WIPRO LIMITED
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	As of December 31,			As of March 31,		
	2000	2001	2001	2000	2001	2001
	(unaudited)	(unaudited)	(unaudited)			
ASSETS						
Current assets:						
Cash and cash equivalents (Note 4)	Rs. 5,761,269	Rs. 7,519,850	$ 155,787	Rs. 781,495	5,622,681	$ 116,484
Restricted cash (Note 4)................................	-	-	-	2,108	-	-
Accounts receivable, net of allowances (Note 5)	4,968,577	5,114,348	105,953	4,431,360	5,878,285	121,779
Costs and earnings in excess of billings on incomplete contracts................................	44,365	855,039	17,714	9,396	65,334	1,354
Inventories (Note 6)...	1,555,431	1,461,623	30,280	1,205,764	1,467,097	30,394
Investment securities (Note 8)	1,038,888	4,728,553	97,960	162,142	2,562,511	53,087
Deferred income taxes (Note 23)........................	244,414	74,069	1,534	11,678	73,905	1,531
Other current assets (Note 7).............................	1,756,610	2,480,411	51,386	981,661	2,404,408	49,812
Total current assets	15,369,554	22,233,893	460,615	7,585,604	18,074,221	374,440
Investment securities (Note 8)	285,066	357,289	7,402	135,008	144,105	2,985
Property, plant and equipment, net (Note 9).............	5,194,364	6,291,373	130,337	3,603,681	5,479,325	113,514
Investments in affiliates (Note 14)..........................	644,666	854,659	17,706	704,885	689,693	14,288
Deferred income taxes (Note 23)............................	70,562	136,909	2,836	256,073	221,982	4,599
Intangible assets, net (Note 10)..............................	985,188	700,462	14,511	10,795	833,305	17,263
Other assets (Note 7)	717,112	745,538	15,445	382,307	719,084	14,897
Total assets..	Rs. 23,266,512	Rs.31,320,123	648,853	Rs. 12,678,353	Rs. 26,161,715	$ 541,987
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Borrowings from banks (Note 16).......................	Rs. 8,267	Rs. 97,319	$ 2,016	Rs. 92,748	Rs. 346,650	$ 7,181
Current portion of long-term debt (Note 17)...........	1,362,033	136,350	2,825	1,249,570	1,326,196	27,475
Accounts payable..	1,435,290	1,825,395	37,816	1,387,606	1,847,243	38,269
Accrued expenses	1,867,197	2,261,061	46,842	1,490,250	1,792,989	37,145
Advances from customers	788,802	1,014,947	21,026	754,825	1,077,371	22,320
Other current liabilities (Note 11).......................	759,733	516,115	10,692	435,561	467,801	9,691
Redeemable preferred stock (Note 20).................	-	-	-	250,000	-	-
Total current liabilities	6,221,322	5,851,187	121,218	5,660,560	6,858,250	142,081
Long-term debt, excluding current portion (Note 17)	119,571	29,770	617	211,144	95,031	1,969
Deferred income taxes (Note 23)............................	9,280	106,982	2,216	17,974	90,642	1,878
Other liabilities (Note 12).....................................	43,771	66,227	1,372	101,735	37,179	770
Total liabilities	6,393,944	6,054,166	125,423	5,991,413	7,081,102	146,698
Stockholders' equity:						
Equity shares at Rs. 2 par value: 235,000,000 shares authorized as of March 31, 2000 and 375,000,000 shares authorized as of March 31, 2001 and December 31, 2000 and 2001; Issued and outstanding: 229,156,350 shares as of March 31, 2000 and 232,391,814 shares as of December 31, 2000, 232,433,019 shares as of March 31, 2001, and 232,439,524 shares as of December 31, 2001 (Note 18)..	464,784	464,879	9,631	458,313	464,866	9,631
Additional paid-in capital (Note 24)	6,664,927	6,701,693	138,838	800,238	6,696,295	138,726
Deferred stock compensation (Note 24)...................	(132,924)	(25,329)	(525)	(208,358)	(97,047)	(2,011)
Accumulated other comprehensive income (Note 8) ...	919	(1,775)	(37)	1,772	1,431	30
Retained earnings (Note 19).................................	9,874,937	18,126,566	375,524	5,635,050	12,015,143	248,915
Equity shares held by a controlled Trust: 1,216,460, 1,280,885, 1,272,785 and 1,315,085 shares as of March 31, 2000, March 31, 2001, December 31, 2000, and December 31, 2001 (Note 24)	(75)	(77)	(2)	(75)	(75)	(2)
Total stockholders' equity............................	16,872,568	25,265,957	523,430	6,686,940	19,080,613	395,289
Total liabilities and stockholders' equity...........	Rs. 23,266,512	Rs. 31,320,123	$ 648,853	Rs. 12,678,353	Rs. 26,161,715	$ 541,987

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share data)

	Three Months Ended December 31,			Nine Months Ended December 31,			Year ended March 31,		
	2000	2001	2001	2000	2001	2001	2000	2001	2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
Revenues:									
Global IT Services and Products……….									
Services…………………………..	Rs. 4,776,839	Rs. 5,559,273	$ 115,170	Rs.12,531,400	Rs.15,913,776	$ 329,683	Rs. 10,206,078	Rs. 17,670,426	$ 366,075
Products……………….	-	493,204	10,218	-	899,871	18,642	-	-	-
India and AsiaPac IT Services and Products									
IT Services………………………	376,866	401,432	8,316	1,322,251	1,380,039	28,590	1,512,717	1,878,714	38,921
IT Products………………………	1,333,257	1,089,455	22,570	4,585,267	3,203,487	66,366	6,576,580	6,792,076	140,710
Consumer Care and Lighting……...……	837,465	737,608	15,281	2,362,409	2,205,532	45,692	3,151,116	3,143,537	65,124
Others …………………………………..	279,405	400,019	8,287	814,328	1,211,171	25,092	1,380,583	1,328,915	27,531
Total………………………… …..	7,603,832	8,680,991	179,842	21,615,655	24,813,876	514,064	22,827,074	30,813,668	638,361
Cost of revenues:									
Global IT Services and Products………									
Services ……….…………	Rs.2,491,153	2,956,351	61,246	Rs.6,652,050	8,525,577	176,623	6,219,980	9,204,649	190,691
Products ……………………..	-	468,427	9,704	-	826,055	17,113	-	-	-
India and AsiaPac IT Services and Products									
IT Services …………………	203,007	152,666	3,163	691,217	670,299	13,886	900,934	1,011,047	20,946
IT Products ……………….,	1,010,715	899,796	18,641	3,782,681	2,607,695	54,023	5,640,228	5,456,545	113,042
Consumer Care and Lighting…….……..	579,938	516,325	10,697	1,679,467	1,551,000	32,132	2,251,238	2,215,349	45,895
Others ……………………..………….	156,628	351,793	7,288	557,030	1,004,153	20,803	1,070,031	961,779	19,925
Total ……………………..…. ……….	4,441,441	5,345,358	110,739	13,362,445	15,184,779	314,580	16,082,411	18,849,369	390,499
Gross profit …………………………….	3,162,391	3,335,633	69,104	8,253,210	9,629,097	199,484	6,744,663	11,964,299	247,862
Operating expenses:									
Selling, general, and administrative expenses…………………..………	(1,238,705)	(1,129,589)	(23,401)	(3,502,869)	(3,470,208)	(71,892)	(3,251,298)	(4,835,095)	(100,168)
Research and development expenses……..	-	(41,809)	(866)	-	(109,207)	(2,262)	-	-	-
Amortization of goodwill ………..	(500)	(43,391)	(899)	(1,500)	(130,173)	(2,697)	(1,000)	(45,389)	(940)
Foreign exchange gains/ (losses) ,net……	91,474	5,539	115	110,688	172,692	3,578	51,603	86,399	1,790
Gain on sale of property and equipment…………………………….	21,547	1,852	38	41,034	16,720	346	16,737	154,457	3,200
Operating income ……………………	2,036,207	2,128,235	44,090	4,900,563	6,108,921	126,557	3,560,705	7,324,671	151,744
Gain on sale of stock of affiliate, including direct issue of stock by affiliate (Note 14)	-	-	-	-	-	-	412,144	-	-
Other income/(expense), net (Note 21)	94,992	233,482	4,837	85,189	665,678	13,791	(223,484)	315,135	6,529
Income taxes (Note 23)………………	(304,450)	(202,835)	(4,202)	(638,864)	(673,953)	(13,962)	(525,298)	(1,150,042)	(23,825)
Income before share of equity in earnings of affiliates and minority interest…………	1,826,749	2,158,882	44,725	4,346,888	6,100,646	126,386	3,224,067	6,489,764	134,447
Equity in earnings of affiliates (Note 14)…..	18,302	83,718	1,734	27,224	139,310	2,886	112,590	(53,181)	(1,102)
Minority interest…………………………	-	-	-	-	-	-	(3,661)	-	-
Income from continuing operations… …..	1,845,051	2,242,600	46,459	4,374,112	6,239,956	129,272	3,332,996	6,436,583	133,345
Discontinued operations (Note 3):									
Income tax benefit on sale of interest	-	-	-	-	-	-	218,707	77,735	1,610
Income before cumulative effect of accounting change……………………	1,845,051	2,242,600	46,459	4,374,112	6,239,956	129,272	3,551,703	6,514,318	134,956
Cumulative effect of accounting change, net of tax………………………………	-	-	-	(59,104)	-	-	-	(59,104)	(1,224)
Net income ……………………..	Rs.1,845,051	Rs. 2,242,600	$ 46,459	Rs. 4,315,008	Rs. 6,239,956	$ 129,272	Rs. 3,551,703	Rs.6,455,214	$ 133,731
Earnings per equity share: Basic									
Continuing operations ………………..	8.01	9.70	0.20	19.12	27.00	0.56	14.63	28.07	0.58
Discontinued operations………………	-	-	-	-	-	-	0.96	0.34	0.01
Cumulative effect of accounting change…	-	-	-	(0.26)	-	-	-	(0.26)	(0.01)
Net income……………………………	8.01	9.70	0.20	18.86	27.00	0.56	15.59	28.15	0.58
Earnings per equity share: Diluted									
Continuing operations……………..….	7.94	9.69	0.20	18.96	26.96	0.56	14.58	27.83	0.58
Discontinued operations…………	-	-	-	-	-	-	0.96	0.34	0.01
Cumulative effect of accounting change	-	-	-	(0.26)	-	-	-	(0.26)	(0.01)
Net income …………………………	7.94	9.69	0.20	18.70	26.96	0.56	15.54	27.91	0.58
Weighted average number of equity shares used in computing earnings per equity share:									
Basic……………………..……….	230,420,787	231,126,150	231,126,150	228,761,780	231,132,818	231,132,818	227,843,378	229,325,989	229,325,989
Diluted………………………… …..	232,459,424	231,405,863	231,405,863	230,694,235	231,430,057	231,430,057	228,648,134	231,254,523	231,254,523

