WIPRO LIMITED
Q4 AND FULL YEAR EARNINGS CALL
April 19, 2002 (7.30 P.M. - IST)

Operator: Good morning, good afternoon, good evening and welcome to the Wipro Limited earnings conference call for the year ended March 2002. At this time all phone lines are muted or in a listen-only mode. However, after our panel's presentation today, there will be opportunities for questions and the instructions will be given at that time. Should you require your assistance during today's conference, you may reach in AT&T operator by pressing 0 then star on your phone keypad and as a reminder, today's call is being recorded for replay purposes. We will be giving out the replay information just after our Q&A session. With that being said, here with our opening remarks is the Investor Relations Officer for the Americas, Mr. Sridhar Ramasubbu. Please go ahead sir.

Sridhar Ramasubbu: Good morning ladies and gentleman and good evening to the participants across the globe. I am Sridhar Ramasubbu, Investor Relations Officer for Americas. Along with Shankar in Bangalore, we handle the investor interface for Wipro. We extend a warm welcome to all the participants from US, UK, and elsewhere to Wipro's yearend results for the period ended March 31, 2002. We have with us today Mr. Azim Premji Chairman and Managing Director, Mr. Suresh Senapaty, CFO and they will comment on the US GAAP results for the year ended March 2002. They are joined by Mr. Vivek Paul, Vice Chairman, Mr. P.S. Pai, Vice Chairman, Mr. D. A. Prasanna, Vice Chairman, Mr. Suresh Vaswani, President of Wipro Infotech and other senior members of the management team who will be happy to answer the questions you have.

Before we go ahead with the call, let me draw your attention that during the call we might make certain forward looking statements within the meaning of the private securities, litigation, reforms act of 1995. These statements are based on management's current expectations and are associated with uncertainty and risks, which could cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with Securities Exchange Commission in the Unites States of America. Wipro does not undertake any obligation to update forward looking statements to reflect events or circumstances after the date of filing thereof. This call is scheduled for one hour. The presentation of the third quarter results will be followed by a question and answer session, the operator will walk you through the procedures for asking questions. The entire earnings call proceedings are being archived and transcripts will be made available after the call at www.wipro.com. Over to Bangalore, ladies and gentleman, Mr. Azim Premji, Chairman and Managing Director, Wipro.

Azim Premji: Good morning to all of you all. The board of directors in the meeting held this morning approved the account for the year ended March 2002. The revenue for the year grew year on year by 11 percent to Rs.34 billion, equivalent of $697 million and net income grew by 29 percent to Rs.8.3 billion equivalent of $171 million. Revenue for the quarter ended March 2002 was Rs.9.1 billion equivalent $186 million and net income was Rs.2.1 billion. Wipro Technologies, our global IT services business, grew their revenue by 27 percent to Rs.22.7 billion equivalent $464 million, and earnings before interest and tax by 26 percent to Rs.7.6 billion equivalent $156 million. Wipro Infotech, our India and Asia Pacific IT business recorded revenue of Rs.7 billion equivalent $142 million, a decline of 19 percent year on year. Interest before interest and tax was Rs.578 million equivalent $12 million, 8 percent of revenue. Revenue was Rs.2.9 billion equivalent $60 million and earnings before interest and tax Rs.4.403 million equivalent $8 million in consumer care and lighting business.

We have been more stronger in a year of uphill climb. Our quality leadership and productivity enhancement through six sigma contributed to increasing fraction in the market that is witnessing intense pricing pressure. The strength of our quality system was visible in our execution of the Lattice Group's Systems Integration Project, where the first phase went live on scheduled. This was after a period of 30 days of intense testing by the customer. In services business, there is no substitute to having satisfied the customers for brand building. Six sigma initiatives contributed to savings of Rs.920 million equivalent $19 million in Wipro Technologies. The gains we made on productivity front along with our cost management initiatives helped us retain the operating margins. We have more than 160 Customer Touch Projects in progress today. Our experience in these projects of defined productivity gain in finite time frame makes us a partner of choice.

