

**WIPRO  
EARNINGS CALL  
18 OCTOBER 2002**

Moderator: Ladies and Gentleman thank you for standing by and welcome to the Wipro Earnings Teleconference for the quarter ending September 30, 2002. At this time, all participants are in the listen-only mode. Later there will be a question and answer session and I will give you instructions at that time. Should you require assistance while you are on this call, simply press 0 and then \* and an operator will come on your line to assist you. I would now like to turn the conference over to our host Mr. Shridhar Ramasubbu. Please go ahead.

Shridhar Ramasubbu: Good morning Ladies and Gentlemen and good evening to the participants across the globe. This is Shridhar Ramasubbu and I take care of the investor relations activities for the Americas. Along with Shankar and Lan in Bangalore we handle the investor interface for Wipro. We take pleasure in extending a very warm welcome to all the participants from US, UK, and elsewhere to Wipro's Second Quarter results and Earnings Call for the period ended September 30, 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 quarter ended September 30, 2002. We are joined by Mr. Vivek Paul, Vice Chairman, Mr. D.A. Prasanna, Vice Chairman, Mr. Suresh Vaswani, President of Wipro Infotech, Mr. Raman Roy and other senior members of the management team and we 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 certain comments made by the management team may be characterized as forward looking under the Private Securities Litigation Reforms Act of 1995. These statements are based on management's current expectations and are associated with uncertainty and risk, which could cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with Securities Exchange Commission in the USA. Wipro does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of filing thereof. The call is scheduled for 1 hour. The presentation of the second quarter results will be followed by a question and answer session. The operator will walk you through the procedure for asking questions. The entire earnings call proceedings are being archived and transcripts will be available after the call at [www.wipro.com](http://www.wipro.com). Over to Bangalore. Ladies and Gentleman, Mr. Azim Premji, Chairman and Managing Director, Wipro.

Azim Premji: Good morning Ladies and Gentleman. This is Azim Premji. The board of directors in the meeting held this morning approved the accounts for the quarter ended September 2002. Let me share a few highlights of the results before I request Suresh Senapati, our Chief Financial Officer to comment on the results. Our revenues in Wipro Technologies a Global IT Service business increased from \$129 million to \$139 million, a 7% sequential growth. This growth was as a result of 12% volume growth contributed by increased in revenue across all verticals. The marginal decline in prices was due to shift in client mix. There was no significant price negotiation with existing customers during the quarter and the new customers in the quarter at higher billing rates than the company average. On the margin front, results of improved utilization offset the impact of pricing decline. The impact of rupee appreciation and stable pound sterling contributed to margin decline by 2% sequentially. In the quarter ended June 2002, we had the benefit of an appreciating pound sterling. Globally, technology sector continues to be under pressure. Sector

leaders are realigning their sourcing strategy. Our depth in skill set and commitment to technology business positions us in a strong alley. We have already seen two significant long-term wins in the space with Ericsson and Storage Tek. Our global command center for Thames Water to remote manage service, networking equipments, and database in over 100 locations went live on October 01, 2002. Demonstration of this capacity to potential customers could significantly reduce the cycle time for similar offerings in prospect. We have made good progress in building our Healthcare and Life Science business. We have 8 customers. We have increased our sales team from 2 to 8 during this quarter. The integration of Wipro Healthcare IT Limited that we acquired is on track. In Wipro Infotech, our Indian and Asia Pacific IT business, we grew our revenue for the quarter 27% year-on-year. We are recognized as the IT brand of the year in a user survey by PC Quest. Cisco and Sun Microsystems have accorded us their top honor for partners in India. Wipro Spectramind is on track to enhancing shareholder value. A strong prospect base backs to financial results achieved for the quarter. We have signed Letter of Intent with four new customers, three in the financial services sector and one in airline industry. With our first acquisitions Wipro Spectramind and Health Care IT on track to enhance shareholder value. We are now in dialogue with companies that have a strategic fit and can create further shareholder value. The current environment, we are proceeding cautiously, but for sure moving ahead. I will now request Mr. Suresh Senapaty, our CFO to comment on the results for the quarter before we take questions. Thank you.