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(in thousands, except share data)

	Equity Shares		Additional Paid in	Deferred Stock		Accumulated Other		Equity Shares held by a Controlled Trust		Total Stockholders'
	No. of Shares	Amount	Capital	Compensation	Comprehensive Income	Comprehensive Income	Retained Earnings	No. of Shares	Amount	Equity
Balance as of March 31, 2000 ……..	229,156,350	458,313	800,238	(208,358)		1,772	5,635,050	(1,216,460)	(75)	6,686,940
Cash dividends paid (Unaudited)…..	—	—	—	—	—	—	(75,121)	—	—	(75,121)
Common stock issued (Unaudited)…	3,162,500	6,325	5,796,449	—	—	—	—	—	—	5,802,774
Shares issued by trust net of forfeiture (Unaudited)……..….	—	—	—	—	—	—	—	(56,325)	—	—
Exercise of employee stock options (Unaudited)…………………….	72,964	146	79,093	—	—	—	—	—	—	79,239
Compensation related to employee stock incentive plan (Unaudited)	—	—	(10,853)	10,853	—	—	—	—	—	—
Amortization of compensation related to employee stock incentive plan (Unaudited)……..	—	—	—	64,581	—	—	—	—	—	64,581
Comprehensive income …………...										
Net Income (Unaudited)……….	—	—	—	—	Rs. 4,315,008	—	4,315,008	—	—	4,315,008
Other comprehensive income…										
Unrealized gain/(loss) on investments (Unaudited)……	—	—	—	—	(853)	(853)	—	—	—	(853)
Comprehensive income (Unaudited)	—	—	—	—	Rs. 4,314,155	—	—	—	—	—
Balance as of December 31, 2000 (Unaudited)…………………….	232,391,814	Rs.464,784	Rs.6,664,927	Rs. (132,924)	—	Rs. 919	Rs. 9,874,937	(1,272,785)	Rs. (75)	Rs.16,872,568
Shares forfeited, net of issuances by Trust (Unaudited)……………...	—	—	—	—	—	—	—	(8,100)	—	—
Issuance of equity shares on exercise of options (Unaudited)	41,205	82	44,666	—	—	—	—	—	—	44,748
Net reversal of compensation related to employee stock incentive plan (Unaudited)…..	—	—	(13,298)	13,298	—	—	—	—	—	—
Amortization of compensation related to employee stock incentive plan (Unaudited)…...	—	—	—	22,579	—	—	—	—	—	22,579
Comprehensive income ……………										
Net income (Unaudited)………...	—	—	—	—	Rs.2,140,206	—	2,140,206	—	—	2,140,206
Other comprehensive income										
Unrealized gain/(loss) on investments, net (Unaudited)	—	—	—	—	512	512	—	—	—	512
Comprehensive income (Unaudited)	—	—	—	—	Rs.2,140,718	—	—	—	—	—
Balance as of March 31, 2001….	232,433,019	Rs. 464,866	Rs.6,696,295	Rs. (97,047)		Rs. 1,431	Rs. 12,015,143	(1,280,885)	Rs. (75)	Rs. 19,080,613
Cash dividends paid (Unaudited)							(128,533)			(128,533)
Shares forfeited, net of issuances by Trust (Unaudited)….…………	—	—	—	—	—	—	—	(34,200)	(2)	(2)
Issuance of equity shares on exercise of options (Unaudited)………….	6,505	13	7,051	—	—	—	—	—	—	7,064
Net reversal of compensation related to employee stock incentive plan (Unaudited)…………………	—	—	(12,230)	2,804	—	—	—	—	—	(9,426)

	Equity Shares		Additional Paid in	Deferred Stock	Comprehensive	Accumulated Other Comprehensive	Retained	Equity Shares held by a Controlled Trust		Total Stockholders’
	No. of Shares	Amount	Capital	Compensation	Income	Income	Earnings	No. of Shares	Amount	Equity
Amortization of compensation related to employee stock incentive plan (Unaudited)……..	—	—	—	68,914	—	—	—	—	—	68,914
Income tax benefit arising on exercise of stock options (Unaudited)……………………..	—	—	10,577	—	—	—	—	—	—	10,577
Comprehensive income										
Net income (Unaudited)………….	—	—	—	—	Rs. 6,239,956		6,239,956	—	—	6,239,956
Other comprehensive income……										
Unrealized loss on investments, net (Unaudited)……………	—	—	—	—	(3,206)	(3,206)	—	—	—	(3,206)
Comprehensive income (Unaudited)	—	—	—	—	Rs. 6,236,750	—	—	—	—	—
Balance as of December 31, 2001 (Unaudited)………………….	232,439,524	Rs. 464,879	Rs. 6,701,693	Rs. (25,329)		Rs. (1,775)	Rs. 18,126,566	(1,315,085)	Rs. (77)	Rs. 25,265,957
Balance as of December 31, 2001($) (Unaudited)		$ 9,631	$ 138,838	$ (525)		$ (37)	$ 375,524		$ (2)	$ 523,430

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share data)

	Nine Months Ended December 31,			Year ended March 31,		
	2000	2001	2001	2000	2001	2001
	(unaudited)	(unaudited)	(unaudited)			
Cash flows from operating activities:						
Income from continuing operations…..	Rs.4,374,112	Rs. 6,239,956	$ 129,272	Rs.3,332,996	Rs. 6,436,583	$ 133,345
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:						
Cumulative effect of accounting change, net of tax…………………..	(59,104)	-	-	-	(59,104)	(1,224)
Loss / (Gain) on sale of property, plant and equipment……………..	(41,034)	(16,720)	(346)	22,944	(154,457)	(3,200)
Depreciation and amortization……	688,690	1,165,122	24,138	738,723	1,037,119	21,486
Non-cash interest expense on long-term debt………………………….	109,741	-	-	34,176	148,864	3,084
Deferred tax charge / (benefit)……	(55,144)	101,638	2,106	182,553	16,539	343
Loss / (Gain) on sale of investment securities………………………….	-	-	-	(681)	-	-
Loss / (Gain) on sale of stock of affiliate, including direct issue of stock by affiliate ………………...	-	-	-	(412,144)	-	-
Amortization of deferred stock compensation…………………...	64,581	59,488	1,232	96,898	87,160	1,806
Undistributed equity in earnings of affiliates……………………………	(19,873)	(137,490)	(2,848)	(97,890)	85,030	1,762
Minority interest …………………..	-			3,661	-	-
Changes in operating assets and liabilities:						
Accounts receivable………….…	(828,039)	763,937	15,826	(858,439)	(1,758,562)	(36,432)
Costs and earnings in excess of billings on incomplete contracts…………	(34,969)	(789,705)	(16,360)	(9,396)	(55,938)	(1,159)
Inventories…………………….	(629,958)	5,474	113	237,965	(517,963)	(10,731)
Other assets……………….….	(969,876)	(102,457)	(2,123)	(237,449)	(1,622,490)	(33,613)
Accounts payable……………..	137,873	(21,848)	(453)	(523,951)	549,826	11,391
Accrued expenses…………….	3,72,591	468,072	9,697	622,528	298,384	6,182
Advances from customers……..	19,148	(62,424)	(1,293)	216,820	307,716	6,375
Other liabilities………………	310,513	77,359	1,603	165,972	12,664	262
Income tax benefits arising from exercise of employee stock options…….	-	10,577	219	-	-	-
Net cash provided by continuing operations	3,439,252	7,760,979	160,783	3,515,286	4,811,371	99,676
Net cash provided by discontinued operations…………….……………...	-	-	-	-	77,735	1,610
Net cash provided by operating activities	3,439,252	7,760,979	160,783	3,515,286	4,889,106	101,287
Cash flows from investing activities:						
Expenditure on property, plant and equipment………………………	(2,089,647)	(1,906,617)	(39,499)	(1,317,958)	(2,626,273)	(54,408)
Proceeds from sale of property, plant and equipment………………….	161,158	79,012	1,637	32,333	226,054	4,683
Funding of discontinued operations…	-	-	-	(855,793)	-	-
Purchase of minority interest, net of cash acquired……………………….	(1,087,216)	-	-	(67,500)	(1,083,450)	(22,446)
Investments in affiliate ………….…	-	-	-	-	(72,967)	(1,512)
Proceeds from sale of investments in affiliates…..………………………	-	-	-	153,128	-	-
Proceeds from sale of assets of the peripherals division…………….	156,280	-	-	-	156,280	3,238
Purchase of investment securities…..…	(1,033,249)	(2,487,334)	(51,530)	(833,622)	(2,469,807)	(51,167)
Proceeds from sale and maturities of investment securities…………..	64,817	77,037	1,596	95,974	174,000	3,605
Net cash used in investing activities…	(3,827,857)	(4,237,902)	(87,796)	(2,793,438)	(5,696,163)	(118,006)

	Nine Months Ended December 31,			Year ended March 31,		
	2000	2001	2001	2000	2001	2001
Cash flows from financing activities:						
Proceeds from issuance of common stock	5,802,773	-	-	-	5,926,761	122,784
Proceeds from exercise of employee stock options	79,239	7,064	146			
Proceeds from/ (repayments of) short-term borrowing from banks, net	(105,537)	(249,332)	(5,165)	(1,688,043)	232,846	4,824
Proceeds from issuance of long-term debt	-	-	-	976,043	-	-
Repayment of long-term debt …………	(88,851)	(1,255,107)	(26,002)	(755,049)	(188,351)	(3,902)
Sale of shares by Trust…………………	-	-	-	466,771	-	-
Proceeds from/ (redemption) of preferred stock.…….…………………………….	(250,000)	-	-	-	(250,000)	(5,179)
Proceeds from issuance of common stock by a subsidiary/affiliate……………….	-	-	-	502,345	-	-
Payment of cash dividends…………...	(75,121)	(128,533)	(2,663)	(75,622)	(75,121)	(1,556)
Net cash provided by / (used in) financing activities…………………	5,362,503	(1,625,908)	(33,684)	(573,555)	5,646,135	116,970
Effect of de-consolidation of a subsidiary on cash and cash equivalents (Note 14)	3,768	-	-	(1,943)	-	-
Net increase in cash and cash equivalents during the year/period…	4,977,666	1,897,169	39,303	146,350	4,839,078	100,250
Cash and cash equivalents at the beginning of the year/period………..	783,603	5,622,681	116,484	637,253	783,603	16,234
Cash and cash equivalents at the end of the year/period……………………….	Rs.5,761,269	Rs. 7,519,850	$ 155,787	Rs. 783,603	Rs. 5,622,681	$ 116,484
Supplementary information:						
Cash paid for interest……………..	Rs. 60,929	Rs. 60,186	$ 1,247	Rs. 335,545	Rs. 69,844	$ 1,447
Cash paid for taxes……………	829,771	896,443	18,571	221,233	1,120,889	23,221

See accompanying notes to the consolidated financial statements.