In the year just gone by, we have seen intense pricing pressure across all service segments. Our initiatives on the Quality front and Six Sigma have to a large extent insulated us from this. Our performance of 12% year on year Offshore price increase and 15% Onsite price increase is a tough performance to repeat, in the current environment. We expect pricing pressure to continue at least through the first half of the year and put pressure on margins.

This year we added 107 new clients. The number of customers with annual Revenue in excess of $5 million grew from 15 in the previous year to 23. The number of million dollar customers has also grown from 65 last year to 81. The proven breadth and depth of our service offerings makes Wipro an attractive long-term partner for our customers.

Our results for the quarter are in line with our expectations. Telecom equipment manufacturers vertical declined by 7% against 10% that we had factored in and for the first time performing better than our expectation in the last one year. We saw sequential growth of 5% in our Enterprise business. Enterprise Application Services vertical grew sequentially by 26%, Retail 13%, Utilities by 2%, continuing the trend of sequential growth reflected in the last two quarters. In our R&D practice, Embedded Systems grew sequentially for the quarter by 8%.

Looking ahead for the quarter ending June 2002, we expect our revenue on the US GAAP from global IT services business to grow sequentially to be around 128 million. This translates to revenue under Indian GAAP of around 123 million US dollars.

We have set up a new business unit to address the requirements of healthcare and life science. We have consolidated the distributed competency of Wipro addressing the healthcare business into one consisting of Wipro Biomed with marketed and provided after sales service in India to global readers in medical equipment, healthcare vertical and enterprise solution and medical devices manufactures and embedded systems in Wipro Technologies. We believe this market provides an interesting opportunity. The ingredients for success here are IT skills and domain knowledge, both of which we have in Wipro.

I would now request Suresh Senapathy our Chief Financial Officer to share some highlights of our asset position before we take on questions.

Suresh Senapaty: Good morning ladies and gentleman, Mr. Premji highlighted the profit and loss account. I will touch upon a few aspects of our balance sheet before we take the questions. Cash flow from operations was Rs.8.1 billion equivalent of $155 million for the year ended March 2002. During the year, investment in fixed assets was Rs.2.4 billion, about US$50 million. Our capital employed as of March 31, 2002 was Rs.28 billion about US$573 million. Of this 31 percent was deployed in global IT services business, 3 percent in Indian and Asia Pacific IT services business, 3 percent in consumer care and lighting and the balance 53 percent including investment of Rs.13.7 billion which is $280 million is under other. Cash surplus generated from operations in India is invested in company in tenure not exceeding 90 days. ADR proceeds are invested in the US market in treasury instruments and bank deposits with tenure not exceeding 180 days.

Our return on capital employed for the year was 34 percent for the company which consists of global IT business 92 percent, Indian IT services and product business 56 percent, and consumer care and lighting at 52 percent.

The difference in revenue between India and US GAAP in Wipro Technologies is due to work performed for the clients for US$4.7 million from whom we have also received $2.8 million in quarter four itself. The scope of the work under execution was being enlarged due to which final documentation was not executed before the March 31, 2002. The impact of this deferral in revenue recognition on operating margin is around Rs.100 million. We will now be happy to take the question.

Operator: Certainly and thank you. Ladies and gentlemen as you just heard, if you do have any questions or comments, please queue up at this time by pressing the one on your touch tone phone. Now you will hear a tone indicating that you have been placed in queue and just as a note you may remove yourself from the queue by pressing the pound key. Once again, if there are questions or comments we ask that you would queue up at this time by pressing the one on your touch tone phone, and just as a remainder ladies and gentlemen, all lines are muted or in a listen-only mode. We will be taking questions line by line. Once again, take this opportunity to queue up for a question, press the one on your touch tone phone. And one moment please for our first question. And first we go to the line of Prakash Parthasarathy in San Francisco. Please go ahead.

Prakash : Thanks Vivek, if you could comment on verticals and the specific areas that you have seen strength or weakness as you progress through the quarter and especially the scenario that you have seen as you exited the quarter that will be helpful.

