter we added 26 new clients including 11 who are in Fortune 500 list. We added from US 16 clients, we added from Europe 5 clients, and from Japan 2 clients, and 2 further clients from the rest of the world. 11 of these 26 clients were added in the month of September.
4. Accounts of over 5 million run rate increased sequentially from 22 to 24 and greater than \$1 million run rate increased sequentially from 74 to 81.
5. On the margin front, increase in on-site business was 2% to 52% and bought out items contributed 7% of the revenue, which had an impact of lowering the margin while increase in rate realization by 4% enhanced the margin. The net result was a decrease or decline in operating margin by 2% to 34% in this quarter and from 36% in the quarter ended June 2001.
6. Utilization for the quarter was at a same level of 60% as in the quarter ended June 2001. We added 111 employees in the quarter, while 495 employees were separated from the company, which includes both voluntary and performance based separation.
7. Receivables number of days has improved by 7 days from 65 in quarter one to 58 days, reflecting the quality of our client base and the focus on receivables management in the business.
8. Total capital employed has come down by 11% sequentially driven by a 33% reduction in working capital.

Wipro Infotech, our India and Asia Pacific IT business, in a tough domestic market environment grew their revenue sequentially by 19% to Rs. 1.88 billion and earned profit before interest and tax at 7% of revenue or Rs. 129 million for the quarter.

- Sequential increase in operating margin from 5% to 7% this quarter was a result of a 39% increase in product sales.
- During the quarter our IT consulting and software services practice won 18 new orders in the domestic and Asia Pacific market.
- Receivable number of days was 78 for this quarter an improvement of 12 days over the receivable for quarter ended June 2001.

Consumer care and lighting business recorded revenue of Rs. 776 million. Operating margin at Rs. 110 million was 14% of revenue. Our investments have realized Rs. 194 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 the software services business and the IT enabled

services business are visible, the revenue per person and the operating margin per person is significantly lower than the software business. In view of this we have decided to address IT enabled services business through strategic investments in ITES companies. This will enable us to leverage our sales and marketing team, and at the same time provide one-stop solutions, 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 the ITES companies in offering technology customers technical help desk and product support services from their offshore development centers.

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 three initiatives to contribute growth for the quarters ahead. Our Six-Sigma quality program, which has taken deep roots in Wipro over the past 3½ years was extended in the last 6 months to customer touch projects. We have as on date launched 163 customer touch projects. For example, for telecom wireless handset manufacturer, we use a 6-Sigma customer touch project of DMADV to realize targeted performance improvement in 28 days versus what they were yet to receive in over a year of efforts doing it within the company. In the third phase, we are taking 6-Sigma projects to the customer premises 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 associate company.

Our second initiative for growth is our Enterprise Application Services vertical launched in April of 2001 this year and which has been showing 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 centric site, we have this month opened the first offshore development center for MySap implementing in Pune for SCA Packaging, a Fortune 1000 company.

Our third initiative for growth is to launch our expertise develop and 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 will be a very strong asset for us. A catalyst for launching this practice has been the September 11 incident and the customer requirements which have become more important due to this.

On the operational front, our focus on utilization improvement continues. Pending this, the people who are not billed to customers are deployed on Operations Bench Press, the acronym we use, covering customer investments, IT development and internal systems.

Looking back over the last 6 months, the change in environment has been quite dramatic from growth based to productivity and performance. It has made the entire industry work harder for growth. Today, unless you address productivity gains in a systematic and focussed manner, revenue growth is a bigger challenge. This has helped us as a company

to build competency in addressing fixed price projects, which benefits the customer without diluting our realization. Addressing new markets like Germany and France has taken a higher priority by Wipro. Language training today in Wipro is as vital to growth as Java training was a year ago.

On the operational front, eliminating nonessential costs had never such focus as it has today. Our profit improvements/saving from Six-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, which we use to simplify and make employee friendly all processes, and we drive it through innovation to build profitable opportunities for tomorrow.

Wipro as a result of this is stronger and more confident today than ever it has been in the past.

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

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

Suresh Senapaty: Good morning ladies and gentleman. Mr. Premji highlighted the profit and loss account, I will touch open a few aspects in our balance sheet before we take questions.