Suresh Senapaty: Thank you Mr. Premji. Good morning to Ladies and Gentleman. Mr. Premji shared the highlights of the results for the quarter ended September 2002, and I will touch upon some significant accounting issues of the quarter. Wipro Spectramind acquisition was completed during the quarter. We have consolidated the results of Wipro Spectramind with effect from July 01, 2002. Spectramind had unvested equity warrants outstanding with customers on the date of acquisition. We have reached an agreement with the warrant holders to cancel all outstanding unvested warrants. The consideration of Rs. 20 million, which is about \$400,000 paid for these warrants is netted off from revenue and accordingly reflected as a charge to profits in the US GAAP financial statement. Acquisition of GE Medical Systems IT Limited is computed with the purchase of 60% equity interest. The balance 40% equity interest is pending in completion. We have consolidated the results of these entities from August 01, 2002. The difference between consideration paid for acquiring the equity interest in this entity and the tangible net assets have been recorded as goodwill in the financial statements prepared under the Indian GAAP. However, in the financial statements prepared under the US GAAP based on a preliminary valuation report, the excess of consideration paid over the net tangible assets have been segregated between intangible assets and goodwill. The amount quantified as intangible assets is amortized over the period of benefit expected to be realized from these assets. For the quarter ended September 2002 an amount of Rs. 36 million about \$740,000 has been amortized pertaining to Spectramind and Rs. 11 million which is \$230,000 pertaining to GE Medical Systems IT Limited. We will now be glad to take questions.

Sridhar: Tim, we can proceed with the question answer session now.

Moderator: If you have a question please press 1 on your touchtone phone and if you are using a speakerphone please pick up your handset before you speak. Our first question comes from the line of Vijay Bayani at Merrill Lynch. Please go ahead.

Vijay: I have two questions. We are positively surprised that General Motors shot up into your top 10 client list in a very short period of one quarter. Is it possible to share with us some details of the relationship, the current size, the growth potential, prices versus Wipro's average price?

Vivek: We cannot share the details of the General Motors you know client information, but what we can say is that General Motors is a very large outsourcer as you know. Its entire IT outsourcing is done to EDS, that contract expires in 2005 and so as a result General Motors is very interested in taking a look at all the different alternatives they might have to be able to go forward from here. So they are very keen in growing the relationships that have decided to consolidate their IT outsourcing from India to a few vendors, we are amongst the fortunate few, and we are seeing a very stronger growth rate as a result. We do rate in multiple areas of General Motors in EGM and in the Telematics area etc.

Vijay: Right, we are hearing that some more even bigger contracts are being negotiated by General Motors with Indian vendors. Would Wipro also be likely to get one of such contracts?

Vivek: Well, you know certainly we are competing for them. We have set up a dedicated facility in Windsor, Canada, just across the river from General Motors which we just inaugurated about two and half to three weeks ago and we are seeing a strong interest on their part to continue to do more work with us.

Vijay: Right. And is this with an alliance with EDS or is it Wipro doing it alone?

Vivek: Actually it is about 98% doing it alone and about 2% in alliance with EDS in terms of the revenue mix.

Vijay: Okay. My second question is on the involuntary employee attrition of about 12%, which Wipro had in the September quarter as compared to the gross addition of 1200 people, which is quite significant. In that case is it possible to conclude that the employees were replaced with other people who were at lower cost and this can help the salary bill going forward?

Vivek: Certainly, we did not do this to lower cost. We did not replace higher cost employees with lower cost employees. What we did was what we would like to call active performance management, that is people who were performing in the bottom of 5% of our performance rate were encouraged to leave and at the same time we continued to feed our business needs by bringing in people who we felt were more talented than the people who were leaving. It was not a salary arbitrage way.

Vijay: Right. But, even on that case the new people possibly they would have come at a lower salary considering that already we are seeing a decline in the salary levels currently.

Vivek: Well you know I cannot specifically answer that question because since we did not have the perspective into that action we do not have the data that tells the average salary of the 1250 people coming in relative to the salary of the people going out.

Vijay: Right. Okay I have one last question on Spectramind for Mr. Raman Roy. The four new contracts, which are announced in this quarter, is it possible to compare the average price of these contracts versus Spectramind's average price?

Raman Roy: The average price that we have for these contracts is comparable to the average price realization that we have for the existing contracts within Spectramind.

Vijay: Okay. So more or less they are in the same range.

Raman Roy: It is in the same ball park. That is correct Vijay.

Vijay: Right. Thanks. I will reserve my other questions for second time. Thanks very much.

Raman Roy: Thanks Vijay.

Moderator: The next question comes from the line of Girish Pai at SSKI Securities. Please go ahead.

Girish Pai: Yeah. Hi. I just wanted a clarification on the operating margin decline of about 290 basis points that one saw on quarter-on-quarter basis. There was a mention about rupee appreciation. Can you just go through that a bit more. Can you just give me more details on that?