Vivek: Sure, I think that what we have seen is except for telecom and internet working, are really and across the board and so it is pretty wide spread, it is not focussed only on one area. Let me talk you through some of the areas that we saw rising sharper than others. One was the financial insurance sector where we had a good sequential growth third quarter in a row of double digit sequential growth. The second area that we saw some good traction was telecom internet service provider, interestingly not on the system integration side of the story but really on the outsourcing side of the story and that was pretty good. And what we saw on the enterprise solutions was a little bit more diminished in terms of what we saw, however on the manufacturing side towards the end of the quarter we saw a good pickup. Telecom and internet workings state is pretty much through the quarter. We were not expecting any upsides and we did not get any.

Prakash: So Vivek, it seems that the growth is broadly diversified across your vertical except for may be the telecom as the already outsourcing business. So is there any specific you know customer or client that you know you think still has a risk in terms of growth or accretion over the next few quarters.

Vivek I think that first of all I would like to modify your questions to say that we only saw softness in telecom. In R&D outsourcing were we do work for embeded systems we did see accelerating growth. The quarter before we had a growth rate of 6 percent, this quarter we had a growth rate of 7 percent sequentially. So I think that we saw a takeup there even in R&D services. Just the telecom industry per se, the telecom box maker industry per se was the one that was dampened. In terms of specific client outlook, absolutely none, there is no client out there that we are viewing as beamed one where we either expect the relationship to reduce or diminish in anyway. I am sure we will see you know some rotation from top one to top two or vis versa, but we are not seeing anything. Telecom, again we continue to be very very watchful for because that continues to represent some risk out there.

Prakash: Right. Did you also see volume growth in terms of you know sequential growth for your top ten or top fifteen customers.

Vivek: On the volume side yes, but in the dollar revenue side no, because the Lattice group hardware billing, the bought-out item billing seized from Q3 to Q4, but on a certain phases, the answer is yes.

Prakash: Also if you could comment on pricing trends, I know pricing was down this quarter, how do you see the pricing cycle going from here on especially in terms of longer term contract that you might have signed this quarter?

Vivek: I think that what we have seen is that we have been able to keep a pretty good handle on pricing. If you look at the pricing in terms of existing accounts to new accounts, the new business that we got this quarter was 6 percent lower in offshore pricing than our average and 3 percent lower than our onsite pricing on average. So you see a slight deterioration from quarter to quarter but the operative word is “slight”. On terms of the pricing outlook I think that we probably see in another quarter even after this of slight pricing deterioration and then I think we should, and again, you know, we are looking into crystal balls here, but I think then we should be looking at some let-out because volume resurgence is typically a precursor to pricing stability.

Prakash: Vivek, one last question, as some of you previously mentioned you know the acceleration in customers will be signed over 2001 as kind of not being there over the last quarters but that is definitely changing. Now is that a pattern that you observer and are there any metrics that you can throw that will show the kind of dependance on future growth of these new customers you have signed in 2001.

Vivek: Yeah actually you know we saw that information come up and we did our own analysis and we found that our 2001 customers have scaled just as much as the 2000 customers have scaled in 2001. So we never did see that aberration. I think on a new customer basis in fact if we look at percentage revenue from new accounts from last year, it was high as well. I think for the quarter 20 percent, for the year 15 percent. So I think that, you know, we did not see that reduction in the scaling. I think that what we are seeing is you know we continued to get good new account wins and we continued to see customers who are existing accounts beginning to now talk about taking us into new areas and scaling up the relationship. As you can tell we are reasonably optimistic about volumes and you know reasonably realistic about pricing.

Prakash: So if you combine the two Vivek, then where would future growth guidance be?

Vivek: You know we thought long and hard Prakash about giving a full year guidance and while you know we feel pretty good about this, we wanted to have more than one data point to be able to draw that trend line on the volume side. We are very happy to see the volume pickup, you know, we have said that, you know, the third quarter that, you know, if pricing was the issue, we would take action on it and we did it in a measured way. But we just like to see that be a trend, you know, and we can not draw a trend line from one data point , so that is why we stayed away from a full year guidance, you know, and I think that would like to still do that.

Prakash: Thanks Vivek, I will be back later with questions.

Vivek: Okay.

Operator: Thank you Mr. Prakash. Next we go to the line of Mitali Ghosh in Bombay, India. Please go ahead.