Cash flow from operations was Rs. 3.12 billion, a growth of 45% over Rs. 2.16 billion in the quarter ended September 2001. During the quarter investment in fixed assets was Rs. 749 million compared to Rs. 650 million in the quarter ended June 2001. Our capital employed as of September 2001 was Rs. 21.9 billion. Of this, 30% was deployed in global IT services, 3% in India and Asia Pacific IT services business, 3% in consumer care and lighting, and the balance 64% was deployed in others. Of the balance 64%, 48% was investments, earnings, interests. Cash surplus generated from operations in India is invested in AAA rated companies in tenures not exceeding 90 days. ADR proceeds are invested in the US market in treasury instruments and bank deposits with tenure not exceeding 180 days. Our return on capital employed for the year was 41% for the company as a whole, which consists of global IT services business posting 113%, Indian IT services and products business 58%, and consumer care and lighting business 50%.

We have prepared the account complying with the US GAAP also. The net income for the quarter is Rs. 2.109 billion compared to the net income under the Indian GAAP of Rs. 2.165 billion, which is 97% of the Indian GAAP profit. The difference of Rs. 56 million is due to Rs. 45 million on amortization of goodwill and purchase of Wipro Net shares in December 2000. Other differences on account of accounting for shares of income and affiliates and staff accounting bulletin impact on revenue recognition for sale were payment is related to installation. Also, the Board of Directors today approved an investment of Rs. 48 crores, which is \$10 million in Spectramind e-Services Pvt Ltd, 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.

Now, we will be happy to take questions from here.

Moderator: Thank you very much Sir. We will now begin the Q&A interactive session. Participants who wish to ask question, please press *7 on your touchtone enabled telephone keypad. To withdraw your question, please press #7. On pressing *7, participants will get a chance to present a question on a first in line basis. To ask questions, please press *7 now.

First in line, we have Mr. Dange from CLSA.

Anirudh Dange: Good morning Sir, this is Anirudh Dange from CLSA, and congratulations on fairly good performance. My question is basically on the pricing and volume strategy that you have. Your volume seems to have dropped marginally, where as your prices have improved. So, is it fair to assume that you are probably sacrificing the volume growth with a pricing growth.

Vivek Paul: This is Vivek Paul. I think that what we are looking at is trying to grow as much our high-end business as we can, where we get better realization. I think that we are reaching a stage where we have to distinguish between pricing and realization because pricing is selling the same service at a higher rate. For example, if you look at our revenue mix for this quarter, over 50% of our revenue on the enterprise side came from the higher value added services like e-commerce, data warehousing, our packing implementation business, and our technology infrastructure services, and as a result we were able to get a better realization on a per person basis. In terms of the trade offs, we would like to certainly get as much volume as we can, but we do have price controls in place and we continue to maintain those.

Anirudh Dange: So, would I be correct in saying that you are still following that if there is a minimum rate below which you would not like to take a project.

Vivek Paul: That is correct.

Anirudh Dange: Okay. Secondly, on the strategy on the IT enabled services, I mean, I am still not sure about I understand the logic behind an investment versus setting up the same thing within Wipro itself. Yes, I understand that the revenue per person or profit per person would be totally different, but is that the only reason or you see a faster entry into IT enabled services as a point why you invested in Spectramind?

Vivek Paul: I think that there are multiple ways to answer that question. I think first of all, we wanted to enter that market because it is a big market. Study from NASSCOM says by 2008 it will be Rs. 800 billion market over 110,000 employees. So that is a big market to play in. At the same time, we also saw that this market could learn from the experience that Indian software services companies have gone through, in terms of how to create a global brand, how to go after and treating customers overseas, building quality processes in India, and I think that those were things that said that we are to be attracted to this market. At the same time, the thing that we were weary of was the fact that this is a different business. Not only is it different process, different kind of working intensity, it also is a different revenue per employee or margin per employee, and we were wondering whether it made sense to mix two different business models. So the approach we took was that let us go with the companies that are already leaders in this nascent space, as a result get a jump start starting from scratch, be able to bring our expertise to them, and be able to therefore participate in this market. But we have an interest in this that goes well beyond just the investment itself. Our interest is that today already we offer advanced product support services for our technology customers. If we think about what happens in a typical product support, there is a help desk, there is an escalation, then there is an engineering center, and if you look at all this, the response of call centers and the escalation or the help desks could be done through a IT enabled services company, but we could do the escalation and the engineering centers. Those are the things that we felt are areas of business we would like to get in to that we are already in. So combination of doing this together allows us to tap into a bigger market in terms of being able to offer more product support services and margins we like and also continue to have a single-stop operation for our customers, so that there is no reason for them to go elsewhere. It is a kind of a long answer but the summary of it is that this is not only we think a good investment, the best way to attack this market but also can create opportunities for us within our base business.

