WIPRO
Q3 EARNINGS CALL
JANUARY 17, 2003

Moderator: Good morning ladies and gentleman. I am Pratibha the moderator for this conference. Welcome to Wipro's Third Quarter Earnings Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to hand over to the Wipro Management. Thank you and over to Wipro.

Lakshminarayana: Thank you Pratibha. Ladies and gentleman a very good morning to you in America and a good day to you in all other parts of the world. My name is Lakshmi Narayan and I am based in Bangalore. Along with Shankar in Bangalore and Sridhar based in Mountain View, we handle the investor interface for Wipro. We thank you for your interest in Wipro. It is a great pleasure and I welcome you to Wipro's Teleconference post hour results for the quarter ended December 31, 2002.

We have with us Mr. Azim Premji, Chairman and Managing Director, Mr. Suresh Senapaty, Chief Financial Officer, who will comment on the results of Wipro for the quarter ended December 31, 2002. They are joined by Mr. Vivek Paul, Vice Chairman, Mr. Suresh Vaswani, President Wipro Infotech, Mr. Vineet Agarwal, President Wipro Consumer Care and Lightings, Mr. Raman Roy, Managing Director, Wipro Spectramind, and members of company's senior management who will answer questions, which you may have. This conference call will be archived and a transcript will be available on our website www.wipro.com.

Before Mr. Premji starts his address, let me draw your attention that during the call we might make certain forward-looking statements within the meaning of Private Securities Litigation Reforms Act, 1995. These statements are based on the management's current expectations and are associated uncertainty and risks, which would cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with the Securities and Exchange Commission of the USA. Wipro does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of filing thereof. Ladies and gentleman, Mr. Azim Premji, Chairman and Mananging Director, Wipro.

Azim Premji: Good morning to you. I would like to start up by wishing all of you all a very happy and very successful New Year. A little late but nevertheless I mean it very sincerely.

Your Board of Directors in the meeting held this morning approved the accounts for the quarter ended December 2002. I will share a few highlights of the results before I request Suresh Senapaty, our Chief Financial Officer, to comment on the results.

Our revenues in Wipro Technologies recorded a sequential growth of 10%. Both volume and price realization grew sequentially. While technology business grew 4%, the enterprise business grew sequentially by 14%. Our year-on-year growth in revenues was 23%. Comparing revenue from services that is excluding the product billing for systems integration we did last year, year-on-year growth was 34%.

Operating margin for the quarter declined sequentially by 1% to 29%. The decline was due to the impact of increase in onsite revenue, decline in utilization rates due to gross recruitment of over 1500 people, and investment in selling and marketing activities partially offset by price increase. Proactive hedging negated the impact of the 1% rupee appreciation to less than 15 basis points.

Global technology sector continues to be under pressure. That in skill set and commitment to technology business positions us as a strong alley. During the quarter, revenue from R&D services grew 4 percentage points sequentially driven by primarily revenue from telecom equipment manufacturer. All the top five accounts in telecom equipment manufacturers grew sequentially.

Wipro Spectramind is on track to enhancing shareholder value. Revenue for the quarter was 11.6 million compared with our estimate of approximately 12.5 million due to price decline and customer specific volume decreases. Enhanced operational efficiency ensured profitability and cash flow targets were met. And equally strong prospect base backs the strong financial results. Our acquisition strategy focuses on both strategic acquisition and opportunistic plays. Wipro Spectramind and Global Energy Practice of AMS Inc. are strategic acquisitions, while the Ericssonson R&D center was optimistic. We have invested in a strong business development team and are confident that this investment will realize results.

We are investing in Wipro HealthScience our health care and life science business for the future. The results are taking a longer time than expected. We added two customers during the quarter taking the total number of customers to 10.

In Wipro Infotech, our India and Asia Pacific IT business, we grew our revenue for the quarter 19-percentage points year-on-year basis ahead of the market growth rate. Our profit before interest and taxes grew 9% after making investments for market development in Asia Pacific and consulting business. Wins like the five-year contract from AXA, Australia, VST Industries for IT outsourcing, and Shaw Wallace for IT consulting validate our investments. During the quarter, Wipro Infotech was assessed enterprise wide at PCMM level 5 version 2 for its robust people practices, making it one of the first products services and solutions company in the world to be assessed at this highest level.