Mitali: Yeah Hi, my first question is on the systems integration contracts which you know have been sort of in the pipeline have been discussed time and again, what really is the status on those deals? Are some of them yet to be concluded, or you know, have the clients decided not to go ahead with it or you know, has it gone to other people? And how do you see relative to lets say October-November how does the pipeline look now with respect to these SI deal.

Vivek: I think that the pipeline is still good. You know I think that the deal that we had in the pipeline, I wish that most of them are still in the pipeline and frustratingly so because many of them to have landed. But we are suffering this consistent delay in the decision making, and you know, customer after customer says, well you know I was going to decide in March, and then decide in April, and then come April, you know they go low, I think we are going to take three more weeks, I think that there is a real shyness on the part of our customers to pull the trigger on investment profit nature. So I think that we are not, you know, the pipeline is still there, it is not that we lost the pipeline or the pipeline went away, but that pipeline is just not closing.

Mitali: And have you seen any build up in the pipeline?. . .

Vivek: Yeah we have a little bit, but I think that you know frankly that pipeline size is not substantially bigger than it was 6 months ago because we had some stuff get taken off and some stuff get put in, but it is still a reasonable pipeline

Mitali: Great. The second thing I had was in terms of pricing, you know, given the pricing pressure that is being faced on the new contract since the last two quarters, how is it really affecting your old projects, your existing customers?

Vivek: Yeah I think that what we have done is since we had a very disciplined stand on pricing, and pricing pressure has been around for four quarters would be successfully fought it for two. When we did talk about new account pricing changes we also engaged our existing accounts in terms of what should be the changes in pricing, and the numbers that you saw for the quarter that lacked changes in both existing accounts and new accounts and going forward also we will see the same thing, but at this point we do not really have any imminent renegotiations pending for existing customers.

Mitali: In this quarter you did not really see any existing customers sort of come back for renegotiation out of schedule?

Vivek: We did one, but I think most of that we completed over this quarter.

Mitali: Okay, and the other thing is in terms of, you know the pricing pressure environment itself, how are you seeing that changing incrementally as compared to say December or January. Is the pressure more or less?

Vivek: I would say is unchanged, I do not think that we are seeing, you know, companies relenting any in terms of the price points that they are coming in at. The small guys still struggling to survive, the big guys still fighting for volume, so I do not think we have a seen a change, as I said earlier, I think that the pricing recovery lags the volume recovery and I think that may be another quarter of volume recovery will see more stability emerge. The second thing is to think about also is that what we will call pricing as a combination of pricing and mix. What we had done over the first couple of quarters was to be able to do more higher end value added services, which really linked not to maintenance as much as to project work, and by project work I mean you know new application development or a new area that a customer would invest in. What we saw through the slow down was that particularly in the last quarter that the mix shifted away from projects to maintenance and that is because projects are discretionary spending and production support is absolutely necessary spending. So that also because there is faster commoditization, higher commoditization, less differentiation. We think that as the recovery stabilizes I do not think anybody is expecting a fearing recovery in the world economy. I think there will be more discretionary pending. So we should see a let up not just in pricing because the companies are facing less over supply issues but also because the mix will shift back in our favor.

Mitali: Alright, and in terms of this shift that you are seeing towards maintenance, is it that there is more of this sort of work being outsourced as far as Wipro is concerned or is it that sort of Wipro has decided now to participate more in these deals, and that is the reason we are seeing the pricing impact today.

Vivek: Actually we have decided to compete more in those deals and that is why the pricing pressure is the heaviest. We are actually still doing a pretty decent job of differentiating and getting reasonable pricing on the project system.

Mitali: Sure, and my last question is on the Lattice contract, what is the expectation of revenues this year from Lattice?

Vivek: Let our CFO answer that question.

Senapaty: Yeah, Mitali we do not kind of communicate about the individual customers' revenue going forward, but the good thing about Lattice order is that we have gone live as far as that Lattice deal is concerned, and having implemented that particular project which was subjected to a particular scrutiny by the customer, by one of the big 5, they have after a thorough scrutiny come out with an answer that there are absolutely no defects. Consequently, we have put our track record there having delivered on time defect free.