Anirudh Dange: So wouldn't a majority stake made more logic in the strategy.

Vivek Paul: Not necessarily because, you know, our goal is not to either takeover a company or to dis-incentivise management by necessarily making it from an entrepreneurial company to a Wipro company.

Anirudh Dange: Okay. My final question is on Lattice Group. Could you indicate what is the kind of billing that you expect for the full year and how much would be bought out component out of that.

Vivek Paul: The total billing expectation is \$28 million of which something like \$14 million will be bought out.

Anirudh Dange: And this is in March 2002 year.

Vivek Paul: That is correct.

Anirudh Dange: Thank you.

Moderator: Thank you very much Sir. Next in line we have Mr. Sandeep Dhingra of JP Morgan.

Sandeep Dhingra: Good morning. Congratulations on the good numbers. I just have a couple of questions. Just on the Lattice Group, I just want to know how the accounting is working in terms of, do you include the Lattice revenues in billing rate calculations, secondly, you have booked about \$10 million this quarter, I mean, is that most of it is hardware itself.

Senapaty: Actually the \$10 million booking that we have done, significant portion of that is brought out products, which does not considered into the billing averages. So, in terms of rate realization it will not be considered because it is a product and that is shown separately.

Sandeep Dhingra: Thank you. Just another, on the accounting, where is Forex gains being accounted for because in the US GAAP there is a separate head for Forex gains, Indian GAAP, you know, I don't think it is part of the net interest income.

Senapaty: It is, see, if you look at our segment report, it is part of the overall topline except the kind of foreign exchange gain which will be there on the ADR money sitting outside that will come as a normal interest income, but to the extent it is on the receivables that we are getting a foreign exchange gain, it gets added to the revenue number.

Sandeep Dhingra: Right. Just one last question. Mr. Premji, I mean, this is obviously I am sure something which has been debated on the last few calls essentially on your guidance, I mean, you have always maintained higher than industry target and as we have all seen because of various events taking place around us that the industry target is kind of a moving target and historically you had indicated that 40-45% would be your benchmark that we should look at when we look at your growth rate. So, I mean, are we saying now that that 40-45% is an irrelevant number and we should really focus on the moving industry target.

Mr. Premji: When I had made my statement I made a joint statement, one is that we would move and grow ahead of the industry growth rate. That statement still stands, we will grow in the current year like we have grown in the last quarter, ahead of the industry growth rate. On the issue of whether that growth rate will be 40% or 45% or less than 40%, let me ask Vivek Paul, our Vice Chairman, to comment.

Vivek Paul: I think that clearly nobody has a clear crystal ball right now in terms of what that industry growth rate is and which is why we wanted to give a more specific expectation that for the next quarter we will grow at around 5%. We are working with the different industry associations to pull together the industry growth number. We also did not make a call for the full year because we are working on several deals, neither do we want to count them in nor do we want to count them out.

Sandeep Dhingra: Vivek, just one last thing on telecom, I mean, the business seems to be coming out of pressure fairly rapidly just looking at the vertical mix, any comments on that, do you see any visibility there, are we going to continue seeing further ramp downs.

Vivek Paul: I think what we are seeing clearly is that our customers in the telecom space are struggling with big issues, Nortel announced almost a 50% reduction in their employee workforce, and as they work through this process, what we are seeing is that it is an opportunity to establish ourselves as the best supplier for them. So, even as Nortel reduces, for example its outsourcing from India, we increased our share. Now, it is painful to increase the share right now, because that means that we are still declining, but we are growing share and positioning ourselves to be that solid long-term supplier. However, while we trying to work with customers, we are making an incumbent on ourselves to offset a decline in the telecom equipment segment by growing other parts of the telecom business, which is the telecom service provider segment. So, even for the next quarter for example we are counting on a decline in the telecom equipment segment, but still calling growth overall as we offset declines in the telecom equipment segment with growth in the telecom service provider segment.

Sandeep Dhingra: Thank you.

Moderator: Thank you very much Sir. Our next question comes from Mr. Amit Khurana from Birla Sunlife.

Amit Khurana: This is Amit here from Bombay. Just the issue of the growth items again that we were referring to in the Q4 in the Q1 conference call. We do believe it is a moving target, but just a color, this 5% growth guidance for Q3, are we including Lattice number here?

Vivek Paul: Yes, it is the total number.