I will now request Mr. Suresh Senapaty to comment on the results for the quarter before we take questions.

Suresh Senapaty: A very good morning to you ladies and gentleman. Mr. Premji shared the highlights of the results for the quarter ended December 2002. I'll touch upon a few aspects of accounting significant for the quarter.

During the quarter, we acquired the entire stake of Wipro Spectramind of Housing Development Finance Corporation Limited. With this acquisition, Wipro Spectramind becomes a wholly owned subsidiary of Wipro Limited effective January 01, 2003. We acquired 40% equity interest in Wipro Health Care IT Limited, erstwhile known as GE Medical Systems IT Limited based in Hyderabad. Wipro Health Care IT Limited now becomes a wholly owned subsidiary of Wipro Limited with effect from January 01, 2003. We also completed the acquisition of the Global Energy Practice of American Management Systems Inc. in December 2002. The financial results from this practice would be consolidated as part of our global IT business from the quarter ending March 2003. The difference between the consideration paid for acquiring these entities and the tangible net assets have been recorded as goodwill in the financial statements prepared under the Indian GAAP. In the financial statement prepared under the US GAAP based on a valuation report, the excess of the consideration paid over the net tangible assets have been segregated between intangible assets and goodwill. The amount quantified is in tangible assets is amortized over the period of benefit expected to be realized from these assets. For the quarter ended December 2002, an amount of Rs. 45 million has been amortized pertaining to Spectramind and Rs. 3 million pertaining to Wipro Health Care IT Limited.

Interest income for the quarter contained Rs. 54 million of interest income on receipt of assessment orders and refund from income tax department for earlier years. Excluding this, the interest income form investment is Rs. 170 million compared to Rs. 171 million in the previous quarter.

We have prepared accounts complying with the US GAAP. The net income for the year is Rs. 2.2 billion compared to the net income under Indian GAAP of Rs. 2.3 billion. The profits are lower in US GAAP by Rs. 125 million primarily due to complying with task accounting bulletin 101 on revenue recognition. We have deferred revenue recognition on product sale where installation is not complete compared to Indian GAAP where we have provided for the cost of installation. The impact of this is approximately Rs. 55 million. Amortization of intangible assets, Rs. 50 million, accounting for stock option amortization expenses, Rs. 10 million. Net income as per US GAAP therefore is 95% of profit computed under the Indian GAAP. With this we would like to take questions.

Moderator: Thank you very much Sir. We will now begin the Q&A interactive session. Participants who wish to ask questions please press *1 on your touchtone-enabled telephone keypad. On pressing *1, participants will get a chance to present their questions on a first in line basis. To ask a question, please press *1 now. First in line we have Mr. Chetan Shah from Quantum Securities.

Chetan Shah: Good noon Sir. You had given a guidance of 160 million dollar for Global IT Services, just wanted to know whether these AMS Inc revenue will be included in it?

Suresh: Yeah the guidance is approximately $162 million for the quarter ending March 2003, and it is expected to include revenue of AMS, the acquisition that we did, and so would be that of Ericsson which is you know in terms of consummation would happen, we expect it to happen by this month.

Chetan Shah: Okay. And regarding this Ericsson there are some $17 million over a calendar 2004, I mean the purchase price has to be paid over that period. If you can explain what exactly is that?

Suresh: Yeah. The acquisition has been in the following way. We have paid for the asset at the net WDV from them and the amount is not very significant compared to the additions that Wipro Technology has in the Capex. And so far as the people are concerned they would be hired and the revenue commitment is from now on to a period of over calendar 2003 as well as 2004.

Chetan Shah: And the assets will be reflected now in tangible as well as……

Suresh: Like I said this will be assets which we are acquiring. These are tangible assets. They are booked WDV, so all of it is tangible assets, will be reflected in the asset of Wipro Technology.

Chetan Shah: Regarding the Spectramind, when the first acquisition, I mean the first chunk of the equity was taken you had given a target around $45 million for the year, but now that seems to be revised considerably downwards. What could be the reason? Is it more because of the pricing or the December effect or what exactly it is?