Shankar: In terms of operating margins, we define operating margins as profit before interest and tax. The profit before interest and tax for quarter one that is quarter ended June under US GAAP was 31.7%. The operating margin that is reported for the quarter ended September is 29.7%. The drop is about 200 basis points. The drop of 200 basis points is primarily contributed by 1.2%, which is on an account of the combination of rupee appreciation and stable pound sterling rate. The second factor, which contributes about 70 basis points is on account of the contract of 4.7 million, which we had accounted for under the Indian GAAP where the effort was extended in the quarter ended March and due to certain SAB101 accounting requirements, the revenue was recognized in the quarter ended June. This cost an increase in the margin for the quarter ended June by about 70 basis points. These two are the primary factors, which have contributed to the 200 basis points margin decline, again to recheck we quantify operating margin as profit before interest and tax. Thank you.

Girish Pai: Okay. I just wanted to understand the mix between sales and marketing spend and your G&A spend in US GAAP terms. How have these two elements moved on a quarter-on-quarter basis as percentage of revenue from the June quarter to September Quarter? If you can give me numbers for these two elements.

Shankar: Well, in terms of on a quarter-on-quarter basis for the quarter ended September, our SG&A expenses are at 11.8%. This compares with about 11.7% for the quarter ended June 2002 in our Wipro Technology. Roughly, approximately about 5% of our cost here is in form of general and administration expense and 7% is in terms of sales and marketing expense.

Girish Pai: Okay. Has there been any change in the commission structure or in terms of the mix between locals to Indians working in the sales and marketing side for Wipro in the last couple of quarters. Has that happened?

Vivek: Not in the last couple of quarters, but I think in aggregate about 35% of our sales still now are local hires.

Girish Pai: And in terms of commission structure has the commission structure changed over the last few quarters?

Vivek: No it hasn't. I feel that at the start of the year we launched you know at the start of every fiscal year we have our new incentive policies etc. So your question of last couple of quarters the answer is yes if we go back to April 01, but nothing since then.

Girish Pai: Okay. Okay. And in terms of receivables, was there any write off in the current quarter for any bad debtors?

Balki: The provision for doubtful debts or write off in the current quarter is 0.02% versus 0.3% in the previous quarter.

Girish Pai: 0.02%. Okay. Fine. And one more question is regarding your pricing. Vivek said in the morning call that the customers are coming in at rates higher than the average. I was wondering whether the large strategic contracts are going through the same process, I mean are the large contracts also coming at a price higher to the average or they coming in at a lower price point compared to the average?

Vivek: I am hesitant here because we haven't really given that kind of gradation before, but all I could say is that in aggregate we have seen prices for new contracts coming higher and you know many of the customers that we have signed are customers that we expect large amounts of business from, I mean the fortune 1000 clients for example the names I mentioned earlier today.

Girish Pai: You mean to say that they are coming at the same average price or lower?

Vivek: No as I said you know we have just given an aggregate of all the business ones and all I am saying is that includes customers that we expect to be pretty large customers.

Girish Pai: Okay. Thank you very much.

Moderator: And the next question comes from the line of Mitali Gosh at Merrill Lynch. Please go ahead.

Mitali: Yeah Hi. My first question is with regard to your revenue mix where essentially I noticed that the percentage that you classify as value added services seems to have come down. In fact, the number showed I think a flat 0% performance versus your overall very strong growth of 11%. I was just wondering whether this is a trend we are seeing and you know if can give us a little more details there. Brief me on the category where you have data warehousing, package implementation, systems integration, and infrastructure.

Shankar: If you look at in terms of data warehousing as a proportion of our revenue it has been constant at 5% last quarter to this quarter. That means it has sequentially grown at the same pace as the rest of the business. If you look at system integration it is 1% lower from 5% to 4%. This is primarily because 186K project has moved into our maintenance phase. If you look at in terms of technology infrastructure practice, this has gone from 7% to 6%, a large order in terms of the new Thames Water global command facility has become operational from October 01, 2002, hence the revenue from that particular customer would come in only from October and not from the earlier quarter. If you look at package implementation for the quarter it was about 10%.

Mitali: Yeah. So is it right that package implementation has gone down by about 15% sequentially?

Shankar: See what we have done is in terms of from this quarter we have redefined package implementation to segregate the portion of support activity which comes after the package is implemented and classified then as others. If you take on a pure package implementation comparison from last quarter to this quarter there is about a 10% sequential growth.

Mitali: I see. So basically you are saying there is no trend to be read into this.