Amit Khurana: The other aspect which I would like to clarify is, what are we looking at in Q3 and let's say Q4, if you could throw some color, is it going to be volume led, are you looking at still a sustainable rise in the billing rates, what is the combination that you have worked out internally and if you could share some details with us?

Vivek Paul: Well, I think that we haven't shared a 4th quarter outlook, but I think that we have not yet moved our position that there is a minimum price below which we don't want to accept orders. I think that this really is an opportunity for companies to do some transformation, and I think if we let ourselves slip into being a commodity supplier, we

will never gain levitation again once the market settles down. So, we are pushing very hard on growth not through billing rate declines led volumes, but growth through new initiatives, through more advanced services, and that is the combination we are going after.

Amit Khurana: Okay. On the issue of taking a 17% stake in Spectramind, do we read it as an initiative on the BPO side, we never really been hearing about that from Wipro as such, but is that a initiative with that intention and going aggressive about that initiative, let's say over the next 2 to 3 quarters?

Vivek Paul: I think that what we are doing is, we are taking a stake in companies already aggressively attacking the BPO market. So, I think that we would expect that we should be able to get, as I mentioned in the fairly long-winded answer a few minutes ago, that we do expect that it will have benefit for our base business as well, but this is a good opportunity. We would like to participate, we think we can add value to the company. We think our strategy investment can bring value to them and bring value to us.

Amit Khurana: Okay. One specific question on Indian IT. The growth numbers seem have been really pretty, pretty muted, in fact they were below our expectations substantially even though we had cut down our estimates specifically for the domestic IT market. Any specific reason that you believe the market has not been performing, of course because of the domestic economy going slow, but going forward what numbers can we expect from that market?

Suresh Vaswani: This is Suresh Vaswani here. I am the President of Wipro Infotech. See, what is good about our performance this quarter is that we have posted a growth of 19% in revenue sequentially and a profit growth of 61% over previous quarter. This is in a quarter, which has bucked the trend in terms of being actually flat vis-à-vis Q1. So, the message from our side is despite having a tough quarter Q2 versus Q1, we have been able to show a growth of 19% in revenues and 61% growth in terms of profit. The market in India is going through tough conditions. We will continue our thrust in terms of driving our services and solutions business, as well as our product business, and focusing on our end-to-end solutions to customers, and we will ensure our growth would be in line or ahead of industry growth.

Amit Khurana: Sir, I was just wondering, even looking at the breakup in terms of the services and products on the Indian infotech business, the services business itself has not really grown substantially, it has been more or less flat, so I was just wondering, was there a specific pull back of engagements or is there a spill over to the next few quarters that we can expect?

Suresh Vaswani: Let me clarify on services. Our focus in the Indian market is on high-end services like facilities management and network integration. This has resulted in many events during the quarter, and as a result the services today accounts for 32% of our business, up from 23% last year. Our facilities management business, which is a key focus area for us, has grown by 77% on a year-on-year basis. The network integration

practice, which is a key practice for us has shown a sequential growth of 20% and a year-on-year growth of 14%. During the quarter, we have added roughly 11 new customers to the existing base of 172 customers on our facilities management practice. In availabilities services, which is our maintenance business, we have added more than 3000 new contracts. In our leading system integration practice, we have signed roughly 16 new projects and in the software business, which is a new initiative in India, we have added roughly 18 new projects in Q2.

Amit Khurana: Okay, thanks a lot Sir. This is my last question. The number of people reduction on the global IT services were 384 people, have there been any provisions made on that aspect in this quarter?

Vivek Paul: There is really no reason for us to make any provisions. These are not layoffs or separations where we have to pay a separation or severance payment.

Amit Khurana: Okay, thanks a lot.

Azim Premji : It is only performance based.

J Shankar: Amit, just to clarify on the question that you asked about the growth in terms of services business in the Indian IT business, I would like to clarify that the component of services what we include is in terms of the compensation we get from principals for sales made by us, where the principal directly sells to 100% software units and software technology parks. As you are aware in the current year, the procurement by the software units have come down significantly, which has resulted in the agency commissions declining, which is the primary reason why you are seeing flat services growth; whereas in the core services component, which is system integration, network integration, and facilities management, we have seen reasonable growth.

Amit Khurana: That's clear Shankar, thanks a lot.

Moderator: Thank you very much Sir. Our next participant in the queue is Mr. Trideep Bhattacharya from UBS Warburg. Mr. Trideep Bhattacharya you could please present your question now.