(in thousands, except share data and where otherwise stated)

1. Overview

Wipro Limited (Wipro), together with its subsidiaries Wipro Inc., EnThink Inc., Wipro Prosper Limited, Wipro Welfare Limited, Wipro Trademarks Holdings Limited, Wipro Net Limited, Wipro Japan KK and affiliates Wipro ePeripherals Limited, NetKracker Limited and Wipro GE Medical Systems Limited (collectively, the Company) is a leading India based provider of IT services and products globally. Further, Wipro is in other businesses such as India and AsiaPac IT Services and Products, Consumer Care and Lighting and healthcare systems. Wipro is headquartered in Bangalore, India.

2. Significant Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Basis of preparation of financial statements. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Functional currency. The functional and reporting currency of the Company is the Indian rupee as a significant portion of the Company's activities are conducted in India.

Convenience translation. The accompanying financial statements have been prepared in Indian rupees, the national currency of India. Solely for the convenience of the readers, the financial statements as of and for the year ended March 31, 2001, and the period ended December 31, 2001, have been translated into United States dollars at the noon buying rate in New York City on December 31, 2001, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of $1=Rs. 48.27. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate.

Principles of consolidation. The consolidated financial statements include the financial statements of Wipro and all of its subsidiaries, which are more than 50% owned and controlled. All material inter-company accounts and transactions are eliminated on consolidation. The Company accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the investee.

Pursuant to a joint venture agreement, effective December 27, 1999, the shareholding of the Company in Wipro Net Limited (Wipro Net) was reduced from 100% to 55%. The minority shareholder, KPN Group, held 45% of the voting stock and had certain significant participating rights which provided for its effective involvement in significant decisions in the ordinary course of business. Accordingly, the financial statements of Wipro Net were not consolidated from December 27, 1999 and were accounted for under the equity method. In December 2000, the Company acquired the minority interest held by the KPN Group. The financial statements of Wipro Net have been consolidated subsequent to the acquisition.

On May 17, 2001, the Boards of Wipro and Wipro Net decided to legally reorganize the operations of Wipro Net by merging Wipro Net with Wipro. Subsequent to the merger, Wipro Net will cease to be a separate legal entity. This legal reorganization is subject to regulatory approvals.

The financial statements of Wipro Finance Limited (Wipro Finance), a majority owned subsidiary, were consolidated with Wipro in fiscal 1999 as a discontinued operation. In December 1999, Wipro reduced its shareholding in Wipro Finance to 50%, subsequent to which it did not have a controlling interest in Wipro Finance. Wipro has no financial obligations or commitments to Wipro Finance and does not intend to provide Wipro Finance with further financial support. Accordingly, Wipro has not provided for any losses beyond its equity investment and net advances, and the financial statements of Wipro Finance have not been consolidated since April 1, 1999. In fiscal 2001, Wipro sold its remaining 50% equity interest in Wipro Finance.

Cash equivalents. The Company considers all highly liquid investments with remaining maturities, at the date of purchase/investment, of three months or less to be cash equivalents.

Revenue recognition. Revenues from software development services comprise income from time-and-material and fixed-price contracts. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue with respect to fixed-price contracts is recognized in accordance with the percentage of completion method of accounting. Provisions for estimated losses on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Maintenance revenue is deferred and recognized ratably over the term of the agreement. Revenue from customer training, support, and other services is recognized as the related service is performed. Revenue from sales of goods is recognized, in accordance with the sales contract, on dispatch from the factories/warehouses of the Company, except for contracts where a customer is not obligated to pay a portion of contract price allocable to the goods until installation or similar service has been completed. In these cases, revenue is recognized on completion of installation. When the Company receives advance payments from customers for sale of products or provision of services, such payments are reported as advances from customers until all conditions for revenue recognition are met. Revenues from product sales are shown net of excise duty, sales tax and applicable discounts and allowances.

Effective April 1, 2001, the Company adopted EITF 00-14: Accounting for Certain Sales Incentives, EITF 00-22: Accounting for Points and Certain Other Time- based or Volume-based sales, Incentive Offers and Offers for Free Products or Services to be Delivered in the Future and EITF 00-25: Vendor Income Statement Characterisation of Consideration from a Vendor to a Retailer. Reported data for previous periods have been reclassified to make it comparable with the current presentation. These reclassifications had no impact on reported net income.

Shipping and handling costs: Shipping and handling costs are included in selling, general and administrative expenses.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined using the weighted average method for all categories of inventories.

Investment securities. The Company classifies its debt and equity securities in one of the three categories: trading, held-to-maturity or available-for-sale, at the time of purchase and re-evaluates such classifications as of each balance sheet date. Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Temporary unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis and are included in earnings. Non-readily marketable equity securities for which there is no readily determinable fair value are recorded at cost. A decline in the fair value of any available-for-sale, held-to-maturity or non-readily marketable equity security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. Fair value is based on quoted market prices. The impairment is charged to earnings.

Investments in affiliates. The Company's equity in the earnings of affiliates is included in the statement of income and the Company's share of net assets of affiliates is included in the balance sheet.

Shares issued by subsidiary/affiliate. The issuance of stock by a subsidiary/affiliate to third parties reduces the proportionate ownership interest in the investee. Unless the issuance of such stock is part of a broader corporate reorganization or unless realization is not assured, the Company recognizes a gain or loss, equal to the difference between the issuance price per share and the Company's carrying amount per share. Such gain or loss is recognized in the statement of income when the transaction occurs.

Property, plant and equipment. Property, plant and equipment are stated at cost. The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. Assets under capital lease are amortized over their estimated useful life or the lease term, as appropriate. The estimated useful lives of assets are as follows:

Buildings…………………………...	30 to 60 years
Plant and machinery……………….	2 to 21 years
Furniture, fixtures and equipment…	2 to 5 years
Vehicles……………………………	4 years
Computer software………………..	2 years

Software for internal use is primarily acquired from third-party vendors and is in ready to use condition. Costs for acquiring this software are capitalized and subsequent costs are charged to revenue. The capitalized costs are amortized on a straight-line basis over the estimated useful life of the software. Deposits paid towards the acquisition of property, plant and equipment outstanding as of each balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed under capital work-in-progress. The interest cost incurred for funding an asset during its construction period is capitalized based on the actual investment in the asset and the average cost of funds. The capitalized interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

Intangible assets. The Company records as assets, costs incurred on assets which are of enduring value at the consideration paid for it and amortizes the cost by systematic charges to income over the period estimated to be benefited. Goodwill resulting from acquisition is reported as an intangible asset and amortized over a period of five years.

Start-up costs. Cost of start-up activities including organization costs are expensed as incurred.

Research and development. Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities that are acquired or constructed for research and development activities and having alternative future uses, is capitalized as tangible assets when acquired or constructed. Software product development costs are expensed as incurred until technological feasibility is achieved.

Impairment of long-lived assets and long-lived assets to be disposed of. In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Foreign currency transactions. The functional and reporting currency of the Company is the Indian rupee. Foreign currency transactions are translated into Indian rupees at the rates of exchange prevailing on the date of the respective transactions. Assets and liabilities in foreign currency are translated into Indian rupees at the exchange rate prevailing on the balance sheet date. The resulting exchange gains/losses are included in the statement of income.

Earnings per share. In accordance with SFAS No. 128, Earnings Per Share, basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be antidilutive.

Income taxes. Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

Stock-based compensation. The Company uses the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25 to account for its employee stock based compensation plans. The Company has therefore adopted the pro forma disclosure provisions of SFAS No. 123, Accounting for Stock-based Compensation.

Accounting change. Effective January 1, 2001, the Company adopted the provisions of Staff Accounting Bulletin No. 101 (SAB 101) issued by the Securities and Exchange Commission, which provides guidelines in applying generally accepted accounting principles to selected revenue recognition issues. Accordingly, the Company changed its policy to recognize revenues from sale of goods on an installed basis, only on completion of installation. Prior to the adoption of SAB 101, revenues were recognized on dispatch to the customer with an appropriate provision for costs of installation.

The initial adoption resulted in a cumulative catch up adjustment of Rs. 59,104, which is recorded as a charge to earnings in fiscal 2001. The effect of this change in accounting principle on net income of fiscal 2001 is immaterial. Similarly, the effect of the change on net income of fiscal 2000 is immaterial. Financial information for the period ended December 31, 2000, has been restated by applying the newly adopted accounting principle. The cumulative effect of the change on retained earnings at the beginning of fiscal 2001 is included in restated net income of the nine months ended December 31, 2000. Revenues for the nine months ended December 31, 2000 and year ended March 31, 2001 include an amount of Rs. 701,455 as a result of the cumulative effect adjustment.

Derivatives and hedge accounting: On April 1, 2001, Wipro adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended, when the rules became effective for companies with fiscal year ending March 31.

The Company enters into forward foreign exchange contracts and interest rate swap agreements where the counterparty is generally a bank. The Company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecasted cash flows denominated in certain foreign currencies. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS No. 133, as amended. Any derivative that is either not designated hedge, or is so designated but is ineffective per SFAS No. 133, is marked to market and recognized in earnings immediately. The initial transition adjustments required to adopt SFAS No. 133 are immaterial.

Recent accounting pronouncements: In July 2001, the FASB issued Statement No.141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No.141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 141 also specifies the criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocated to an assembled workforce may not be accounted for separately. SFAS No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*.

The Company is required to adopt the provisions of SFAS No. 141 immediately, and SFAS No. 142 effective April 1, 2002. Furthermore, any goodwill and any intangible assets determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001, will not be amortized, but will continue to be evaluated for impairment in accordance with the relevant accounting literature that is applicable until the adoption of SFAS No. 142. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001, will continue to be amortized prior to the adoption of SFAS No. 142.

Upon adoption of SFAS No. 142, SFAS No. 141 will require the Company to evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, the Company will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

In connection with the transitional goodwill impairment evaluation, SFAS No. 142 will require the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Company will then have up to nine months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount, both of which must be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's statement of earnings.

As of the date of adoption, the Company expects to have unamortized goodwill in the amount of Rs. 656 million, which will be subject to the transition provisions of SFAS No. 141 and 142. Amortization expense related to goodwill was Rs. 45 million, Rs. 1.5 million, and Rs. 130 million for the year ended March 31, 2001, and the nine months ended December 31, 2000, and 2001. Adoption of SFAS No.s 141 and 142, will not have a significant impact on the financial statements of the Company.

In August 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligation*s. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002.

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* SFAS No. 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Under SFAS No. 144, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet been incurred. The provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001.

Adoption of SFAS No.s 143 and 144, will not have a significant impact on the financial statements of the Company.

Reclassifications. Certain reclassifications have been made to conform prior period data to the current presentation. These reclassifications had no effect on reported earnings.