Shankar: Yeah. We are not seeing any trend. In terms of you know where there is support activity, which takes place after a package implementation

Mitali: It is not due to specific accounts moving in and out of these categories.

Shankar: Sure. Yeah.

Mitali: So would this at least for this quarter be one of the factors for you know the margin mix changes that led to the pricing pressure?

Shankar: See as I said in terms of the price change was not on account of any price negotiation. The newer customers have come in at higher rate. This was primarily due to change in the mix of clients. So we are not seeing a trend line that you can draw from the change in the mix of clients with regard to pricing that we have seen during the quarter.

Mitali: Right. And you are saying these mix of clients change is across all services. I mean it is not that because it has increased let's say in maintenance or development. That's the reason that margin.....

Shankar: Yeah it is not specific with regard to the horizontal service line. It has more to do in terms of proportion of revenue coming from specific clients.

Mitali: Okay. My second question is on your IS outsourcing initiatives where you know I believe Wipro is quite actively bidding for projects and in terms of your strategy are you looking at partnering with any of the global vendors there?

Vivek: We are pretty open to all alternatives. So I think what we have done is we are not taking a sort of you know isolation is perhaps that we only do business in one way. So where we think we can get a competitive advantage working together with somebody we are open to that idea, where we feel that we can get advantage working directly we work on our own. However, in every instance that we have worked with another company it has only been at the specific request of the customer.

Mitali: I see and that would be the continuing practice basically. I mean you would partner with another local vendor.

Vivek: That's right. We are flexible. We will work in whichever way that our customers telling us that they would like us to work with them.

Mitali: Right okay. And the other thing I was noticing was in your top 10 clients that there seems to have been you know 3 new clients entering your top 10 and some of in fact like Cisco for example I think has dropped out of your top 10. So is there you think a risk of the Telecom vertical sort of weakening again going forward?

Vivek: Well you know we worry about all kinds of risks. So it would be foolish to say that there is no risk, but I think that what we are seeing on the Telecom vertical side is we did see some signs of stability and strength in the last couple of quarters. Two quarters ago it was only volume. Last quarter it was volume and overall dollar revenue. So I think that what Telecom companies are seeing is not necessarily a better environment for them, but certainly a little bit more clarity on what their product road map should look like and as a result a return to R&D spending, but a return to R&D spending in a constrained environment where they are looking for a better bank for the buck, which helps us out. So I say that this is still you know the whole Telecom segment is beginning to show the revival, but is there a risk, absolutely.

Mitali: Right. And my last question is on your guidance for Q3 the revenue guidance that you have given is very broadly you know one were to I mean what would be your key assumptions regarding volumes pricing and onsite offshore mix? And I know you won't give any numbers, but just broadly speaking.

Vivek: Stable mix, stable pricing. So you know not big swing in either direction and either of them.

Mitali: Right. Okay and pricing you would at least expect it to stabilize.

Vivek: Oh for sure.

Mitali: Okay. Thank you.

Moderator: The next question comes from the line of Phillip from Bare Insurance. Please go ahead.

Phillip: Hi I wish could you guys talk a little about what seems like across the industry that the hiring in the quarter was at an all time high. Can you say is this how the pipeline looks. Do we

sense a kind of second wave of interest in the offshore firms or a just more continuation of the same?

Vivek: I think that we are seeing a strong interest in the offshore firms that companies whether on the IT side or the R&D side are having to do more with more and more limited budgets and as a result we are seeing a very strong interest. So I think that whether it's volume growth, whether it's revenue growth, or whether it's hiring, I think the indications are that the market demand is out there.

Phillip: Have you sensed an acceleration and that is clearly that the secular transit has been around for a while, but we saw a kind of a slow down in the 1<sup>st</sup> and 2<sup>nd</sup> quarters of this years, but it seems like this quarter there was really an acceleration in hiring plans currently outlooks for the future?

Vivek: I think that there is an increased demand led by two things. I think one is that as the economic outlook stabilizes, not to say it's pleasant for many of our customers, but it has stabilized, and as a result they are willing to now make investment decisions, albeit at lower level and when they are doing that they are looking more to offshore. So there is a little bit of a recovery from existing customers. In addition, what we are seeing is there are a lot of newbies out there. So offshoring is across the chasm and there are a lot of companies that hadn't looked at offshore outsourcing, they are looking it at the first time. And that certainly was something that didn't exist in that quantity before, and I would invite you to visit our website and look at our outsourcing 101 new piece that we have put on to our website because we saw so many newbies coming in.