Suresh: Yeah. As you know for this particular quarter ending December we have achieved $11.6 million of revenue, with an expansion in the operating margin, despite the fact that there were pricing pressures as a result of which we had a reduction in the realization and also reduction in the utilization because the volume growth has not matched or the recruitment has been ahead of the volume growth. But because of the seat utilization having gone up from 1.47 to 1.67, there has been a margin expansion that is taking place from a level of 21% to 25% and so far as the subsequent quarter is concerned we have given an approximate guidance of about $12 million that is primarily because there are tremendous price pressures and as you know we have about seven customers under transition, it takes about two to three quarters for them to ramp up in terms of sizable numbers. And we hope to catch up in the next two to three quarters.

Chetan Shah: Lastly, regarding this because now most of the companies like Spectramind as well as GEMS IT that has been become a wholly owned subsidiary, so the minority interest according to the US GAAP both on the balance sheet as well as income statement that has to go down…

Suresh: Exactly. Because both of them happened towards the end of the quarter, or beginning of this quarter, it continues to be shown as a minority interest as of December 31, 2002. But you could expect it to go away for the quarter March 2003.

Chetan Shah: Okay thank you Sir.

Suresh: Thank you.

Moderator: Thank you very much Sir. Next in line we have Mr. Sanjay Kumar from Prabhudas Leeladhar.

Sanjay Kumar: Yeah. Good morning. You have added 24 clients this quarter. Could you tell us whether these clients have come in at rate higher or lower than the average existing rates?

Vivek: Our average billing rates for new business is slightly higher than the average for existing business.

Sanjay Kumar: Okay. And would it be fair to state that billing rate pressure are over and we can look at rates stabilizing from these level onwards?

Vivek: I think we will continue to see pressure in terms of existing customers asking for more price discounts, but I think that all in all we are seeing pricing stability but not pricing upsides.

Sanjay Kumar: Okay and could you give us an overview of the R&D business, separately for OEM, TSPs, and embedded software, and how do you see this business areas going forward. And would it be fair to say that worst is behind for Wipro's R&D business?

Vivek: I think you have to really break it up by those three areas that you talked about. I think what we are seeing is some signs of revival on the telecom side, you know, this is sort of a third straight quarter we have actually seen sequential growth. Our first quarter was of course three quarters ago when we only saw volume but not revenue, last quarter is revenue, and this quarter a strong 13% sequential growth. I think what we are seeing is that telecom equipment manufactures are beginning to come to terms with the new world, are turning to make now investments in terms of their new product plans and were playing a bigger role in those new product plans. However, you know we are still nervous about calling big upsides on that forever. I think it is still a kind of a wait and see mode. I think as far as the embedded side of the business is concerned, we actually had a sequential decline this quarter and the reason for that is that a lot of customers appeared to be taking a wait and see attitude not necessarily in terms of their plans for India, but as much as, India has become moved from being a outsourcing tactical play to being a strategic play for many of the technology companies we serve, and they are all trying to work out their own India strategy and as a result we are seeing some sort of a hole. In addition, there are intellectual property business is being hurting in terms of not getting enough incremental sale. Our outlook for that I think continues to be mixed. If you look at the telecom service provider business, that is hurting. It is hurting because the telecom service businesses are primarily in the Asia Pacific in terms of new spending and in the US and European market our system integration business in the telecom service provider space is not going anywhere because there is no new assets going in. In terms of the India telecom internet service provider business may be Suresh Vaswani can give a quick update on how he is seeing that space.

Suresh Vaswani: Clearly the telecom space in India is going to be making very major investments in terms of infrastructure, in terms of software. We are as an organization very focused in the domestic market and also on the telecom market. We are already doing a lot of system integration work, infrastructure services work, and you know we hope to also capitalize on the skills that we have globally to be able to effectively address the India and Asia Pacific markets.

Vivek: So all in all I would say that you know what we have is muted expectation, and I think on the R&D services side and the growth continues to be led by our IT businesses.

Sanjay Kumar: Okay. You have recruited a very large number of people, probably the highest in any quarter, this quarter. Could you comment on the business pipeline relatively today as compared may be nine months or twelve months back?

Vivek: I mean you know we don't make any quantitative comments on the pipeline, but I think that the secular factors that are out there in terms of you know the growing acceptance of companies like Wipro in the global IT and R&D space are strong, and I think we continue to see growing customer interest, you know more customers willing to talk to us, more customers willing to look at larger deals, but I am sorry I can't give you any more details on that.