3. Discontinued Operations

The Company was involved in the financial services business through Wipro Finance, a majority owned subsidiary. The Company, for strategic reasons, decided to concentrate on its core businesses and as a result, in March 1999, the Company decided to exit the financial services business and approved a formal plan for winding down the operations of this business. Under the plan, Wipro Finance will not accept any new business and the existing assets and liabilities would be liquidated as per their contractual terms. The Company estimated the shortfall in servicing liabilities of Wipro Finance through its assets and decided to fund the shortfall through a fresh infusion of equity and preferred stock amounting to Rs. 950,000.

The results of operations of Wipro Finance for all periods have been reported separately as "loss from operations of discontinued finance division". Similarly, the obligation of the Company to fund losses under the plan, in excess of recognized losses as of March 31, 1999, has been accrued as "provision for operating losses during phase-out period".

In December 1999, the Company sold 50% of its interest in Wipro Finance to certain investors for a nominal amount. Subsequent to the sale, the Company did not have a controlling interest in Wipro Finance. The financial statements of Wipro Finance were not consolidated for the year ended March 31, 2000. In fiscal 2001, the Company sold the balance 50% interest in Wipro Finance for a nominal amount. The tax benefit of Rs. 218,707 and Rs. 77,735 arising on the sales has been reported separately as a component of discontinued operations in fiscal 2000 and 2001, respectively.

4. Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents as of March 31, 2000 and 2001 and as of December 31, 2000, and 2001 comprise of cash, cash on deposit with banks and highly liquid money market instruments. Restricted cash represents deposits placed with banks as margin money against guarantees and letters of credit in the normal course of business operations. Restrictions on such deposits are released on the expiry of the terms of the guarantee and letters of credit.

5. Accounts Receivable

The accounts receivable as of March 31, 2000 and 2001, and as of December 31, 2000 and 2001, are stated net of allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts based on present and prospective financial condition of the customer and aging of the accounts receivable. Accounts receivable are generally not collateralized.

The activity in the allowance for doubtful accounts receivable is given below:

	Nine months ended December 31,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Balance at the beginning of the period…..	Rs. 196,602	Rs. 297,884	Rs. 277,841	Rs. 196,602
Additional provision during the period….	225,259	216,966	299,122	212,990
Bad debts charged to provision…………	(30,434)	(2,243)	(380,361)	(111,708)
Balance at the end of the period………..	Rs. 391,427	Rs. 512,607	Rs. 196,602	Rs. 297,884

6. Inventories

Inventories consist of the following:

	As of December 31,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Stores and spare parts………………..	Rs. 44,275	Rs. 34,860	Rs. 42,914	Rs. 44,689
Raw materials and components………	490,971	365,544	497,545	483,807
Work-in-process……………………....	98,416	100,633	83,574	101,932
Finished goods………………………..	921,769	960,586	581,731	836,669
	Rs. 1,555,431	Rs. 1,461,623	Rs. 1,205,764	Rs. 1,467,097

Finished goods as of March 31, 2001 and as of December 31, 2000 and 2001 include inventory of Rs. 340,124, Rs. 395,166 and Rs. 589,441 with customers pending installation.

7. Other Assets

Other assets consist of the following:

	As of December 31,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Prepaid expenses………………………	Rs 566,340	Rs. 793,949	Rs. 377,911	Rs. 757,893
Advances to suppliers…………………	101,884	130,216	35,510	173,390
Balances with statutory authorities……	113,361	23,378	224,215	114,234
Deposits……………………………….	531,712	528,638	382,307	533,684
Inter–corporate deposits				
GE Capital Services India…………	325,214	719,191	-	367,500
ICICI Limited……………………..	311,800	376,800	-	684,500
Advance income taxes………………..	204,708	447,211	125,000	48,147
Others…………………………………	318,703	206,566	219,025	444,144
	2,473,722	3,225,949	1,363,968	3,123,492
Less: Current assets………………….	1,756,610	2,480,411	981,661	2,404,408
	Rs. 717,112	Rs. 745,538	Rs. 382,307	Rs. 719,084

8. Investment Securities

Investment securities consist of the following:

	As of March 31, 2000				As of March 31, 2001			
	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:								
Equity securities …	Rs. 233	Rs. 2,298	Rs. (27)	Rs. 2,504	Rs. 233	Rs. 1682	Rs. (64)	Rs. 1,851
Debt securities…..	—	—	—	—	2,462,497	—	—	2,462,497
	233	2,298	(27)	2,504	2,462,730	1682	(64)	2,464,348
Held-to-maturity: Bonds and debentures……….	294,646	—	—	294,646	188,268	—	—	188,268
	294,646	—	—	294,646	188,268	—	—	188,268
Equity securities with no readily determinable fair values:								
Equity securities …	—	—	—	—	—	—	—	—
Convertible preference shares	—	—	—	—	54,000	—	—	54,000
	—	—	—	—	54,000	—	—	54,000
	Rs. 294,879	Rs. 2,298	Rs. (27)	Rs. 297,150	Rs. 2,704,998	Rs. 1682	Rs. (64)	Rs. 2,706,616

	As of December 31, 2000 (Unaudited)				As of December 31, 2001 (Unaudited)			
	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:								
Equity securities …	Rs. 233	Rs.1,961	Rs. (29)	Rs. 2,165	Rs. 233	Rs. 1,522	Rs. -	Rs. 1,755
Debt securities…..	911,265	—	(1,266)	909,999	4,661,857	-	(3,498)	4,658,359
	911,498	1,961	(1,295)	912,164	4,662,090	1,522	(3,498)	4,660,114
Held-to-maturity: Bonds and debentures……….	357,790	—	—	357,790	158,874	53,146	—	212,020
	357,790	—	—	357,790	158,874	53,146	—	212,020
Equity securities with no readily determinable fair values:								
Equity securities …	—	—	—	—	96,200	—	—	96,200
Convertible preference shares	54,000	—	—	54,000	170,654	—	—	170,654
	54,000	—	—	54,000	266,854	—	—	266,854
	Rs.1,323,288	Rs. 1,961	Rs. (1,295)	Rs. 1,323,954	Rs. 5,087,818	Rs. 54,668	Rs. (3,498)	Rs. .5,138,988

Debt securities, held-to-maturity as of December 31, 2001, mature between one through five years.

Dividends from available-for-sale securities during the years ended March 31, 2000, 2001, and the nine months ended December 31, 2000 and 2001, were Rs. 22, Rs. 14, Rs. 13 and Rs. 33, respectively, and are included in other income. Proceeds from the sale of available-for-sale securities were Rs. 4,474, Rs. Nil, Rs. 64,817 and Rs. 77,037 during the years ended March 31, 2000, and 2001, and the nine months ended December 31, 2000 and 2001, respectively.

In October 2001, the Company acquired a 15.72% equity interest in Spectramind eServices Private Limited (Spectramind) for a consideration of Rs. 96,200. Additionally, the Company acquired convertible preference shares of Rs. 143,800. The convertible preference shares shall be converted to equity at a conversion ratio of 0.3234 equity share per convertible preference share, on occurrence of one of the five events specified in the shareholders agreement. These events are liquidation of Spectramind, initial public offering by Spectramind and valuation of Spectramind reaching specified levels based on a fresh issue of equity shares by Spectramind or sale of shares by existing shareholders. If any of these events do not occur within 18 months from the date of investment, the convertible preference shares shall be converted on expiry of the period. The current equity interest of Wipro does not give it the ability to exercise significant influence over the operating and financial policies of Spectramind. As the equity securities do not have a readily determinable fair value, such investments are recorded at cost.

9. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	As of December 31,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Land………………………………..	Rs. 229,815	Rs. 356,579	Rs. 273,804	Rs. 201,253
Buildings……………………….	974,318	1,437,320	701,839	1,173,134
Plant and machinery………….	4,435,872	5,363,516	3,202,434	4,806,457
Furniture, fixtures, and equipment….	865,515	1,226,384	647,590	1,038,276
Vehicles……………………………..	294,820	397,589	217,729	322,534
Computer software for internal use….	495,317	701,919	298,105	542,009
Capital work-in-progress……………	990,083	1,178,382	709,146	801,218
	8,285,740	10,661,689	6,050,647	8,884,881
Accumulated depreciation and amortization……………………………	(3,091,376)	(4,370,316)	(2,446,966)	(3,405,556)
	Rs. 5,194,364	Rs. 6,291,373	Rs. 3,603,681	Rs. 5,479,325

Depreciation expense for the years ended March 31, 2000, and 2001, and the nine months ended December 31, 2000 and 2001, is Rs. 734,473, Rs. 991,262, Rs.686,840 and Rs. 1,032,279. This includes Rs. 53,261, Rs. 140,624, Rs. 123,193 and Rs.130,635 as amortization of capitalized internal use software, during the years ended March 31, 2000, and 2001, and the nine months ended December 31, 2000, and 2001, respectively.

10. Intangible Assets

Intangible assets consisting of technical know-how and goodwill, are stated net of accumulated amortization of Rs. 5,647, Rs. 47,576, Rs. 2,069 and Rs. 180,419 as of March 31, 2000, and 2001, and as of December 31, 2000, and 2001, respectively. Technical know-how is amortized over six years.

In October 1999, the Company acquired the 45% minority interest in Wipro Computers Limited for a consideration of Rs. 67,500. The acquisition resulted in goodwill of Rs. 10,500. In December 2000, the Company acquired the 45% minority interest held by the KPN Group in Wipro Net for consideration of Rs. 1,087,216. The acquisition resulted in goodwill of Rs. 867,786. Goodwill is amortized over a period of 5 years.

Amortization of intangible assets during the year ended March 31, 2000, and 2001, and the nine months ended December 31, 2000, and 2001, is Rs. 4,250, Rs. 45,857, Rs. 1,850 and Rs. 132,843, respectively.

11. Other Current Liabilities

Other current liabilities consist of the following:

	As of December 31,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Inter-corporate deposits	Rs. -	Rs. -	Rs. 49,692	Rs. -
Statutory dues payable	423,536	407,712	154,958	352,328
Other taxes payable	127,915	3,125	195,497	45,788
Others	208,282	105,278	35,414	69,685
	Rs. 759,733	Rs. 516,115	Rs. 435,561	Rs. 467,801

12. Other Liabilities

Other liabilities primarily consist of security deposits collected from the Company's dealers and customers.

13. Operating Leases

The Company leases office and residential facilities under cancelable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under such leases was

Rs. 237,693, Rs. 277,018, Rs.205,876 and Rs. 249,066 for the years ended March 31, 2000, and 2001, and the nine months ended December 31, 2000, and 2001, respectively.

Prepaid expenses as of March 31, 2001, December 31, 2000 and December 31, 2001 include Rs.187,720, Rs. 188,500, and Rs. 216,860, being prepaid operating lease rental for land obtained on lease for a period of 60 years. The prepaid expense is being amortized over the lease term.

14. Investments in Affiliates

Wipro GE Medical Systems (Wipro GE). The Company has accounted for its 49% interest in Wipro GE by the equity method. The carrying value of the investment in Wipro GE as of March 31, 2000 and 2001, and as of December 31, 2000 and 2001, was Rs. 434,299, Rs. 586,749, Rs. 582,929 and Rs. 787,121, respectively. The Company's equity in the income of Wipro GE for the year ended March 31, 2000, and 2001, and the nine months ended December 30, 2000, and 2001, was Rs. 138,749, Rs. 184,315, Rs. 155,980 and Rs. 200,372, respectively.