Phillip: And lastly can you comment a little bit on sales cycles? Have those contracted or expanded in the last quarter? Can you give some numbers on that?

Phillip: Yeah. I was hoping if you could comment a little bit on what you have seen through out the quarter with sales cycles have you seen them expanded all at length or they have at more normal levels?

Vivek: Actually no particular change. They are pretty much at normal levels.

Phillip: Okay. Thank you.

Moderator: The next question comes from the line of Prakash Parthasarathy from Bank of America Securities. Please go ahead.

Prakash Parthasarathy: Thanks. Vivek can you give us a trend of any changes that you saw in terms of volume potential from your existing clients that you observed over the last three months and going into the budget cycle here. Is there a substantial improvement or ramp that we have seen in your peer group that is apparent in your customer base as well?

Vivek: I think that what we are seeing is that from our customer base, there is an interest in terms of doing more offshore outsourcing. We are offering a wider range of services. So we do have you know if either footprint in terms of what we have been able to bring to these customers. So customers there are customers of one kind we are trying to sell them infrastructure outsourcing, we



are trying to sell them business purpose outsourcing. So I think that in aggregate we are seeing a growing interest in the full range of our services.

Senapaty: Prakash, quarter ended September all the five accounts we have sequentially grown. In fact, all the 9 out of the 10 accounts we have sequentially grown.

Prakash Parthasarathy: Right, so In terms of volume growth, do we expect the current sequential growth rates that you have enjoyed this quarter to sustain over the next three or four quarters?

Vivek: We have not really Prakash given any guidance for the next three or four quarters. What we have said is that for the next quarter we have given a number and also mentioned that we expect pricings to be stable. So I guess you know that means we continue to expect for the next quarter volume growth.

Prakash Parthasarathy: Thanks. Last question on Spectramind. You mentioned four new LOIs that are being discussed. Can you talk about when these go into production and also talk about your overall BPO strategy that addresses the item processing or the transaction processing space please. Thanks.

Raman: Hi Prakash. Of the four customers with whom we have LOI, one of them is already in production and the other three customers I would say would go into production anywhere between the next 45 to 60 days depending on you know a few variables. There availability of the trainers we are running into Christmas season from US customers perspective and their abilities to get trainers could be with us during Christmas season is one of the aspect that will be determine the timeframe. Also as you do realize that during the Christmas season most companies in the US go in for system freeze and therefore no changes happen. So there are a few variables that give the production timeframe, but we are initiating changing and hiring for those people. In terms of the overall strategy as we stated at the last quarter it is our strategic desire to have voice and non-voice work at 55 to 45% mix that assist in better seat utilization either the seat utilization comes in from non-voice work or work from other geographies. At this point of time, Wipro Spectramind is now servicing on voice, Australia, UK, Canada, and US. With Australia and UK we are seeing some ability to utilize our seats on hire. Does that answer your question Prakash?

Prakash Parthasarathy: That is very good. Thanks a lot.

Moderator: Okay we are going to move on to the next group party. We will go to the line of Rahul Dhruv at Solomon Smith Barney. Please go ahe ad.

Rahul: Hi. Actually my first question is on Wipro GE Medical Systems. It's I mean there was this unexpected loss that was declared after the results last quarter of around 200 million out on 180 million. If you look at this around 200 million rupees, effectively 5% of your net profit has gone because of this loss. Where do you really see this finally stabilizing? Do you really see it coming back to profits because I believe this company has been making profits for at least 7-8 years?

Senapaty: For the quarter ended September 2002, Wipro GE Medical Systems recorded revenue of 1.7 billion rupees and loss of 18 million rupees as compared to the previous quarter, which was like 2.2 million rupees of revenue and 416 million rupees of loss. Wipro's share of the loss for the

quarter is about 9 million rupees. Wipro GE Medical Systems has taken a series of measures to strengthen the system and these measures are under implementation. Plus, we have Wipro and there is the GE audit staff already working on the drawback. Wipro GE Medical Systems has been a profitable business since inception since 1990 and we expect it to quickly get back to profitable mode in the next two quarters.

Rahul: So when should we expect it will go back to its original profitability as in I believe it use to make around 400 million rupees of profit at one point in time?

Senapaty: Well, so far the Wipro GE Medical System is concerned, it is going through its planned exercise because they operate on a calendar year basis. So we cannot give you a full particular guidance, but we think it will get into profitability more quickly.