Sanjay Kumar: Thanks.

Moderator: Thank you very much Sir. Our next question comes from Mr. Sandeep Dhingra of JP Morgan.

Sandeep: Hi. Good morning. Congratulations to the management team. It seems like it has been a pretty good quarter. I have a few questions on your guidance for the next quarter. Clearly by what you said in the previous comment pricing seems to be stabled. Now you also hired a fair number of people in the last quarter. If you just do the simple maths and look at what goals we should finally impute for the year even if you assume utilization is flat and may be a little lower and flat pricing and the volume increase coming from the people you have added in the previous quarter, I get the sense that we should be talking about a much higher numbers than the 162 million, which includes contribution from Ericsson…..I mean is something wrong with the calculation or what is behind your assumptions on this?

Vivek: You know our biggest growth engine is our IT services business. Sudeep Banerjee can talk about that.

Sudip Banerjee: We have been seeing consistent growth over the last three quarters in volumes and we have also had a very strong growth in the quarter, which we have concluded. So because of that we have confidence and we are building the pipeline and we think that this pipeline can serve us for the quarters ahead. So that is the reason why we have had strong recruitment this quarter, but obviously we cant give any specific numbers in terms of what we are saying. I am surprised to say that you know there is strong interest in all parts of the enterprise business in utilities, in manufacturing, in retail, even in government, and we are seeing a large number of customers who are showing interest, large number of responses through RFPs, and hopefully, that will result in more business in the future quarters.

Vivek: And if I can just add to that. On the hiring side we hired 454 people from campus. So the result you know we are investing in some ways in that 90-day training cycle for them. In addition, in this quarter that is coming up we are also seeing an episodic thing, which is a ramp down in 186K where if you recall when we announced it we talked about a $70 million total project size. We have billed 46 million of that as the customer has sold that company to another customer or to another company, we have been asked to put everything on hold. That is not to say it can't be revived because presumably the new acquire are voided because they want to use those assets. But at least as of now for this quarter, this outlook assumed a zero billing at 186K.

Suresh: But, Sandeep just to supplement you have heard Sudip Banerjee and Vivek paul, but at the end of the day the guidance that we have given is a guidance which is fairly realistic, never to assume that is highly conservative or highly optimistic. All these eventualities are supposed to bear fruits over a period of time. For example, if you look at our margins in Q3 ending December we have increased our selling expenses by 1.3 percentage points of sales which is primarily because of additional business development guide deployment, business travel having being more, training on sales being more, and brand building exercise that we have done. We think all these investments are for future, which takes a few quarters to build it up and get the fruit out of it, and we continue to invest so our selling expenses are concerned even in future quarters.

Sandeep: Sorry to just labor on this a little more. I am just trying to look at it very holistically in the simple variables. Now you have added more than 10% to your work force. You have been saying that pricing has stabled and what Sudip is saying volumes are picking up. Now let us assume you don't bill 186K, but still if one strips out Ericsson and AMS then are we saying that we are probably going to see very little growth from the core business. That has to assume that either utilizations will fall quite a bit or some areas will not be billed at all as you said. So just I would reconcile these messages.

Vivek: No I think you know we can divide this up into all the different pieces. I think the guidance is what it is and I will repeat what Suresh Senapaty said which is to say it is you know we will try not to be too conservative or too aggressive.

Sandeep: Sure. Okay. Just one last thing on the Spectramind. You alluded to significant pricing pressures. How does one read that, I mean what is the kind of pressures we are talking about and where do you see this heading in the next couple of quarters?

Raman: See we are seeing two kinds of aspects. One is the aspect of price and the other is the aspect of the entire volume decrease. Pricing as customers come in and stabilize into India, get to know India. The time frame by which they start asking for a price decrease is substantially lower than what happened in the IT world. There it took about two to three years. We have seen that happen in 12 to 18 months here. The other aspect that is impacting us is a decrease in volume for our customers. The decrease in volume is primarily driven by two factors. One is the economic downturn impacting the sales of our customers and second is particularly in the arena where we give technical support to our customers. Their products have become more stable and the need for technical support seems to have gone down. As a result, there is lesser volume for them to give around. However, as the reaction to that what Wipro Spectramind has been able to do is increase our utilization. We also see a slight decrease in our SG&A expenses and we have been able to maintain our net margins. In fact, we have come across better than what we spoke about at the last call where we said we would be between 17 to 23% and what you see for this quarter is that we have got 25% margin.