Moderator: We will just move on the next participant. It is Ms. Kamakshi Rao from Capital International.

Kamakshi Rao: Hello. Congratulations on your results. My question is on pricing. If you leave aside the change in mix in the type of services and look at the pricing trends on **like-for-like** projects, what comments would you have on the pricing trends on projects that are at a similar point of the value curve?

Vivek Paul: It is a very difficult thing to separate. We have actually been trying to do it, because as we re-train employees and re-skill them, the same sort of employee number

could have a different realization this quarter, but that is not a pricing realization, so we haven't been able to separate that cleanly, so I am sorry I cannot give you that number.

Suresh Senapaty: Also to supplement Kamakshi, more and more getting into the fixed price projects, we are able to go up the price chain also.

Kamakshi Rao: So, would this pricing trend... could you give us some more guidance, you have a fairly strong statement in that the average realization of the new projects are at 20% higher average realization compared to the average rates of the quarter, and you specified that due to the change the mix of services, so you do have some precision when you estimate the impact of the mix of services on your average realization. Would you have any color on the base pricing trend that is happening at the same project or at the same client, would that be positive or negative, so that we can keep that in mind when we look at the effect of the mix as well?

Vivek Paul: Well, I think that first of all, in terms of client year-on-year changes, that would generally be up, and the reason for that is that except for a very small amount which is marginal I would say, we have really seen no price declines in existing assignments, and as we did price increases over the 12 months on a year-on-year basis, I would say that for the same clients, services provided under, let's say, a maintenance contract last year to this year, on average that would be up; however, the story is substantially different when you are talking about competing for new business in the more vanilla areas in the maintenance especially, and there we continue to see fairly significant pricing pressure even lower than where we were year ago.

Kamakshi Rao: Okay, thank you so much.

Moderator: Thank you very much Sir. Our next participant is Mr. Kawaljeet of Edel Weiss Capital.

Srinivas Rao: Hello, this is Srinivas Rao here from Edel Weiss Capital.

Male Speaker: Hello. We are listening, go ahead.

Srinivas Rao: We would like to know what has been the growth in the volume in Q2 over Q1?

Vivek Paul: We had a volume drop of 3%.

Srinivas Rao: And the guidance that you have given for the Q3, how much is from Lattice?

Vivek Paul: We are not breaking that out.

Srinivas Rao: Coming to the proposed investment in Spectramind, what is the basis of valuation and what is the breakup of the money that is going into equity shares and preference shares?

Suresh Senapaty: Almost let's say a little more than 50% of the money goes into equity and the balance gets into preference shares.

Srinivas Rao: Okay, can we have some more details on the basis of valuation?

Suresh Senapaty: This money will be drawn down by March 2002, and the valuation is a function of what we have considered in terms of a cash flow basis I have mentioned in my first discussion, that we have done an internal valuation of what the business plan comes out to be, and based on a particular internal norm that we have, we have put a number on that basis. Have I answered your question?

Srinivas Rao: Thank you.

Moderator: Thank you very much Sir. Our next participant is Mr. Dipen Mehta of Dipen Mehta Shares and Securities.

Dipen Mehta: Congratulations on the excellent performance for the September quarter. Your guidance is that for the next quarter you expect a 5% quarter-over-quarter growth in revenues and I assume in profits also, so if you take that number and workout then we come to the conclusion that the growth in revenue and profits would be around 20%, which would be lower than the guidance given by your peers, so how do you say that you are going to grow higher than the industry rate?

Vivek Paul: I think that the number, when we has said growing higher than the industry, we talked in the revenue line. On the profitability line, I don't think we have any guidance at all.

Deepan Mehta: Sir, even on the revenue front, if you take a 5% quarter-over-quarter growth, then Q3 would be about 946 crores, and Q3 previous year you had about 780 crores, so a growth of 23.34%, which is I think lower than what the large software companies are saying in India?

Vivek Paul: I think we would be looking at year to date growth. That's really is for the full year we are going grow higher than the industry average.

Deepan Mehta: Thank you Sir.

Moderator: Thank you very much Sir. Our next participant is Ms. Rebecca Rebello of UBS Warburg.

Trideep Bhattacharya: Hi, this is Trideep from UBS Warburg. I wanted to understand a couple of things regarding the top 5 clients, has the composition in terms of the change in the top 5 clients, especially the top client, may be?

Vivek Paul: If you look at the percentage revenue from the top 1 customer, it is 8% for the quarter, top 5 customers it is 30%, top 10 customers it is 44%.