Wipro Net. As of March 31, 1999, the Company held a 100% interest in Wipro Net represented by 15,219,180 equity shares of Rs. 10 each. Wipro Net is engaged in value added networking and communication services. The financial statements of Wipro Net were consolidated in fiscal 1999. In December 1999, the Company sold 2,903,410 equity shares to a minority shareholder for consideration of Rs. 203,000 pursuant to a joint venture agreement. The gain on the sale of Rs. 146,144 is included in the statement of income. Additionally, Wipro Net directly issued 7,173,132 shares to the joint venture partner at a price of Rs. 70 per share. As a result of the transactions, the Company's interest in Wipro Net was reduced to 55%. The shareholders' agreement provided the minority shareholder in the joint venture with significant participating rights, including its effective involvement in significant decisions in the ordinary course of business. Therefore, subsequent to the dilution, the Company accounted for its 55% interest by the equity method. The carrying value of the investment in Wipro Net as of March 31, 2000, was Rs. 270,586. The carrying value increased by Rs. 266,000 due to the direct issue of shares to the minority shareholder. As the direct issue of shares by Wipro Net was not part of a broader corporate reorganization, the gain due to the change in the carrying value of the investment has been included in the statement of income. The Company's equity in the loss of Wipro Net for the year ended March 31, 2000, was Rs. 26,159.

In December 2000, the Company acquired the 45% minority interest in Wipro Net for Rs. 1,087,216 resulting in goodwill of Rs. 867,786. Subsequent to the acquisition, the financial statements of Wipro Net have been consolidated. The Company's equity in the loss of Wipro Net prior to the acquisition of the minority interest, amounting to Rs. 135,893, is reported by the equity method in fiscal 2001.

NetKracker. In December 2000, subsequent to the acquisition of the minority interest in Wipro Net, the retail internet business division of Wipro Net, comprising property and other assets and employees, was transferred to NetKracker, a newly set-up entity, in exchange for 49% of the equity and certain convertible preference shares of the new entity. The assets were transferred at their carrying values of Rs. 73,000 in exchange for equity of Rs. 19,000 and convertible preference shares of Rs. 54,000. Contemporaneously, a strategic investor infused fresh equity of Rs. 300,000 to acquire a 51% equity interest. Additionally, as per the agreement with the strategic investor, certain expenses of Rs. 167,000 of the retail internet business division incurred by Wipro Net prior to the hive-off were reimbursed by NetKracker to Wipro Net.

The convertible preference shares held by Wipro shall be converted to equity at Rs. 10 per equity share on occurrence of any one of the four events specified in the agreement with the strategic investor and NetKracker. These events are liquidation of NetKracker, initial public offering by NetKracker, change in equity interest of the strategic investor to outside of a specified range and valuation of NetKracker reaching specified levels based on a fresh issue of equity shares by NetKracker or sale of shares by existing shareholders. Until conversion, the preference share bear no voting or dividend rights.

The carrying value of the investment in NetKracker as of March 31, 2001, and December 31, 2001, was Rs. 44,054 and Rs. Nil, respectively. The Company's equity in the losses of Netkracker for the year ended March 31, 2001, and the nine months ended December 31, 2001, was Rs. 112,133 and Rs. 71,530 respectively. During the period ended December 31, 2001, the losses recorded by the equity method reduced the common stock investment to zero. However, as the Company has investments in convertible preference shares of Netkracker, the Company continues to report its share of losses as an adjustment to the carrying value of the convertible preference shares. Such losses in excess of common stock investment are recognized based on the ownership level of the convertible preference shares. As of Decemeber 31, 2001, the adjusted carrying value of the convertible preference share was Rs. 26,854.

The Company's share of reported earnings in NetKracker will change to 46.31% in the event that contingent issuance of equity shares arising from stock options granted by NetKracker are exercised in the future. The aggregate impact of these contingent issuances on the earnings of the Company is immaterial.

Wipro ePeripherals. On September 1, 2000, the peripherals division of Wipro, which was engaged in the business of manufacture, sales and trading of computer peripherals was spun-off into a separate legal entity, Wipro ePeripherals, for a 38.7% interest of Rs. 54,600 in the new entity, 12.5% non-convertible debentures redeemable in 2005 in the amount of Rs. 60,000 and Rs. 156,280 in cash. Contemporaneously, Wipro ePeripherals issued 61.3% of its equity to strategic investors and employees for cash. Shares were issued to Wipro and the new investors at the par value of Rs. 10. Subsequent to the sale, Wipro accounts for its 38.7% interest by the equity method. In December 2000, debentures of Rs. 20,000 were prepaid by Wipro ePeripherals.

The carrying value of the investment in Wipro ePeripherals as of March 31, 2001 and December 31, 2001 was Rs. 58,890 and Rs. 67,538, respectively. The Company's equity in the income of Wipro ePeripherals for the year ended March 31, 2001, and nine months ended December 31, 2001, was Rs. 10,530 and Rs. 10,468 respectively.

The Company's share of reported earnings in Wipro ePeripherals will change to 31.22 % in the event that contingent issuance of equity shares arising from stock options granted by Wipro ePeripherals are exercised in the future. The aggregate impact of these contingent issuances on the earnings of the Company is immaterial.

15. Financial Instruments and Concentration of Risk

Concentration of risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, investment securities, accounts receivable and inter-corporate deposits. The Company's cash resources are invested with financial institutions and commercial corporations with high investment grade credit ratings. Limits have been established by the Company as to the maximum amount of cash that may be invested with any such single entity. To reduce its credit risk, the Company performs ongoing credit evaluations of customers. No single customer accounted for 10% or more of accounts receivable as of March 31, 2000, and 2001, and as of December 31, 2000 and December 31, 2001.

Derivative financial instruments. The Company enters into forward foreign exchange contracts and interest rate swap agreements where the counterparty is generally a bank. The Company considers the risks of non-performance by the counterparty as non-material. The following table presents the aggregate contracted principal amounts of the Company's derivative financial instruments outstanding:

	As of December 31,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Forward contracts	$58,038,573 (sell)	$ 76,861,282 (sell)	$ 48,487,662(sell)	$ 39,531,243(sell)
Interest rate swaps	$ 4,875,000	$ 1,625,000	$ 6,500,000	$ 3,250,000

The foreign forward exchange contracts mature between one to nine months. Interest rate swap agreements mature in fiscal 2002.

16. Borrowings from Banks

The Company has a line of credit of Rs. 2,650,000 from its bankers for working capital requirements. The line of credit is renewable annually. The credit bears interest at the prime rate of the bank, which averaged 13.1%, 12.8%, 13.1% and 12.4% in fiscal 2000, and 2001, and the nine months ended December 31, 2000 and 2001, respectively. The facilities are secured by inventories, accounts receivable and certain property and contain financial covenants and restrictions on indebtedness.

17. Long-term Debt

Long-term debt consists of the following:

	As of December 31,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Foreign currency borrowings	Rs. 194,698	60,899	Rs. 269,453	Rs. 127,582
Rupee term loans from banks and financial institutions	1,243,235	48,200	1,153,495	1,245,459
Others	43,671	57,021	37,766	48,186
	1,481,604	166,120	1,460,714	1,421,227
Less: Current portion	1,362,033	136,350	1,249,570	1,326,196
	Rs. 119,571	Rs. 29,770	Rs. 211,144	Rs. 95,031

In December 1999, the Company had transferred an 8% interest in Wipro Net to a financial institution. Under the terms of the transfer, the Company had a call option to repurchase the transferred shares at a pre-determined consideration. Additionally, the financial institution had a put option to sell the shares to the Company at a pre-determined consideration. The Company had recorded the transfer as a secured borrowing with pledge of collateral. The principal shareholder of the Company had pledged certain shares held in Wipro to further secure the borrowing. Interest was imputed at the implicit yield on the put option. As of March 31, 2000, and 2001, the rupee term loans include Rs. 1,028,395 and Rs. 1,177,259, respectively, representing the borrowing.

In June 2001, the financial institution exercised the option at the pre-determined consideration of Rs. 1,218,142.

All other long-term debt is secured by a specific charge over the property, plant and equipment of the Company and contains certain financial covenants and restrictions on indebtedness.

Foreign currency borrowing represents a fixed rate borrowing in United States dollars. In order to hedge the foreign exchange risk on the borrowing, Wipro entered into a structured swap agreement with a bank in September 1999. Under this agreement, the bank would assume all responsibilities to repay the borrowing and interest thereon in foreign currency as per the scheduled maturity of the borrowing. In exchange, the Company would pay the bank a fixed amount in Indian rupees as per an agreed schedule. In order to secure the Indian rupee payment streams to the bank, Wipro made an investment in certain discount bonds, the proceeds of which have been assigned as security to the bank. The swap agreement has been accounted as a hedge with the hedge cost amortized to income over the life of the contract. The discount bonds are classified as held-to-maturity investment securities.An interest rate profile of the long-term debt is given below:

	Nine months ended December 31,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Foreign currency borrowings	6.7%	6.7%	6.7%	6.7%
Rupee term loans from banks and financial institutions	14.75%	14.25%	13.9%	13.9%

A maturity profile of the long-term debt outstanding as of December 31, 2001, is set out below:

Maturing in year ending December 31:	
2002	Rs. 136,350
2003	20,105
2004	8,305
2005	1,253
Thereafter	107
	Rs. 166,120

18. Equity Shares and Dividends

The Company presently has only one class of equity shares. For all matters submitted to vote in the shareholders meeting, every holder of equity shares, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held by him or her.

Indian statutes mandate that dividends shall be declared out of distributable profits only after the transfer of up to 10% of net income computed in accordance with current regulations to a general reserve. Should the Company declare and pay dividends, such dividends will be paid in Indian rupees to each holder of equity shares in proportion to the number of shares held by him to the total equity shares outstanding as on that date. Indian statutes on foreign exchange govern the remittance of dividend outside India. Such dividend payments are subject to taxes applicable at the time of payment.

The Company recognizes liability for dividends on approval by the shareholders of the Company.

In the event of liquidation of the affairs of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company, after such discharge, shall be distributed to the holders of equity shares in proportion to the number of shares held by them.

The Company paid cash dividends of Rs. 75,622, Rs. 75,121, Rs. 75,121 and Rs. 128,533 during the years ended March 31, 2000, and 2001, and the nine months ended December 31, 2000, and 2001, respectively. The dividends per share were Rs. 0.30 during the years ended March 31, 2000, 2001, and during the nine months ended December 31, 2000 and Rs. 0.50 during the nine months ended December 31, 2001. In November 1997, the Company effected a two-for-one share split in the form of a share dividend. In September 1999, the Company effected a five-for-one share split. All references in the consolidated financial statements to number of shares and per share amounts of the Company's equity shares have been retroactively restated to reflect the increased number of equity shares outstanding resulting due to the share splits.