Senapaty: Just to supplement when there is a reduction in the volume from the existing customer and some of the existing processes, Wipro Spectramind has been uniquely positioned to be able to make sure that the losses are at minimal as compared to our peers whether in India or in US.

Sandeep: Thank you so much.

Moderator: Thank you very much Sir. Next we have Mr. Anant Narayana from Morgan Stanley.

Anantha Narayana: Yeah good morning everyone and wish you all a very happy New Year as well. My first question was on the trends in operating margins in IT services. While I guess quarter-on-quarter fluctuations are bound to happen for some reason or the other. We have seen the trend coming off, the margins have come off about 7-8% from the peak levels a few quarters ago. So is this the trend that we should expect to continue going forward?

Senapaty: You know Anantha operating margins moves in line with the rupee fluctuation, price realization, revenue mix, and utilization. Investment in sales and marketing realized results in a 2-3 quarter lag that we said. We increased our sales team by 16 from 117 to 133 this quarter and we will continue to invest in sales and marketing. Revenues from acquisition, which we did, will also influence our business mix and margins like we talked about the American Management Systems where we acquired this part of the retail practice, now that is 100% onsite centric. So, it will be a function of what is the kind of acquisition that is happening and the speed at which we can bring them into offshore in terms of generating synergies and so on. So, today the stage is of a transforming stage in many ways and therefore we have to live with certain changes in there for the next few quarters.

Anantha Narayana: I do want to really go into it on a quarter-on-quarter basis, but say over the next may be four to eight quarters, would it be fair to assume that margins will tend to sort of graduate downwards?

Senapaty: See we cannot specifically comment upon what exactly will be the margin, but we can tell you what are the factors which influences them and because it is not possible to exactly measure how much of it would be impacted by the utilization, how much of it would be impacted by the onsite offshore mix, how much of the acquisition and so on. Quarter-to-quarter, thing would be different. And the point I was mentioning in terms of acquisition last time it is not retail, if I am corrected it is utility, the practice of AMS which we built up.

Anantha Narayana: Just my final question. Just taking up on the Spectramind issue once again. How many active clients or have any clients dropped from the active list in the past couple of quarters?

Raman: Wipro Spectramind has been very fortunate. We have not lost any client in the last few quarters or since our birth.

Anantha Narayana: Okay that is great. Thanks a lot and wish you all the best for the future.

Raman: Thank you very much.

Moderator: Thank you very much Sir. Our next question comes from Mr. Chellappa of Franklin Tempelton.

Chellappa: Yeah. Good afternoon. See regarding Spectramind could you tell us what is the breakup of voice and non-voice segments?

Vivek: 91% voice.

Chellappa: Okay and pricing pressures are there in both voice and non-voice or is it confined to only voice?

Raman: The pricing pressure are linked to specific tenure customers, which are in the voice arena.

Chellappa: Okay. See I want to know regarding that New Jersey legislation which prevents you know government work from being outsourced to India. Do you think that has got impact on IT enabled services coming to India.

Vivek: No. I think that legislation is being proposed. It is not passed. The chances are it is not going to pass

Senapaty: And our exposure at this point in time related to that part of the business in US is zero. Most of the government business today is in Europe.

Chellappa: Okay. Okay thanks a lot.

Moderator: Thank you very much Sir. Next in line we have Mr. Pramod Gupta from Enam Securities.

Pramod: Good morning to all of you. A couple of questions I had. One is, could you please explain the margin thing again. How much of the contribution has come from each of the different things?

Vivek: Before I ask Suresh who is going to answer that. Just a quick clarification. My team tells that the legislation New Jersey is pending governor's signature, but so it has not become law yet, but it has passed the house.