Senapaty: And the good news Mitali is that the bought out items are now over and it is a three year contract and now the service stock is what is going to take in.

Mitali: Great. Thanks very much.

Operator: And thank you Ms. Ghosh, we will stay in Bombay and go to the line of Trideep B. Please go ahead.

Trideep : Yeah hi, Like if you take the Lattice group out of your top five, top ten customers they have grown pretty well during the quarter, and also if you look at the new customer growth equation that has also come as high as 54 5 %. What I wanted to understand is how much do you think this is because this is the first quarter of the calendar year and some fresh leads of projects or some few accounts resulting into that. And how much do you think is something which is sustainable going forward from the new accounts that once you look at? I logged in a bit late may be and I am repeating the question and I apologize for that.

Vivek: No actually, you know we do not think we saw any unusual phenomena like you know suddenly people have budgets so they are spending it. I think that what we saw was just a heightened interest in projects all across. You may be right, but I do not we saw that at all and neither do we see that one time phenomenon fading, we are being reluctant to call you know sort of very robustly and you know in being very aggressive about it, because frankly it is one quarter, and one swallow does not a summer make, and we would just like to be able to draw trend line through two data points.

Trideep: Great, okay and this question I wanted to understand from the IT help desk which is classified under this global support services. Do you reckon that what are the chances that this year, this current year we could see some, are you bidding for large (IS) outsourcing contracts under that and any chances of clearing close with win or something, could you throw some light on this part of revenue stream please.

Vivek: Yeah, we are bidding. We are looking at building capability in that area. We have bid on some fairly large projects and working waking through the issues of you know the employee transfers and things like that. You know if you want a statement of intention, yeah, I mean that is an interesting business that is right down our power alley would like to do it. I just think we want to be a little bit careful about it and go at it after we have understood all the employee issues. Also we have a little bit of a credibility to build for a large scale order like that but that has not stopped as before.

Male Speaker: Okay, thank you, that is all I had.

Operator: Thank you, sir. Ladies and gentleman, once again if there are any additional questions or comments, just press the 1 on your touch tone phone and we will go to Mumbai, India and Harish Sharma, please go ahead.

Sandeep: Yeah, Hi. This is Sandeep Dingra, JP Morgan. Just a question you know on the financials. If I look at, you know, two data points, let us look at the first quarter of financial year 2002 and the fourth quarter of financial year 2002. Broadly, just looking at these two data points one pricing seem to have improved in the fourth quarter, fourth or first quarter, the utilization has improved by about 400 basis points, but at the same time the operating margin does not seem to have improved. Now, is there something that we are missing because, you know, one would expect that since you have not really hired people through this period, because the number of people remains the same, that, why should the improved utilization impact not come on to the margins? So, I was just trying to, may be I am missing something.

Shankar: Sandeep, Shankar here. In terms of the margin movement if one had to look at, there are three factors which are causing impact on margin. The first one as we explained in the morning was for a channel where we terminated the channel and paid the charges for the fly-wheel clause which translates to something like slightly in excess of 2 percent of revenue. The second factor is on quarterly basis if you look at, the provision for doubtful debts moved from 0.1 percent in quarter three to about 1.2 percent in quarter four. The third factor that you are looking at, quarter one to quarter four is the fact that in the month of October, we increased the compensation for employees located outside of India, primarily in United States, which has caused increase in cost. These are the three basic factors that I can see immediately which have caused a reduction in margin. The fourth point which comes to my mind is between the first quarter and the fourth quarter, we had increased the number of people in sales and marketing team from 70 to 99. Most of the people that we have recruited in sales and marketing team are of a profile which come from big five global technology companies and the compensation cost and the associated cost of sales and marketing are factors which have contributed to the decline.

Vivek: And if I may add to that, if you look at on a gross margin line on the first quarter, it was 47 percent and fourth quarter was 46.7 percent, it is almost flat and it is pretty much all explained by an onsite offshore mix slightly worsening from 50 percent in the first quarter to 49 percent in the fourth quarter and also the onside allowance increase and then the rest is on the SG&A line leading to the one time write-off of the agencies and the provision for doubtful debts. .