In October 2000, the Company made a public offering of its American Depositary Shares, or ADSs, to international investors. The offering consisted of 3,162,500 ADSs representing 3,162,500 equity shares, at an offering price of $41.375 per ADS. The equity shares represented by the ADS carry similar rights as to voting and dividends as the other equity shares.

19. Retained Earnings

The Company's retained earnings as of March 31, 2000 and 2001, and as of December 31, 2000, and 2001, include restricted retained earnings of Rs. 23,585, Rs. 274,038, Rs. 274,335 and Rs. 259,538 respectively, which are not distributable as dividends under Indian company and tax laws. These relate to requirements regarding earmarking a part of the retained earnings on redemption of preference shares and to avail specific tax allowances.

Retained earnings as of March 31, 2000, and 2001, and the nine months ended December 31, 2000, and 2001, also include Rs. 532,885, Rs. 567,126, Rs. 541,066 and Rs. 751,059, respectively, of undistributed earnings in equity of affiliates.

20. Redeemable Preferred Stock

Preferred stock issued by companies incorporated in India carries a preferential right on liquidation to be repaid over the equity shares.

The Company issued 25,000,000 preferred shares aggregating Rs. 250,000 to a financial institution bearing dividend at 10.25% per annum. The preferred stock was redeemed in December 2000.

21. Other Income / (Expense), Net

Other income/(expense) consist of the following:

	Three months ended December 31,		Nine months ended December 31,		Year ended March 31,	
	2000	2001	2000	2001	2000	2001
	(Unaudited)		(Unaudited)			
Interest income/(expense), net of capitalized interest	Rs. 73,449	Rs. 175,925	Rs. 13,929	Rs. 597,140	Rs. (283,627)	Rs. 120,674
Others	21,543	57,557	71,260	68,538	60,143	194,461
	Rs. 94,992	Rs. 233,482	Rs. 85,189	Rs. 665,678	Rs. (223,484)	Rs. 315,135

Rs. 53,980, Rs. 48,000, Rs. 10,000 and Rs. 10,000 of interest has been capitalized during the years ended March 31, 2000, and 2001, and the nine months ended December 31, 2000, and 2001, respectively.

22. Shipping and Handling costs

Selling general and administrative expenses for the years ended March 31, 2000 and 2001, and the nine months ended December 31, 2000, and 2001, include shipping and handling costs of Rs. 48,570, Rs. 62,200, Rs.46,380 and Rs. 32,840, respectively.

23. Income Taxes

Income taxes consist of the following:

	Three months ended December 31,		Nine months ended December 31,		Year ended March 31,	
	2000	2001	2000	2001	2000	2001
	(Unaudited)		(Unaudited)			
Current taxes						
Domestic	Rs. 224,089	Rs. 110,600	Rs. 403,889	Rs. 337,575	Rs. 167,825	Rs. 691,578
Foreign	109,205	80,000	257,304	234,740	174,920	402,752
	333,294	190,600	661,193	572,315	342,745	1,094,330
Deferred taxes	(28,844)	12,235	(22,329)	101,638	182,553	55,712
Total income tax expense	Rs. 304,450	Rs. 202,835	Rs. 638,864	Rs. 673,953	Rs. 525,298	Rs. 1,150,042

The reported income tax expense differed from amounts computed by applying the enacted tax rates to income from continuing operations before income taxes as a result of the following:

	Three months ended December 31,		Nine months ended December 31,		Year ended March 31,	
	2000	2001	2000	2001	2000	2001
	(Unaudited)		(Unaudited)			
Income from continuing operations before taxes	Rs.2,149,501	Rs. 2,445,435	Rs. 5,012,976	Rs.6,913,909	Rs.3,858,294	Rs. 7,586,625
Enacted tax rate in India	38.5%	35.7%	38.5%	35.7%	38.5%	39.55%
Computed expected tax expense	827,558	873,020	1,929,996	2,468,266	1,485,443	3,000,510
Effect of:						
Income exempt from tax in India	(655,906)	(738,888)	(1,600,060)	(2,116,194)	(1,104,111)	(2,388,705)
Change in enacted tax rate	—	—	—	—	(22,385)	2,453
Difference between tax basis and amount for financial reporting of a domestic subsidiary reversed	—	—	—	199,512	—	—
Others	23,593	(11,297)	51,624	(112,371)	(8,569)	133,032
Domestic income taxes	195,245	122,835	381,560	439,213	350,378	747,290
Effect of tax on foreign income	109,205	80,000	257,304	234,740	174,920	402,752
Total income tax expense	Rs. 304,450	Rs. 202,835	Rs. 638,864	Rs. 673,953	Rs. 525,298	Rs. 1,150,042

Deferred tax assets reported as of March 31, 2001, include Rs. 199,512 being the difference between the tax basis and the amount for financial reporting of Wipro Net, a domestic subsidiary. The deferred tax asset has been reversed during the nine months ended December 31, 2001, consequent to the decision to legally reorganize the business of Wipro Net, as a result of which the benefit of the amount will no longer be available to the Company.

A substantial portion of the profits of the Company's India operations are exempt from Indian income taxes being profits attributable to export operations and profits from undertakings situated in Software Technology and Hardware Technology Parks. Under the tax holiday, the taxpayer can utilize an exemption from income taxes for a period of any ten consecutive years. The Company has opted for this exemption from the year ended March 31, 1997, for undertakings situated in Software Technology and Hardware Technology Parks. Profits from certain other undertakings are also eligible for preferential tax treatment. In addition, dividend income from certain category of investments is exempt from tax. The aggregate rupee and per share effects of these tax exemptions are Rs. 1,104,111 and Rs. 4.85 per share for the year ended March 31, 2000, Rs. 2,388,705 and Rs. 10.42 per share for the year ended March 31, 2001, Rs. 1,600,060 and Rs. 7 per share for the nine months ended December 31, 2000, and Rs. 2,116,194 and Rs. 9.16 per share for the nine months ended December 31, 2001.

	As of December 31,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Deferred tax assets				
Allowance for doubtful accounts	Rs. 70,562	Rs. 56,318	Rs. 37,366	Rs. 56,318
Carry-forward capital losses	24,446	164,726	24,446	164,726
Carry-forward business losses	-	47,918	-	-
Transfer of stock of affiliate	194,261	-	194,261	-
Tax benefits arising from employee stock incentive plan to the extent charged to income statement……	-	66,521	-	-
Difference between tax basis and amount for financial reporting of a domestic subsidiary……………….	-	-	-	199,512
Others	25,707	26,075	11,678	17,587
Total gross deferred tax assets	314,976	361,558	267,751	438,143
Less: valuation allowance....................	-	(150,580)	-	(142,256)
Net deferred tax assets	314,976	210,978	267,751	295,887
Deferred tax liabilities				
Property, plant and equipment	Rs. 8,319	Rs. 25,473	Rs. 16,610	Rs. 25,489
Undistributed earnings of affiliates	-	81,354	-	64,966
Unrealized gain on available for sale securities…………………………	213	155	-	-
Borrowing costs	748	-	-	-
Others	-	-	1,364	187
Total gross deferred tax liability	9,280	106,982	17,974	90,642
Net deferred tax assets	Rs. 305,696	Rs. 103,996	Rs. 249,777	Rs. 205,245

Management believes that based on a number of factors, the available objective evidence creates sufficient uncertainties regarding the generation of future capital gains and realizability of the entire carry- forward capital losses. Accordingly, the Company has established a valuation allowance for a major portion of the unabsorbed capital losses arising on sale of shares in Wipro Finance, a discontinued operation. These losses expire after eight years succeeding the year in which they were first incurred. The unabsorbed carry- forward capital losses as of March 31, 2001, expire in 2009. As of December 31, 2001, Wipro has a deferred tax asset for carry-forward business losses of which Rs. 18,101 and Rs.29,817 expire in fiscal 2020 and fiscal 2021 respectively.

Although realization of the net deferred tax assets is not assured, management believes that it is more likely than not that all of the net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable, however could be reduced in the near term based on changing conditions.

24. Employee Stock Incentive Plans

In fiscal 1985, the Company established a controlled trust called the Wipro Equity Reward Trust (WERT). Under this plan, the WERT would purchase shares of Wipro out of funds borrowed from Wipro. The Company's Compensation Committee would recommend to the WERT, officers and key employees, to whom the WERT will grant shares from its holding. The shares have been granted at a nominal price. Such shares would be held by the employees subject to vesting conditions. The shares held by the WERT are reported as a reduction from stockholders' equity. 530,635, 679,450, 679,450 and 645,250 shares held by employees as of March 31, 2000, and 2001, and as of December 31, 2000, and 2001, respectively, subject to vesting conditions are included in the outstanding equity shares.

In February 2000, the WERT sold 54,745 shares of Wipro to third parties for consideration of Rs. 524,475. The gain on the sale aggregating Rs. 524,472, net of the realized tax impact of Rs. 57,704 has been credited to additional paid-in capital.

The movement in the shares held by the WERT is given below:

	Nine months ended December 31,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Shares held at the beginning of the period	1,216,460	1,280,885	1,409,485	1,216,460
Shares granted to employees	(2,660)	-	(254,100)	(4,250)
Sale of shares by the WERT	-	-	(54,745)	-
Grants forfeited by employees	58,985	34,200	115,820	68,675
Shares held at the end of the period............	1,272,785	1,315,085	1,216,460	1,280,885

The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the WERT plan. The deferred compensation is amortized on a straight-line basis over the vesting period of the shares which ranges from 6 to 60 months. The weighted-average-grant-date fair values of the shares granted during the years ended March 31, 2000, 2001 and the nine months ended December 31, 2000, are Rs. 1,028, Rs. 2,212, and Rs. 1,853 respectively. The amortization of deferred stock compensation net of reversals, for the years ended March 31, 2000, 2001 and nine months ended December 31, 2000, and 2001, was Rs. 96,898, Rs. 87,160 Rs.64,581 and Rs. 59,488, respectively. The stock-based compensation has been allocated to cost of revenues and selling, general and administrative expenses as follows:

	Nine months ended December 31,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Cost of revenues	Rs. 23,075	Rs. 22,249	Rs. 36,299	Rs. 32,363
Selling, general and administrative expenses	41,506	37,239	60,599	54,797
	Rs. 64,581	Rs. 59,488	Rs. 96,898	Rs. 87,160

In July 1999, the Company established the Wipro Employee Stock Option Plan 1999 (1999 Plan). Under the 1999 Plan, the Company is authorized to issue up to 5 million equity shares of common stock to eligible employees. Employees covered by the 1999 Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the 1999 Plan. During the years ended March 31, 2000, and 2001, and the nine months ended December 31, 2000, and 2001, the Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the 1999 Plan is as follows:

	Year ended March 31, 2000			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period..........................	—	—	—	—
Granted during the period..	2,558,150	Rs. 1,024 to 2,522	Rs. 1,091	36 months
Forfeited during the period...	(146,000)	1,086	1,086	—
Outstanding at the end of the period...................................	2,412,150	1,024 to 2,522	1,091	36 months
Exercisable at the end of the period...................................	—	—	—	—

	Year ended March 31, 2001			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period	2,412,150	Rs. 1,024 - 2,522	Rs. 1,091	36 months
Granted during the period	2,672,000	1,853 - 2,419	1,860	32 months
Forfeited during the period	(405,550)	1,086	1,086	—
Exercised during the period	(114,169)	1,086	1,086	—
Outstanding at the end of the period	4,564,431	1,024 - 2,522	1,542	29 months
Exercisable at the end of the period	86,491	Rs. 1,024 - 2,522	Rs. 1,284	—

	Nine months ended December 31, 2000			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period	2,412,150	Rs. 1,024 - 2,522	Rs. 1,091	36 months
Granted during the period	2,672,000	1,853 - 2,419	1,860	35 months
Forfeited during the period	(282,550)	1,086	1,086	32 months
Exercised during the period	(72,964)	1,086	1,086	- months
Outstanding at the end of the period	4,728,636	1,024 - 2,522	1,543	31 months
Exercisable at end of the period	139,996	Rs. 1,024-1,086	Rs. 1,085	—

	Nine months ended December 31, 2001			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period	4,564,431	Rs. 1024 – 2522	Rs. 1,542	29 months
Granted during the period	-	-	-	-
Forfeited during the period	(606,365)	1086 – 1853	1,503	
Exercised during the period	(6,505)	1,086	1,086	
Outstanding at the end of the period	3,951,561	1,024 – 2,522	1,549	20 months
Exercisable at the end of the period	634,858	Rs. 1,024 –2,522	Rs. 1,549	-

In July 2000, the Company established the Wipro Employee Stock Option Plan 2000 (2000 Plan). Under the 2000 Plan, the Company is authorized to issue up to 25 million equity shares to eligible employees. Employees covered by the 2000 Plan are granted an option to purchase equity shares of the Company subject to vesting. The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the 2000 Plan. During the year March 31, 2001, and the nine months ended December 31, 2001, the Company did not record any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the 2000 Plan is as follows:

	Year ended March 31, 2001			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period	—	—	—	—
Granted during the period	3,520,300	Rs. 2,382 – 2,746	Rs. 2,397	37 months
Forfeited during the period	(305,950)	2,382	2,382	—
Outstanding at the end of the period	3,214,350	2,382 – 2,746	2,397	37 months
Exercisable at the end of the period	—	—	—	—

	Nine months ended December 31, 2000			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period..........................				
Granted during the period..	3,443,575	Rs. 2,382 – 2,651	2,396	40 months
Forfeited during the period...	(133,850)	2,382	2,382	41 months
Exercised during the period..	-	-	-	-
Outstanding at the end of the period..................................	3,309,725	2,382 -2,651	2,396	40 months
Exercisable at the end of the period..................................	—	—	—-	—

	Nine months ended December 31, 2001			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period..........................	3,214,350	Rs. 2,382 – 2,746	2,397	37 months
Granted during the period..	108,744	1,032 – 1,670	1,388	36 months
Forfeited during the period...	(446,225)	2,382	2,382	-
Exercised during the period..	-	-	-	-
Outstanding at the end of the period..................................	2,876,869	1,032 -2,746	2,359	28 months
Exercisable at the end of the period..................................	276,993	Rs. 2,382 -2,746	2,397	—

In April 2000, the Company established the 2000 Stock Option Plan (2000 ADS Plan). Under the 2000 ADS Plan, the Company is authorized to issue options to purchase up to 1.5 million American Depositary Shares (ADSs) to eligible employees. Employees covered by the 2000 ADS Plan are granted an option to purchase ADSs representing equity shares of the Company subject to the requirements of vesting. The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the 2000 ADS Plan. During the year ended March 31, 2001, and the nine months ended December 31, 2001, the Company did not record any deferred compensation as the exercise price was equal to the fair market value of the underlying ADS on the grant date.

Stock option activity under the 2000 ADS Plan is as follows:

	Year ended March 31, 2001			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period..........................	—	—	—	—
Granted during the period..	268,750	$41.375	$ 41.375	37 months
Forfeited during the period...	(4,000)	41.375	41.375	—
Outstanding at the end of the period..................................	264,750	41.375	41.375	37 months
Exercisable at the end of the period..................................	—	—	—	—

	Nine months period ended December 31, 2000			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period..........................	—	—	—	—
Granted during the period..	268,250	$ 41.375	$ 41.375	40 months
Forfeited during the period...	(4,000)	41.375	41.375	41 months
Outstanding at the end of the period..................................	264,250	$ 41.375	$ 41.375	40 months
Exercisable at the end of the period..................................	—	—	—	—

	Nine months period ended December 31, 2001			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period	264,750	$ 41.375	$ 41.375	37 months
Granted during the period	31,000	20.75 – 35.77	24.504	39 months
Forfeited during the period	(13,000)	41.375	41.375	
Outstanding at the end of the period	282,750	20.75 – 41.375	39.525	28 months
Exercisable at the end of the period	27,775	$ 41.375	$ 41.375	—

In December 1999, Wipro Net established an Employee Stock Option Plan (Wipro Net Plan). Under the Wipro Net Plan, eligible employees are granted an option to purchase equity shares of Wipro Net subject to the requirements of vesting. Wipro Net has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the Wipro Net Plan. During the year March 31, 2000, and 2001, and the nine months ended December 30, 2000, and 2001, Wipro Net has not recorded any deferred compensation as the exercise price was not less than the fair market value of the underlying equity shares on the grant date.

During the period ended December 31, 2001, consequent to the decision to legally reorganize the business of Wipro Net by merging Wipro Net with Wipro, stock options in the stock of Wipro Net, issued to employees of Wipro Net, have been exchanged for stock options of Wipro under the 2000 Plan. The exchange did not result in an increase in the aggregate intrinsic value of the award or a reduction in the ratio of the exercise price per share to the market price per share.

The Company has adopted the pro forma disclosure provisions of SFAS No. 123. Had compensation cost been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company's net income and earnings per share as reported would have been reduced to the pro forma amounts indicated below:

	Nine months ended December 31,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Net income				
As reported	Rs. 4,315,008	Rs. 6,239,956	Rs. 3,551,703	Rs. 6,455,214
Adjusted pro forma	3,250,945	4,882,703	3,383,749	5,198,098
Earnings per share: Basic				
As reported	18.86	27.00	15.59	28.15
Adjusted pro forma	14.21	21.13	14.85	22.67
Earnings per share: Diluted				
As reported	18.70	26.96	15.54	27.91
Adjusted pro forma	14.15	21.13	14.80	22.58

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions.

Dividend yield	0.03%
Expected life	42 months
Risk free interest rates	11%
Volatility	45%

25. Earnings Per Share

A reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share is set out below:

	Nine months ended December 31,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Basic earnings per equity share - weighted average number of equity shares outstanding	228,761,780	231,132,818	227,843,378	229,325,989
Effect of dilutive equivalent shares-stock options outstanding..	1,932,455	297,239	804,756	1,928,534
Diluted earnings per equity share - weighted average number of equity shares and equivalent shares outstanding…………………………	230,694,235	231,430,057	228,648,134	231,254,523

Shares held by the controlled WERT have been reduced from the equity shares outstanding and shares held by employees subject to vesting conditions have been included in outstanding equity shares for computing basic and diluted earnings per share.

Options to purchase 5,513,169 equity shares were outstanding during the nine months ended December 31, 2001, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares.

26. Employee Benefit Plans

Gratuity: In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan) covering certain categories of employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. The Company provides the gratuity benefit through annual contributions to a fund managed by the Life Insurance Corporation of India. Under this plan, the settlement obligation remains with the Company, although the Life Insurance Corporation of India administers the plan and determines the contribution premium required to be paid by the Company.

Superannuation: Apart from being covered under the Gratuity Plan described above, the senior officers of the Company also participate in a defined contribution plan maintained by the Company. This plan is administered by the Life Insurance Corporation of India. The Company makes annual contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its annual contributions.

Provident fund: In addition to the above benefits, all employees receive benefits from a provident fund, a defined contribution plan. The employee and employer each make monthly contributions to the plan equal to 12% of the covered employee's salary. A portion of the contribution is made to the provident fund trust established by the Company, while the remainder of the contribution is made to the Government's provident fund. The Company has no further obligations under the plan beyond its monthly contributions.

The Company contributed Rs. 161,723, Rs. 249,341, Rs. 196,454 and Rs. 125,974 to various defined contribution and benefit plans during the years ended March 31, 2000, 2001 and nine months ended December 31, 2000 and 2001, respectively.

27. Related Party Transactions

The Company has the following transactions with related parties.

	Nine months ended December 31, 2000 (Unaudited)	Nine months ended December 31, 2001 (Unaudited)	Year ended March 31, 2000	Year ended March 31, 2001
Wipro GE Medical Systems:				
Revenues from sale of computer equipment and administrative and management support services	Rs. 7,395	Rs. 12,624	Rs. 54,535	Rs. 17,396
Fees for usage of trade mark…………………..	—	31,344	—	8,820
Rent paid……………………….…………...	—	—	1,198	—
Wipro Net:				
Fees for consultancy services………………….	—	—	12,186	13,100
Fees for computer and network maintenance support…………..	10,452	—	—	10,452
Revenues from sale of computer equipment……	109,871	—	—	109,871
Wipro ePeripherals:				
Revenues from sale of computer equipment and services……………………….………	2,037	29,783	—	13,984
Fees for usage of trade mark………………….		39,762		
Interest received on debentures…	2,292	3,750	—	4,704
Payments for services………………….	—	311	—	—
Purchase of printers…………..….	102,813	96,066	—	169,000
NetKracker:				
Fees received for technical and infrastructure support services…………………	—	35,485	—	37,018
Revenues from sale of computer equipment and services…………	—	987	—	—
Payments for services	—	3,937	—	—
Principal Shareholder:				
Payment of lease rentals…………….	900	900	1,200	1,200

The Company has the following receivables from related parties, which are reported as other current assets in the balance sheet.

	As of December 31, 2000 (Unaudited)	As of December 31, 2001 (Unaudited)	As of March 31, 2000	As of March 31, 2001
Wipro GE Medical Systems:.............................	Rs. —	Rs. 46,564	Rs. —	Rs. 13,295
Wipro ePeripherals…………………………….	21,730	22,365	—	—
Wipro Net	10,950	—	12,186	—
Net Kracker……………………………………	—	22,625	—	—
Security deposit given to Hasham Premji, a firm under common control....................................	25,000	25,000	25,000	25,000
	Rs. 57,680	Rs. 116,554	Rs. 37,186	Rs. 38,295

The Company has the following payables to related parties, which are reported as other liabilities in the balance sheet.