Trideep Bhattacharya: Sir, I was asking more regarding the names, have the names changed?

Vivek Paul: The top customer is now the Lattice Group.

Trideep Bhattacharya: In terms of the rest of the 4, if you could share with us the names?

Shankar: This is Shankar here. The top 10 clients of ours includes the Lattice Group, Nortel, TRANSCO, Alcatel, Nokia, Wayerhauser, Lucent, Farmers, Compaq, and Seagate.

Trideep Bhattacharya: Secondly, since you talked about a full year bought out component of about \$14 million, and this quarter had about significant bought out component. Obviously, it seems that the next couple of quarters are going to be less, significantly less of bought out component, is that kind of what should be factored in?

Vivek Paul: Yes, in the sense, if you are saying that the balance revenue that will be accounted for, the component of the bought out component will be lower in that as compared to what we have done in Q2.

Trideep Bhattacharya: The third is regarding, since the Nortel kind of talked about reduced outsourcing in India, in absolute terms, should we factor a severe decline even as compared to this quarter and the subsequent quarters for the current fiscal year?

Suresh Senapaty: I think the answer Vivek gave was earlier when we have talked about sequential growth of around 5%, this does take into account a softness in the telecom and internet equipment manufacturers area of our practice.

Trideep Bhattacharya: Okay, and in this particular quarter revenue, the Forex gain breakup, if you could split up the global IT services between the two, between core revenues and the Forex gain?

J Shankar: See in terms of the US GAAP results that we have announced, the foreign exchange impact is separately computed and it is available in the segment wise report. Because the foreign exchange is not specifically with reference to one currency, which is US dollar. We have about 39% of our revenue coming from Europe, a large portion of it is in terms of pound sterling in Europe, and you have also about 6% of our revenue coming from Japan. To be segregating the foreign exchange purely to compare it dollar-

to-dollar growth, it would be technically a little bit tough, in terms of, you also have to use a cross conversion rates for other currencies.

Trideep Bhattacharya: I see, thanks.

Moderator: Thank you very much Sir. Our next participant is Mr. Trideep Bhattacharya of UBS Warburg.

Trideep Bhattacharya: Sorry, my questions have been answered.

Moderator: Thank you very much Sir. Our next participant is Mr. Mahinder Gupta of SBI Capital Markets Ltd.

Mahinder Gupta: Thank you for giving me the opportunity for asking question. I would like to congratulate Wipro management on the good results. I just went through the new client additions where it says that some of the clients are from the financial and retail side, such as CitiBank, HSBC, Phillip Morris, etc., I want to ask whether these clients were acquired before September 11th or were these acquired after September 11th, and what impact you see on these clients of that event?

Vivek Paul: I think that of the 26 customers that started billing in the last quarter, 8 of them started billing post September 11th and 3 out of 8 were US companies. So, I think that what we have seen is a good continuation of confidence in Wipro and in our offshore offering. In addition, since then we have also announced four new order wins for this quarter, where again, discussions had been ongoing before September 11th, but the fact that they were formalized into orders is again a sign of continuing confidence.

Maninder Gupta: And with these clients, has the initial engagement being a substantial one or is it small one?

Vivek Paul: I think most engagements start with scoping out study.

Maninder Gupta: I did not get that answer, please can you repeat it?

Vivek Paul: Most engagements start with scoping study, so there always is a ramp up that goes on.

Maninder Gupta: Okay, thank you.

Moderator: Thank you very much Sir. Next in line, we have Mr. Lakshmikanth of ABN Amro.

Lakshmikanth: There has been a significant positive billing rate variance over the last few quarters and yet on the basis of the US GAAP numbers, there is a drop in the gross profits, that is the direct revenues minus direct costs of your global IT services by about 280 basis points. I was just wondering improvement in billing rates coupled with

improvement in utilization and nearly flattish offshore mix, how is that explains that big time variance? Thank you. I have one more question after that please.

Vivek Paul: Like we said, there are 2 aspects to it. One is that, we had an on-site component which is higher quarter as opposed to earlier, because we had a 52% on-site as opposed to 50% last quarter, and the second thing is, we had a percentage of our revenue coming from bought out products, which has a lower margin. These are the basic 2 reasons why the gross margins were a little lower than the comparison quarter last quarter. What is the second question?