Sandeep: Sure Sure. Actually I had adjusted the 2 percent additional for the write-off and even then I was getting a 1 percent margin decline. Anyway, I guess these salaries and the sales and marketing part probably explains it. But this leads me to the next question that as we go forward and given that you know we will probably see some incremental utilization improvements which as you have stated in your releases already visible towards the end of the quarter itself, but the rates will come down, so I am getting a little more worried about margins, so would I be correct.

Vivek: Yeah I think what we have said is that you know we do see margin pressure and I think what we are seeing is we have got pricing that we talked about the situation for the last quarter and that you know it is dropping like a rock but I think that it is going to be a couple of quarters before it starts recovering. I think that offsetting that is utilization improvement but as we look at the whole sort of outlook for at least the next quarter, we are looking at a little bit of margin pressure for sure.

Sandeep: Right. Just one last thing Vivek, on the pricing front. We keep hearing all these horror stories in the market that, you know, a company X goes and bids at $15 and $17 and, you know, and large companies bidding, you know, in some places even at $14. I mean is there a method to the madness that at some stage do we stop, you know, cutting prices at some stage.

Vivek: Yeah, I was just going to say that, you know, I mean we are all on the same side on this one you know which is we all love to see that stop. I think that what we are seeing is that, you know, there is on the Vanila business, there is absolutely, you know, that business is probably the slowest to come back in terms of pricing and that is why one of the big, big pricing move that we have is mix management. You know, I mean, we are not going to be able to change the gain in terms ofhow we look at the maintenance markets, and how it becomes Vanila. But if you look at the overall mix of our advanced services like EAS, ecommerce, that technology infrastructures services and to data warehousing. You add that up and that comes to like 38 percent of our total revenue. So I think that you know that stuff that we want to manage up to. So that is how we are trying to manage that side of the equation. So when will the tide turn?. It is a little difficult to tell that right now. You know I am not sure I want to be positive on pricing right now, I would rather just stick to my volume story.

Sandeep: Right. Sorry. Just one last thing, at the end of the day it appears to us that at least even in the big deals you end up with three or four names amongst the Indian companies who make it every where. Now, if the field is narrowed to just three or four or five players, I mean why is there so much of pricing, pressure, and you know there is not that much of excess capacity out there. You know, you yourselves have said that you were beginning to come back and hire, and you know, build back for the volume growth, but. So I imagine that even some of your other competitors are not facing the same kind of utilization pressures, but why is it that still pricing discipline lacking?

Vivek: We have not seen everybody's numbers yet, so it is difficult to comment, but I think that the good news from our side is that all the crazy pricing deals we have lost because we did not go crazy. So probably - eventually someone will have to pay the price for those, but I think that, you know, we are building our business around as I said you know areas where we feel we can get at reasonable margin. In terms of the other companies you know it is really tough to tell. The reality that all it takes is two competitors for pricing to become competitive unless you can create a cabal, which is both illegal and probably not good for the industry.

Sandeep: Right. Thank you.

Operator: And thank you Mr. Sharma. We have a follow up question now from Prakash Parthasarathy, San Francisco. Please go ahead.

Prakash: Shankar, some housekeeping questions, could you please give us the ending head counts for offshore onsite support as well as the kind of exact utilization number.

Shankar: Yeah. In terms of the number of people we had on our rolls at the end of the year was 9626, the number of support staff is 1080, the sales team is 99. The utilization rate on a gross basis, which is numerator being the people build and the denominator being the average number of people on our payroll was 63 percent. The utilization on the net basis which is number of people billed with the denominator being average number of people billable was 71 percent for the quarter. Is there any other information that I can give?

Prakash: Is there an offshore consultant and onsite consultant heading the number that you provide.

Shankar: Yeah, we have 24 percent of our team, which is based overseas, this 24 percent includes sales and marketing team.

Prakash: Thanks. A different question on the health care IT business Mr. Premi. You announced that this business is being packaged in a different way. Could you explain what the mandate of that business is, you know where you see the opportunity going forward and how large this business could be given the focus now on this one.