Suresh Senapaty: By looking at the operating margin for Wipro Technologies as of September quarter we had 30.1% and the walk in that is about 1.3% increase in selling expenses like we talked about additional bidding, business travel, training for the sales team, as well as brand building exercise. The second we have been able to reduce the rupee appreciation in fact to only –0.1% by making sure that we have continued with our hedging policy with respect to that though there is 1% appreciation of rupee, we have been to reduce the impact to a substantial level. Utilization has dropped by about 2% therefore that has a negative impact on the operating margin by 0.8%. Increase in product and mixed consultant revenue because we have wherever the skill sets that we did not have in-house we have been able to hire them and that has impacted in terms of an additional cost for about 0.2% of the operating margin. And all this has been offset with increase in realization of onsite price realization by 2.2-percentage point sequentially and therefore in operating margin terms it is 0.8+. Overall, the net impact is -1.6% and therefore the Q3 margin that we have reported under Indian GAAP is 28.5%.

Pramod: Now if we look at slightly longer term you know from quarter-on-quarter abrasions, business model is surely changing for the company and we are getting into higher onsite centric services. I mean what I want to basically get and feel is that do we actually expect the operating margin to stabilize here or will it be having a downward trend or will it continue the downward trend as it has been for the last one year because rupee is still appreciating and nobody has actually a clue that when it will settle and the same time your onsite centric business will go, and at the same time IT services market is actually not growing, and we are still talking of gaining market share which will again employ a huge expenditure or increased expenditure in the sales and marketing so what is the company's call on that?

Senapaty: You know like we said operating margin is a function of multiple factors. So first factor is to get rupee dollar change. As all of us know perhaps in the short term at least in the next few quarters, rupee would appreciate and therefore it will have a dilution impact. Price realization as we said we got 2.6% on the onsite front. On the offshore it was fairly flatish, we expect it to be flatish, and I we do not expect too much of offsite there. So hopefully we do not expect much change on that in the next few quarters. So where as the revenue mix is concerned like we have changed the revenue mix in terms of onsite offshore by 1 percentage point from quarter ending September to December. And there one cannot be extremely precise because it could move two to three percentage points here and there because when you are in acquisition of revenue part acquiring customers and businesses, in the short term it does make changes by two to three percentage points. So it is very difficult to be precise on that number and then the fourth factor we talked about the utilization. For example, generally, we have seen utilization increased still up to 30th September 2002, but in this quarter ending December we hired people, we had a volume growth also, but it was not in exact proportionate as a result of which we had an overall utilization decline by 2 percentage points. To which means the upside factors could be enhancing utilization, the upside factors could be getting into more business into offshore. The downslide in the short term would continue to be rupee. The downslide would continue to perhaps be in terms of further investment in the sales and marketing front because we want to enhance that engine much more than what it has been. There have been investment going on it for the last three quarters and will continue to do so in the future too.

Pramod: Okay. My last question is what are the considerations that you have paid for this Ericsson and what are the kind of agreement. If you can be slightly more specific on that.

Senapaty: Yeah. Last time when we announced about the transaction we talked about a $17 million of the committed revenue over 2003 and 2004 calendar year.

Pramod: Sir what is the kind of consideration that you have made?

Senapaty: Where by we acquire the assets relevant for deployment for the people that we are hiring from there and those are tangible assets and those assets have been acquired at net written down value. So we will not expect an intangible cost on that. We will not expect any goodwill sitting on that and the amount is not significant compared to the Capex addition Wipro Technology has on a quarter-to-quarter basis.

Pramod: Okay.

Suresh: As far as the hiring of the people are concerned that is a process which is going on and we hope to complete the process by the end of this month as a result of which the consummation will get completed and that means the committed revenue would flow perhaps from this month end to the end of the calendar 2004.

Pramod: These people are not yet included in the net hiring that you have reported this quarter. Is it?

Senapaty: December 2002, they have not come into the Wipro payroll.

Pramod: Okay. Thank you very much.

Moderator: Thank you very much Sir. Next in line we have Mr. Rahul Dhruv from SSB.

Rahul: Hi good afternoon. I was just going back to the questions that came on the guidance. Has the Lehman deal been included in the guidance that you have given for the next quarter?

Senapaty: Rahul as you know Lehman has been a customer and we got an approved vendor and therefore we are already working on various projects with Lehman and Lehman has become a part of the main stream, but it is part of the guidance that is right.