	As of December 31, 2000 (Unaudited)	As of December 31, 2001 (Unaudited)	As of March 31, 2000	As of March 31, 2001
Wipro ePeripherals ………………………	Rs. 16,318	Rs. 11,571	-	Rs. 2,297
NetKracker……………………………	-	-	-	10,000
	Rs. 16,318	Rs. 11,571	-	Rs. 12,297

As of March 31, 2001, and December 31, 2000 and 2001, the Company holds debentures of Rs. 40,000, in Wipro ePeripherals. As of March 31, 2001 and December 31, 2001 the company holds convertible preference shares of Rs. 54,000 and Rs.26,854 respectively in NetKracker, which are included in investment securities.

28. Commitments and Contingencies

Capital commitments. As of March 31, 2000, and 2001 and December 31, 2000, and 2001, the Company had committed to spend approximately Rs. 160,084, Rs. 400,280, Rs. 404,211 and Rs. 181,751, respectively, under agreements to purchase property and equipment. These amounts are net of capital advances paid in respect of these purchases.

Guarantees. As of March 31, 2000, and 2001, and December 31, 2000, and 2001, performance guarantees provided by banks on behalf of the Company to certain Indian Government and other agencies amount to approximately Rs. 880,557, Rs. 346,764, Rs. 448,125 and Rs. 781,394, respectively, as part of the bank line of credit.

Other commitments. The Company's Indian operations have been established as a Software Technology Park Unit under a plan formulated by the Government of India. As per the plan, the Company's India operations have export obligations to the extent of 1.5 times the employee costs for the year on an annual basis and 1.5 times (increased to 5 times during fiscal 2000) the amount of foreign exchange released for capital goods imported, over a five year period. The consequence of not meeting this commitment in the future, would be a retroactive levy of import duty on certain computer hardware previously imported duty free. As of December 31, 2001, the Company has generally met all commitments under the plan.

Contingencies. The Company is involved in lawsuits, claims, investigations and proceedings, including patent and commercial matters, which arise in the ordinary course of business. There are no such matters pending that Wipro expects to be material in relation to its business.

29. Segment Information

The Company is organized by segments, including Global IT Services and Products, India and AsiaPac IT Services and Products, Consumer Care and Lighting and other segments. Each of the segments has a Vice Chairman / Chief Executive Officer who reports to the Chairman of the Company. The Chairman of the Company has been identified as the Chief Operating Decision Maker as defined by SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information. The Chairman of the Company evaluates the segments based on their revenue growth, operating income and return on capital employed. Until fiscal 2000, interest income by lending to other segments and exchange rate fluctuations, were included as a component of total revenue and operating income for segment data. From fiscal 2001, the Chief Operating Decision Maker evaluates revenue growth and operating income of the segments excluding interest income earned by the segment by lending to other segments within the Company.

The Global IT Services and Products (Wipro Technologies) segment provides research and development services for hardware and software design to technology and telecommunication companies and software application development services to corporate enterprises.

The India and AsiaPac IT Services and Products (Wipro Infotech) segment focuses primarily on addressing the IT and electronic commerce requirements of companies in India and AsiaPacific region.

The Consumer Care and Lighting segment manufactures, distributes and sells soaps, toiletries, lighting products and hydrogenated cooking oils for the Indian market.

Others consists of various business segments that do not meet the requirements individually for a reportable segment as defined in SFAS No. 131. Corporate activities such as treasury, legal and accounting, which do not qualify as operating segments under SFAS No. 131 have been considered as reconciling items.

Information on reportable segments is as follows:

	Year ended March 31, 2000					
	Global IT Services and Products	**India and AsiaPac IT Services and Products**	**Consumer Care and Lighting**	**Others (net of elimination)**	**Reconciling Items**	**Entity Total**
Revenues	Rs. 10,206,078	Rs. 8,089,297	Rs.3,151,116	Rs. 1,380,583	Rs. —	Rs. 22,827,074
Exchange rate fluctuations	88,946	(13,923)	(2,090)	—	(72,933)	—
Interest income on funding other segments, net	163,500	—	43,000	—	(206,500)	—
Total revenues	10,458,524	8,075,374	3,192,026	1,380,583	(279,433)	22,827,074
Cost of revenues	(6,219,980)	(6,541,162)	(2,251,238)	(1,070,031)	—	(16,082,411)
Selling, general and administrative expenses	(1,345,009)	(1,097,902)	(461,823)	(224,046)	(122,518)	(3,251,298)
Amortization of goodwill	—	(1,000)	—	—	—	(1,000)
Exchange rate fluctuations	—	—	—	—	51,603	51,603
Gain on sale of property and equipment	—	—	1,929	—	14,808	16,737
Operating income of segment	Rs. 2,893,535	Rs . 435,310	Rs. 480,894	Rs. 86,506	Rs. (335,540)	Rs. 3,560,705
Total assets of segment	Rs. 5,116,501	Rs.3,788,784	Rs. 1,282,676	Rs. 764,433	Rs. 1,725,959	Rs. 12,678,353
Capital employed	2,711,042	1,474,491	678,549	521,146	3,048,562	8,433,790
Return on capital employed	107%	30%	71%	—	—	—
Accounts receivable	2,163,931	1,743,789	133,889	389,751	—	4,431,360
Depreciation	526,511	68,105	86,002	43,225	10,630	734,473

	Year ended March 31, 2001					
	Global IT Services and Products	**India and AsiaPac IT Services and Products**	**Consumer Care and Lighting**	**Others (net of eliminations)**	**Reconciling Items**	**Entity Total**
Revenues	Rs. 17,670,426	Rs. 8,670,790	Rs. 3,143,537	Rs. 1,328,915	Rs. —	Rs.30,813,668
Exchange rate fluctuations	126,291	(46,387)	-	-	(79,904)	-
Total revenues	17,796,717	8,624,403	3,143,537	1,328,915	(79,904)	30,813,668
Cost of revenues	(9,204,649)	(6,467,592)	(2,215,349)	(876,320)	(85,459)	(18,849,369)
Selling, general and administrative expenses	(2,574,518)	(1,392,304)	(538,753)	(161,484)	(168,036)	(4,835,095)
Amortization of goodwill	—	(1,000)	—	—	(44,389)	(45,389)
Exchange rate fluctuations	—	—	—	—	86,399	86,399
Gain on sale of property and equipment	—	—	46,113	—	108,344	154,457
Operating income of segment	Rs. 6017,550	Rs. 763,507	Rs. 435,548	Rs. 291,111	Rs. (183,045)	Rs. 7,324,671
Total assets of segment	Rs. 9,242,116	Rs. 3,921,596	Rs. 1,205,128	Rs. 1,668,108	Rs.10,124,767	Rs. 26,161,715
Capital employed	7,760,449	1,090,097	846,978	1,271,686	8,551,974	19,521,184
Return on capital employed	78%	70%	51%	—	—	—
Accounts receivable	3,453,330	1,674,773	158,927	591,255	—	5,878,285
Depreciation	708,274	94,166	63,901	50,169	74,752	991,262

	Nine Months Ended December 31, 2000					
	Global IT Services	**Indian IT Services and Products**	**Consumer Care and Lighting**	**Others (net of eliminations)**	**Reconciling Items**	**Entity Total**
Revenues	Rs.12,531,400	Rs. 5,907,518	Rs. 2,362,409	Rs. 814,328	Rs. —	Rs. 21,615,655
Exchange rate Fluctuations	136,330		—	—	(136,330)	—
Total revenues	12,667,730	5,907,518	2,362,409	814,328	(136,330)	21,615,655
Cost of revenues	(6,652,050)	(4,473,898)	(1,679,467)	(557,030)	—	(13,362,445)
Selling, general and administrative expenses	(1,860,763)	(983,781)	(417,372)	(182,405)	(58,548)	(3,502,869)
Goodwill amortized	—	—	—	—	(1,500)	(1,500)
Exchange rate fluctuations	—	—	—	(25,642)	136,330	110,688
Gain on sale of property and equipment	—	—	—	41,034	—	41,034
Operating income of segment	Rs. 4,154,917	Rs. 449,839	Rs. 265,570	Rs. 90,285	Rs. (60,048)	Rs. 4,900,563
Total assets of segment	Rs. 8,014,852	Rs. 2,702,050	Rs. 1,275,627	Rs. 1,741,576	Rs. 9,532,407	Rs. 23,266,512
Capital employed	6,460,639	576,462	810,867	1,299,326	8,946,946	18,094,240
Return on capital employed	86%	104%	44%	—	—	—
Accounts receivable	3,342,190	985,741	168,749	471,897	—	4,968,577
Depreciation	510,119	63,679	21,664	32,354	59,024	686,840

	Nine months ended December 31, 2001					
	Global IT Services and Products	India and AsiaPac IT Services and Products	Consumer Care and Lighting	Others (net of eliminations)	Reconciling Items	Entity Total
Revenues	Rs. 16,813,647	Rs. 4,583,526	Rs. 2,205,532	Rs. 1,211,171	—	Rs.24,813,876
Exchange rate fluctuations	204,118	1,506	—	—	(205,624)	-
Total revenues	17,017,765	4,585,032	2,205,532	1,211,171	(205,624)	24,813,876
Cost of revenues	(9,351,632)	(3,277,994)	(1,551,000)	(1,004,153)	—	(15,184,779)
Selling, general and administrative expenses	(1,750,214)	(996,860)	(355,733)	(270,625)	(96,776)	(3,470,208)
Research and Development expenses	(109,207)	-	-	-		(109,207)
Amortization of goodwill	-	(1,500)	-	-	(128,673)	(130,173)
Exchange rate fluctuations	-	-	-	-	172,692	172,692
Gain on sale of property and equipment	-	-	1,985	-	14,735	16,720
Operating income of segment	Rs. 5,806,712	Rs. 308,678	Rs. 300,784	Rs. (63,607)	Rs. (243,646)	Rs. 6,108,921
Total assets of segment	9,807,589	2,889,848	1,054,505	1,599,630	15,968,551	31,320,123
Capital employed	7,202,212	792,923	665,455	1,168,668	15,840,857	25,670,115
Return on capital employed	107%	52%	60%	—	—	—
Accounts receivable	3,345,056	1,127,893	145,241	496,158	—	5,114,348
Depreciation	728,783	101,411	13,187	126,637	62,261	1,032,279

The Company has three geographic segments: India, the United States, and Rest of the world. Revenues from the geographic segments based on domicile of the customer is as follows:

	Nine months ended December 31,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
India	Rs. 8,958,172	Rs. 7,757,270	Rs. 12,244,102	Rs. 12,490,640
United States	8,083,793	9,385,923	6,522,166	11,430,738
Rest of the world	4,573,690	7,670,683	4,060,806	6,892,290
	Rs. 21,615,655	Rs. 24,813,876	Rs. 22,827,074	Rs. 30,813,668

30. Fair Value of Financial Instruments

The fair values of the Company's current assets and current liabilities approximate their carrying values because of their short-term maturity. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months.