Premji: Let me request D.A. Prasanna our Vice Chairman and CEO of this business to answer this question.

Prasanna: Hi. This is an exciting market and you know the largest market here is obviously the healthcare IT market which is an excess of $20 billion and it is growing at 20 percent and the second market is the Life Science IT market which we put at $1.6 billion which is also growing at about 25 percent and the third area is for the device companies and for the HCIT companies to be able to provide solutions to them in terms of either embedded software or specialty software for their products. These are the three areas of services which we are going to focus on and we see that the mandate for the business is that, take the health care practice currently existing in Wipro Technologies and make it into a much more significant business by bringing in domain knowledge and bringing in certain offerings there and in the Life Science IT business to go after the pharmaceutical companies to reduce the time for drug discovery by providing certain tools in every stage of discovery to market. And thirdly we have alliances with instrument and device companies which we are going to leverage to do work for them in the services area of business and I feel excited to get this business off a start.

Prakash: So would there be some portion of the Indian Biomed business that will be injected into this as well or is it more kind of like the global IT services story, completely international in scope.

Prasanna: Well, this business, we are starting off with the momentum of the health care practice as I told you and also we have the domestic Biomed business, which is distributing products into the scientific and the hospital community and that business and this business are combined and then we are injecting into that the skills required skills to address the Life Science and pharmaceutical market. So there is a mix of businesses here.

Prakash: Great, one last question on margins and productivity, to Suresh. Suresh, how much of productivity is still, you know, left that you could squeeze out to insulate yourself from the pricing declines that you have seen. Is that largely behind us or do you see some other progress in that going forward.

Senapaty: Well Prakash, there is no end to take more and more cost. Of course you can say that acceleration can be that much lower, but we have confidence in our Six Sigma processes as well as our other initiatives that we have and we think we will be able to, you know, based on the business requirement, will take that out.

Vivek: Prakash, you should have asked me that question. That is like showing a red flag to a bull. I mean, in telling a CFO, you can take more cost out, you know, trust me, you can. But I think what we are looking at is we have taken a lot of actions over the last year to be able to take cost out and what we are seeing is that there is some categories this year that will increase, for instance recruitment will increase because we barely recruited anybody last year; we will be recruiting a lot more this year. Training will increase. We will continue to investment in sales because sales is becoming more competitive and we went from 70 to 99 sales people last year. We will continue to add sales head count. So what we have to do, we have to offset first and foremost the impact of those elements of our cost structure that are going to go up, through productivity, using Six Sigma, using our E auction capability to drive down our purchase cost etc. In addition on the gross contribution side, what we are trying to do is trying to go as we many places as we can with a SLA based pricing so that we can apply Six Sigma methodology to be able to take effort out and enjoy the benefit. You know today if we tell Nokia that we can do the same projects for 30% less head count, all we do is lose 30% revenue. But if we can figure out a way to do this on either a fixed price project basis or on a SLA basis for maintenance and production sport contract, we can get to keep the productivity. Those are the things that are a little bit longer because they require revamping the customer relationships that already exist. But those are the things we have to do if we are going to drive productivity for ourselves and for our customers.

Prakash: Thanks a lot Vivek.

Operator: And thank you sir, we have a question now in New York City from Sid Please go ahead.

Male Speaker: Yes, can you give us any guidance in 2003 in regard to modeling revenue growth.

Vivek: We have not really given long term guidance in terms of a full year. I am assuming you are talking about our financial year 2002 to 2003.

Male Speaker: What about any linearity when modelling those margins. Do you expect much change.

Vivek: Let the CFO answer that.

Senapaty: You know, we talked about the pricing pressure. Of course, there is head space in terms of getting the utilization up while we would continue to work in terms of G&A cost take out but that will be investment on the sales side expenses. There will be softness on the on the margins, one is so far I have not given any guidance on the margins as yet, but we would expect you all to be conservative on that.

Male Speaker: Okay, thank you, clean Quarter, guys, thank you.

Operator: Thank you, We have a question now from Nandita Parker in Connecticut. Please go ahead.