Rahul: Okay. Second thing I wanted to know was your average revenue per client has basically stabilized between 2 to 2.2 million dollars over the last seven quarters. Given the fact that now we have like 350 clients and you know the growth every additional dollar of revenue is, I mean you require more and more overall chunks to grow at the same rate as you were going in the past. Do you see this ratio changing, I mean do you see this revenue per client changing or going up and if so how?

Vivek: We do expect it to grow up and the reason for that is the wider range of services that we are offering. As I mentioned earlier specifically targeting customers for cross selling in terms of new ranges of services we have a funnel now of 20 customers that we are looking at offering BPO services. Similarly, on the technology infrastructure services, similarly now on package implementation, going up to the IT side of customers that we currently have on the technology space. So we are seeing traction on all fronts.

Rahul: Vivek. I mean these have been around for a while now and we have not really seen a change. What I am trying to really judge is are we going to be effectively a 500 client or 600 client company in two years which would really make it not manageable?

Vivek: You know it is a good question. I would say that we are probably not going to be at 300 clients. We would probably be more than that. But I do not see us not being able to manage 500 clients. But this needs a little bit of more thought. I do not want to give a off the cuff answer.

Rahul: Sure. Just one or two more things I mean as far as I remember four out of the last five quarters you heard that you know the clients added during the quarter have come in at an average rate, which is higher than the current rate. But we have consistently seen billing rates go down. I am also trying to just you know a kind of a link it with what you said earlier that you have some of the existing client or some of the clients which are existing which had lower billing rates are ramping up because of which the average rates are coming down. Where do you see this trend? I mean do you see new clients added over the last four to five quarters, which have actually added at above average really ramping up faster or you see the existing ones?

Vivek: First of all just a little bit of correction, we have not maintained forever, in fact the first time anybody who talked about new client pricing versus existing base was us in January when we said that our new client adds were lower and therefore our pricing was blending down. And the last

quarter we actually said that it had turned around that the new clients were coming in at a higher price and you saw that impact in terms of the pricing drops reducing. And this quarter again we said that new clients coming in are at a higher price than the average, and therefore more positive guidance in terms of price stabilization. So just a quick correction. In terms of where we are seeing growth from, 6% of our revenue this quarter is from our new clients and that will be from the last two quarters and so that is helping us to mix out.

Shankar: Just one more point to add Rahul. Clients added in the fiscal year 2002 have contributed about 17% of revenue and just to take the factor in terms of quarter ended December, we had new customers who came in at lower prices, for the quarter ended March we had clients who come in at lower prices. It is for the quarter ended June and in September that the customers have come in at higher price.

Rahul: Sure. Just a continuation of that. Do you really see any major price re-negotiations starting again going into December to March period, I mean we saw that and we saw the impact of that in a big way in the first quarter of this year, and the last quarter of last year. Do you really see that again happening on the down side?

Vivek: Not really. We had some contract and you know that even happened this quarter and they pretty much passed through at a flat rate. So I do not see any reductions or lowering of pricing in terms of contracts or re-negotiations.

Rahul: Okay. Thanks. Just one last one. This is for Raman actually. \$45 million target for the full year at the Spectramind. Do you think you can achieve it from with the existing clients, I mean the 8 clients that you have currently. Or do you require the new client or you will have to use the new clients that you added also for that?

Raman: Most definitely revenue coming in from the client started particularly the client already in production and the airline client, Delta, that we signed up would contribute towards making the 45 million target.

Rahul: Okay thanks.

Raman: Thanks.

Moderator: Next we go to the line of Girish Pai at SSKI Securities. Please go ahead.

Girish Pai: Hi. I just want to get a sense of your outlook on margins in the global IT service in products business going forward.

Vivek: What we had indicated earlier was that we expect margins to stabilize.

Girish Pai: Okay. Okay. And this is regarding Healthcare and your Life Science business, I think this quarter you did something like 5 million in revenues? Why have you brought it down to something like 3.5 million for the next quarter. Do you see something there, which will lead to a decline in revenues quarter-on-quarter?

Prasanna: The services business mainly focused in US market grew 44% last quarter and we expected to grow at 30% plus this quarter as well. The figure you are referring to is another gross revenue figure, which I will request Shankar to clarify.

Shankar: Girish in terms of the Healthcare and Life Sciences has three components in terms of revenue. The first component is in terms of IT services revenue that we perform for global customers. The second is in terms of product licenses and customization of healthcare ERP packages that we sell to hospitals, and the third component comes from product and services that of medical equipments and diagnostics that we do in India. If you look at the composition of revenue that we have had for the quarter ended September, 32% of revenue came from IT related services and another 21% of revenue came from products and customization that we sold to ERP healthcare packages and about 47% of our revenue came from products and services that we sold through Wipro Biomed our division in India. So the guidance of 3.5 million dollars that we have for September primarily pertains to IT related services.