Lakshmikanth: I was actually referring to direct cost of services, because you have given breakup in the US GAAP, services direct costs as well as the bought out product direct costs, I was just referring to gross margin on services only. I have netted out from the revenues as well as from the costs, and there, there is a drop of about 280 basis points, but I guess that variance of about 2%age points in on-site mix might probably explain? The second thing, regarding the classification of this, you said, \$28 million is the Lattice Group contract revenues for the current expected, is that for the second half of the year or is it for the full year?

Male Speaker: It is by March 2002, full year. The \$28 million that we talked about will be an invoicing which will be done by March 2002, including what we did in Q2.

Lakshmikanth: Thank you. Thirdly, since you are saying 5% topline sequential growth and I would imagine, correct me if I am wrong, it has visibility on the revenues and the cost you would largely have, what costs you are going to incur to service these revenues, it should be possible for you to give some sort of EBIT guidance as well for the next quarter, the global IT services, that will be really great?

Suresh Senapaty: I think we will generally flow into the kind of trend that we have had vis-à-vis our operating margins and global IT.

Lakshmikanth: Thanks a lot and congratulations on the results.

Moderator: Thank you very much Sir. Our next participant is Mr. Bhavin Shah of CFSB, Hongkong.

Bhavin: Yes, what I was saying is, the \$28 million revenues from Lattice, I believe you mentioned \$10 million already booked in the September quarter, first if you can confirm that?

Vivek Paul: Yes.

Bhavin: Second, remaining revenues, if you can split, how they have been split in the next 2 quarters?

Vivek Paul: We are not going to split between Q3 and Q4, but we confirm that \$10 million dollars has been booked in this Q2, because it is a function of how the project goes in terms of the basic execution process, in terms of recurrent specs, and firming it up, as well as doing the actual implementation, so it would be a function of that.

Bhavin: Okay, can we assume that most of the product revenues could be booked by the end of December quarter?

Vivek Paul: Well, I don't think we want to split that at all.

Bhavin: Okay. On your acquisition, could you mention what was the price to book, return on equity and the revenue of this company for the 12 months?

Vivek Paul: We have taken a strategic stake in this particular company, it will not be proper on our part to be able to share. I think it will be appropriate to communicate with them, and to the extent the information is of public domain, they could be sharing this, and there is some kind of arrangement they are going to make in the next 2 to 3 days for having a press conference, may be you take that opportunity to get that out.

Azim Premji: The company currently employs 850 people.

Vivek Paul: And I would not classify it as an acquisition. I think it is a strategic stake.

Bhavin: Sorry, I was just trying to put a value to it, what sort of price did you pay for that and without mentioning the specific value?

Vivek Paul: We cannot speak those numbers. I think it is better to be asked to the company.

Bhavin: All right. The other question was, there seems to be about increase about \$14 million in other assets category, am I reading that right and what it is about?

Suresh Senapaty: Bhavin, can I listen to the question again?

Bhavin: There seems to be a \$14 million increase in other assets when I look at the balance sheet?

Suresh Senapaty: Yes, may be you are looking at US GAAP?

Bhavin: Yes.

Shankar: Primarily, there is some amount of interest accruals, in terms of where we have captured, in terms of on our investments, which get classified in terms of interest receivables.

Bhavin: Right, just for this quarter it is a very large increase, so I was wondering what drove that?

Shankar: Some of that may relate to the translation of your money part overseas. I can back to you with more detailed answer.

Bhavin: Yes. I will follow up. Also, do you expect Nortel to be outside top 5 in the March quarter results?

Vivek Paul: Sorry, we can't talk about outlooks for customers.

Bhavin: Okay, and 30% of revenues from top 5, #1 is 8% without naming the customers, could you say what is the percentage of the rest of the 5 customers?

Vivek Paul: First one is 8, second one 7, third one 6, fourth one 5, and fifth one 3.

Bhavin: And was it roughly similar in the June quarter please?

Vivek Paul: Actually, they are just moving 1%age here and there, so I don't think you will see a significant trend. You cant read too much into their numbers there. You want to know the last quarter was 9, 7, 5, 4, and 2.

Bhavin: May be I will tell you why I am asking all this. We were just trying to figure out if the 5% is all coming from Lattice or is there a growth from other business as well?

Vivek Paul: No, we should expect growth everywhere. Even this quarter, our finance and insurance business grew sequentially; our enterprise business, which is the rest of your IT services grew sequentially; our overall telecom business grew sequential because we had growth in our telecom service provider space, so I think we are seeing a decent growth.