Nadita: Hi, everyone. I promised not to ask, but this is a good question. About Spectramind, I believe they are ramping up really well, and I wanted to know what your plans are, any plans to increase ownership, and is it going to become a more significant part of Wipro.

Vivek: I think that what we are doing is there is two different alternatives that we are looking at, Nandita, Vivek here, and that is to say that we are going to look building business process capability at a business process engineering level and then say to a customer we will handle the business process work for you, transaction processing we might do through our partners. So we might create a either a suite of partners, in other words, two or three that we can have bid between them to offer us the best service or we may go the whole hog overall in terms of increasing our equity stake in Spectramind itself to make that to be the entity here. Now obviously you know either of these has not been decided yet and clearly none of them is easily available since we have to negotiate with existing owners in either case to be able to come in as a large investor.

Nandita: Could you give us some metrics on Spectramind in terms of what are the bidding rates, what are the margins, you know, how does that compare to existing business.

Senapaty: Well Nandita, you should recognize that we have a minority share holding there and those guys accounts are still to be approved by their board and so on and I don't think it will be fair for us to be able to communicate those numbers.

Vivek: But I think your sense of doing well is correct.

Nandita: I know, I believe that doubling in size

Senapaty: You are right, very understatement is doubling.

Moderator: Thank you, Ms. Parker. We have a participant just queuing up now. We will go to Boston, Massachusetts. Please go ahead.

Male Speaker: Hi, I have a question. I mean initially when you guys, when Vivek actually said about in termsofe guidance going forward, you made a statement that we debated and then you did not actually think it appropriate to give guidance going beyond, I guess the next Quarter. When I think back to what you guys gave out in the Quarter before that in terms of guidance before that. You actually gave a guidance which was you know further out, kind of a thing. And then when I think of what Infosys said in terms of its guidance, they actually gave a more positive guidance, and this time you guys are not really giving any guidance, moving forward, to be much more cautious than that. Before that, Infosys was much more cautious and you guys were so much more bullish, so I am trying to figure out you know why this difference and why are you at odds, can you kind of just comment on it.

Vivek: We are certainly not predictable. I think that here is the way the sequences are: I mean last year what we had said was our guidance was actually faster than industry growth and that was the only nonnumeric guidance we have given and if it makes you feel any better we can see exactly the same thing this year. The feedback we got from you, you know, and your brethren was that that was not actually not particularly useful, so we didn't give it. But what you can absolutely expect is that a company of the quality of Wipro will grow faster than the industry average and that is something that we absolutely stay committed to from our side. We have no doubts about that internally. I think that in terms of a specific number, we didn't give one last year and we haven't given one this year. So at least in that sense, we have been consistent with last year. In terms of relative to Infosys, we are two companies, I mean the way that we look at life is different, or how we do business is different, and we have consistently given Quarter out dollar guidance in terms of total revenue and that's what we have done now.

Male Speaker : You are right, but just the tone, I mean tone of your guidance this time is so much more cautious versus what it was you know sometime back. That's what I cannot understand.

Vivek: I think that you are right, I mean we are being, you know, I mean, if you look at the volume growth, you just may say, you know, are you guys being too cautious, may be we are. But I think that what we learnt last time is that, you know, better to err on being cautious and over delivering than the other way around.

Male Speaker: Okay, great, thank you.

Operator: Ladies and gentlemen that does conclude our Q and A session for today. Now your host is making Today's Earnings Conference available for digitized replay for 16 days starting at 1215 PM Pacific day light time April 19 through 11:59 PM May 5. You may access AT&Ts executive replay service from the North American Continent by dialing 800-475-6701, and at the voice prompt enter today's conference ID of

635502. International participants, please dial 320-365-3844, again with the conference ID of 635502. And with that, Mr. Jagannathan and our host panel, I will turn the call back to you.

Sridhar: Well, thank you very much for your participation. If you still have any questions please contact me by sending an e-mail to Sridhar.ramasubbu@wipro.com or call me at 408-557-4402. Thank you.

Operator: Ladies and Gentlemen, that does conclude our earnings conference for this Quarter. Thank you very much for your participation as well as for using AT&T's Executive Teleconference Service. You may now disconnect.