Girish Pai: Okay. This is regarding your technology services? Do you have any risk reward model in place with your customers where in part of your payment comes much later after say success of a product or something like that? Do you have anything of that sort in your business relationship with your customers in the technology services side?

Vivek: No, not really. I mean I think that you know probably the largest one, which we had was with 186K in terms of you know risk to work things and there since we delivered on time we got neither the reward for delivering ahead of time nor a penalty for delivering behind time, but besides that no.

Girish Pai: Okay. Just one last question is the one more on the macros side. You would have been in discussion with your customers for budgets for 2003. Can you just share you know what percentage of the budgets do you think would customers offshore going forward or have they indicated any intention of offshoring ex-percentage of their budget. Can you throw some light on that?

Vivek: I think that it really is something that has varied across the board and in many instances many of the customers do not have a specific target that they should have laid out for themselves in their presentations to the CEO that this is how much I am going to offshore. So I think what we are seeing is that when you talk about IT budgets for the next year we are seeing a fairly flattish to slightly higher may be like 2-5% increase in terms of the overall budget and you know very few of them are putting a stake in the ground today saying specifically 40% of this would be spent on offshore or 20% would be spent on offshore. So clearly offshore is the tool we are going to use, but they are not specifying it as you know a sort of there have targets but it is not part of budget process.

Girish Pai: Okay. This is on numbers. I think you have number of customers and if you can name few of the customers that you have added in this quarter that will be most helpful and that is my last question?

Vivek: You know in the financial services sector, we have UBS Warburg. In the technology business EMC, which is a storage company, and in the telecom service provider space we have

SPRINT. In the enterprise IT space, we have ICI, we have Gillette, and in BPO we have Delta Airlines.

Girish Pai: Okay. Thank you very much.

Moderator: Our next question comes from the line of Rajesh Vastava of Solomon Smith Barney. Please go ahead.

Rajesh: Sir I have two questions. Number one in terms of size of sales force, we saw a pretty dramatic increase in Infosys sales first quarter-on-quarter. If you can highlight that number for yourself. And second Sir we have basically now been into almost six or seven quarters into a host of new product offerings by Wipro like IS outsourcing, system integration. So when do we see that funnel fructifying into chunky orders and significant improvements in revenue net. It's an open-ended question, but based on your pipeline when do we see 30/50/70 more orders come through and get announced in the next two to three quarters?

Vivek: Let me answer the question one by one. I think that numbers were higher in the 11 in terms of the total sales team in the last quarter that went up to a 116 in this quarter. In terms of you know I cannot really comment on the Infosys numbers. I am afraid you have to ask them, what they did, although I saw one of the commentaries that said that there is also some re-classification of account managers from billed account to non-billable sales team, but I cannot comment on their numbers. But in terms of you know what you just said as I was mentioning to Rahul earlier, we do have new services that we are going back to our existing customers base and offering, and these are relatively new in terms of the total outsourcing that something that we really literally started offering not more than may be 34 months ago in the range and scale that we are doing now. System integration is kind of a dull market right now simply because it is a discretionary spend and it is intensely competitive when anybody has any money to spend it all and where you cannot directly apply the benefits of offshore. And on the BPO side we talked already about the 20 BU funnel that we have and I would say that in terms of first half between the BPO and the total outsourcing transaction we would like to be able to announce that in the next 30 days.

Rajesh: And you were talking about basically integrated pretty sizeable chunky orders.

Vivek: Yes. I mean you are deliberately leaving a very big definition of sizeable chunky so it makes easy for me to say yes. But, yeah these are orders that we think would be substantial.

Rajesh: Sir and the other question I had was basically in the graduation to the next level which is basically 100-200-300 moving over the year a kind of deals in the likes of EDS, Accenture, tend to sign with a lot of fortune 50-100 customers. I agree that the sales cycle on those deals is pretty large. Or do you see yourselves very actively and aggressively competing in that space and what are the factors you encounter from your customer as to whether that make you feel positive or make you feel you need to build on certain competencies?

Vivek: I am sorry we missed the first part of the question. Which area were you talking about?

Rajesh: I was talking about basically large outsourcing deals that tend to happen with the likes of EDS, Accenture, or CST. Have you started to compete in those deals and this is for first part of question.