Bhavin: Final question is, just on the gross margin, is there any one-time charge that you booked in September quarter related to the work force reduction, I think you gave some other reasons for the margin change, but I was just wondering if that was also a reason?

Vivek Paul: No, the answer is "no".

Bhavin: Thank you very much. By the way, congratulations on solid results.

Moderator: Thank you very much Sir. Next in line, we have Mr. Anantha Narayana of Morgan Stanley, Singapore.

Anantha Narayana: Hi, good afternoon. Could you give us a bit more detail on how Spectramind fits into your strategy, may be with some examples of which specific areas that you would be looking at, because from what I can see from Spectramind's web site, they seem to be operating in a whole lot of areas?

Vivek Paul: Were you logged on when I gave my long-winded answer in the beginning?

Anantha Narayana: I did. Actually, what I was looking for at this time is may be some specific examples, may be one or two specific areas that you all may be looking at?

Vivek Paul: Okay, so let's take a look at one of the telecommunication companies for which for the entire installed base, we do product line maintenance. They would like to take a look at doing primary call center out of India in order to save costs, moving their call center here. If we can have combined approach, we would like to be able to do their escalation center in Wipro which requires engineers with a high level of technical capability and familiarity with the product, and Spectramind could potentially do the call center and may even the second level help desk. So, I think that that combination allows us to offer to this telecom customer a full end-to-end solution that goes all the way from call center to help desk to escalation and even the engineering maintenance. I think that combination can prove powerful. We are in fact talking to a couple of customers, we have been proposing this, and let's see how it plays out.

Anantha Narayana: Just one more question on Spectramind. Besides the founders and you of course, are there any other major shareholders?

Vivek Paul: Chrysalis and HDFC are the other venture capitalists and management that comprises pretty much the entire shareholding.

Anantha Narayana: Just one final question. I think this has been raised a couple of times before, but there is still some confusion in my mind. Could you give us the exact cash and equivalent that you have in foreign currency at this point in time?

Shankar: We have equivalent of about \$130 million, which includes in terms of both the media proceeds and the interest that we have earned on it till date, which is there in terms of money lying overseas.

Anantha Narayana: Right. It should approximately have translated to \$130 million translation game last quarter I guess. Which head does it come under exactly in your US GAAP statement?

Shankar: It comes under the segment "others."

Anantha Narayana: Sorry, Shankar, others in the revenue breakup.

Shankar: Yes, to the extent of exchange rate, it comes in terms of after operating margins. At a PBIT level, it is not coming, but it comes after operating margins.

Anantha Narayana: Okay.

Shankar: For example, to operate PBIT numbers, if you add that income and less the tax, you will get the net income.

Anantha Narayana: Okay, fair enough. Thank you very much.

Male Speaker: Operator, can you have the last question please?

Moderator: Sure Sir. Next in line, we have Mr. Mahesh Vaze of Motilal Securities.

Mahesh Vaze: Hello. Just another question on the Lattice Group. If I remember correctly, last time around in the conference call you had said that in FY-02, you would be booking \$30 million and \$18 million buy-sell components?

Suresh Senapaty: Yes, Mahesh, but you know it is a range of 25 to 30 on the basis of completed work because there are a lot of products, there are a lot of efforts also which are involved, and since it is a project which has to be delivered in the next 12 months from the date we took up the project, it is difficult to cut it off on a very scientific basis. So, I think the indication was given that it will be around that number.

Mahesh Vaze: Okay fine, and secondly I want to know, in the technology services space, how is the non-telecom market panning out?

Vivek Paul: I think that what we are seeing is that in the embedded system space, we are good winds in the automotive electronics. We talked about starting billing with Johnson Controls. We have locked in one more company this quarter that we have announced, where we are setting up an offshore development center for, so I think we are seeing good growth there. Our base computing companies and the semi-conductor companies continue to decline, so I think that net combination is still proving to be a net negative.

Mahesh Vaze: Okay. In terms of the billing rate scenario, is it substantially different between the technology services and the enterprise services?

Vivek Paul: I think that it is different in the sense that in the technology services, the issue is lower demand not increased competition. The issue in enterprise side is lower demand and increased competition, and I think as a result the pricing pressure on the enterprise side is higher than on the technology side.

Mahesh Vaze: Thanks a lot.

Moderator: Thank you very much Sir. At this moment, I would like to hand over the floor back to Wipro for final remarks.

Azim Premji: Thank you very much for your time. I hope you found this meeting useful.

Moderator: That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.