Vivek: Yeah I got it right. We had just missed the first part of it. Yes we are. We are targeting our current customer base because that is where we have the highest credibility and customers have to take a leap of pace in terms of doing this. We are in there. I have to say to you though that this whole EDS surprise has frankly put a lot of customers on hold in terms of making a decision to do a total outsourcing. There is question that they would like to get answered by clearly which is, is there really value that is created. Is there any productivity that is created when you do a total outsourcing deal like that? I am afraid that the sales cycle on that has become a little bit longer and we had at least one large client that completely turned tail and decided not to outsource at all after several months of very intense activity and almost getting ready to pull the trigger. So I think that yes we are competing, but you know it is not something that we are expecting short sales cycles.

Rajesh: So it would be unreasonable to expect closure in these deals in the next two to three quarters?

Vivek: Well two to three quarters is a long time. But you know certainly not this quarter. On the total outsourcing size, except for what we have already talked about on the Ericsson letter of intend we have signed.

Rajesh: Okay. That ends my question Sir.

Moderator: Our next question comes from the line of Mitali Gosh at Merrill Lynch. Please go ahead.

Mitali: Hi I actually I had question on total outsourcing and you know it is actually following on from the previous discussion. The first thing is that did I hear right you said that there are some large deals, which could be concluded within the next 30 days?

Vivek: No I said that, we were talking about the cross selling and I was saying that between the business process outsourcing selling into our installed base and also some other kinds of transactions we could do within our current customer base. We would expect closure in the next 30 days. At least one.

Mitali: Right. And on the total outsourcing front you did mention that some large customers who are probably negotiating with Indian vendors have put it on hold. So are you seeing Indian vendors gaining any traction at all versus the global vendors in this market?

Vivek: Well actually when they put it on hold they also put the foreign companies on hold. I mean they just reversed their whole idea of outsourcing. So I think there will be set back for everybody Indian or not, but I think that companies certainly are much more willing to take a look at Indian players if we can bring a real value proposition. So I think that we did not use to be considered in that set we are being considered now.

Mitali: Right. And in such deals would you be taking on the assets of the vendor? Are you looking at those sorts of deals as well of the customer?

Vivek: Typically so far what we have done is looked at deals with people, but not with the assets and we are doing..... You know we are either having the customer continue to fund the assets or finding a third party.

Mitali: Right, and that would be the policy going forward also?

Vivek: More or less. I do not want to bracket myself and say we will never do a deal with assets, because for example in the Ericsson deal we are buying assets for about one and half million. We are buying some assets.

Mitali: Right. And just the other question is on you know the strong recruitment that is being done, is that likely to put pressure on your CAPEX plans for the remaining part of the year if you can give us a sense of that and secondly as result of that are you seeing you know a build up in terms of salary pressure?

Vivek: Well we are not seeing a buildup in terms of salary pressure and we are also not seeing us having to go beyond plan in terms of capital standing.

Mitali: Any sense on what those plans are like and any indication of that?

Shankar: Speaker: Mitali I think you should give others a chance to ask question otherwise it's becoming a private dialogue? If you do not mind.

Mitali: Sure, I was just looking for the CAPEX number. That is fine. Thanks.

Senapaty: Mitali you can ask your remainder of question please?

Sridhar: Mitali can the question, which is left out. She had a question on CAPEX.

Moderator: Do you want me open her line again?

Moderator: Okay. Please go ahead Ms. Ghosh.

Mitali: Yeah. I had actually already asked my question that was on any indication on plans of CAPEX. I do not any further questions. Thanks.

Shankar: Mitali we told in terms of share or capital expenditure budget. Our investments are in line with business needs. So in terms of having the past we are not giving any specific numbers for the CAPEX stand.

Mitali: Okay. Thank you.

Shankar: Thank you.

Senapaty: Operator can we bring this conference to a closure.

Sridhar: Thank you very much for participating. The digitized replay is available till November 17, 2002, and I already circulated the toll free numbers. Thanks again for participation.

Moderator: Ladies and Gentlemen this conference will be available for replay beginning at 02:45 p.m. NY time today running through midnight to evening of November 5, 2002. You may access the AT&T executive play back service by dialing one of the following two numbers. 1800-475-6701 and international participants may dial 320-365-3844. The access code for this call is 655741. Those numbers again: 1800-475-6701, and 320-365-3844. The access code is 655741. That does conclude our conference for today. Thank you for your participation and for using AT&T executive teleconference. You may now disconnect.