Rahul: You know I am still not like so many others not really very clear on why the guidance is the way it is. I mean I can understand that quarter-on-quarter once the base becomes higher to achieve that kind of growth is difficult, but then if I had or remove the AMS and Ericsson numbers and also add back 186K, then still I get 4.5% sequential growth in revenue which assuming is purely volume driven then we are talking of 1200 man months compared to 1750 this quarter and around 2500 last quarter. Are we seeing a deceleration in business?

Vivek: Its tough to answer that question except to say in totality that is what the guidance says, but I think that what we have done is put together what we think is realistic estimate.

Rahul: Okay fine. On Spectramind you mentioned earlier that there are seven clients, which are in transition right now. When would they really start ramping up? Again we have seen a very strong hiring over there and the guidance for the next quarter is flatish. So again could you explain a little bit in terms of when these seven clients will actually start billing?

Raman: The billing for these clients will start within this quarter. As I explained earlier we are seeing a lot of pressure on price and decrease in volume from our existing customers. So the increase that we are seeing from these customers is balancing some of those aspects. Also, as you are well aware as you initiate processes for new customers typically it is with 25-50 people and it is only over the next six to nine months that you grow back based on demonstrated success.

Rahul: Right. I mean again margins going up so much, utilizations coming down, pricing coming down. Again there is some amount of disconnect over here. So I just wanted to understand why is this happening and again as my earlier question mentioned that you have hired so many people and still you are guiding at a flatish kind of revenue for the next quarter.

Raman: As I explained the training for these people who will go into production for the customers that we have under transition and the processes that we have under transition it takes between three to six months for the people to be hired, trained, and got ready to a new process for them to go in, and therefore, there is a level of investment that has to be made for these people to generate the revenues as those processes go into production.

Senapaty: On the Wipro technology front we talked about you know this 186K where we had about 3 and odd million dollars in our revenue in December 2002. Very unlikely we will have any revenues from there in March 2003. And against that $70 million order we have already booked and realized $46 million. As you know, it has changed hands, so there is no certainty that we will be generating any revenue out of that. That is another factor that we need to account for.

Rahul: Sure Sir. I mean I actually did factor in those things but also factored in the AMS and Ericsson orders and it looks like the core business excluding these three would be actually growing at this 4%, so that was what I was actually mentioning. Anyway, just one last question. The equity in earnings affiliate, which is primarily Wipro-GE, the loss again has increased over there. Do we have any idea of whether when that company will go back to profit?

Senapaty: Well we would expect that to get into profits in the next two to three quarters.

Rahul. Sure. Thank you very much.

Senapaty: Thank you.

Moderator: Thank you very much Sir. Next we have Mr. Sujit Sehgal from UBS Warburg.

Sujit: Yeah. Hi. Good afternoon to you all. I think a lot of questions have already been asked. About the Spectramind issue I noticed that the new customer addition there on a gross basis is around 4 and on a net basis is around 1, and your active customers continues to be in the range of like what 7-8-9 right now. The question here is such ramp up stage of a young company to expect gross customer adds and net customer adds to be so different. Some being surprised to my mind, one would imagine that for a more matured company within your core IT services business. Why is that happening in Spectramind?

Raman: Sujit, I do not know as the aspect of the maturity of the company has anything to do with the time it takes to bring a spiking new process of a new customer into production. As I explained in an answer to the earlier question it take anywhere between three at times five to six months to bring a new customer up. There are aspects of technology, there are aspects of linkage to their systems, there are aspects of their processes, there are aspects of training the staff in their own facilities, they have tenured staff who have been doing this stuff for five to seven years. We have new hires who have to be trained up to a particular level before they can start fulfilling the needs of our customers, and the difference that you see between the number of customers in production and the new signing, is because those other customers are under transition. And our staff is undergoing training and we are putting in the technology.

Sujit: Your definition is different. I mean net customer adds are basically implying the one that are in transition is it?

Raman: The customer adds are the new customers with whom we have signed either MOUs, letters of intent, or contracts. The customers in production are the customers from whom we are generating revenue based on the production work that we are doing for them. If we sign a contract with the customer and we are not generating revenue because their processes are under transition, they are not shown as in production.

Sujit: Okay. Got you. I think that was not clear. Okay. My second question is actually to Vivek. This is regarding this is the onsite centric nature of recent growth that we are seeing. Combining that with the fact that from September onwards there is a likely decline in the H1b Visa limits, almost dropping from 195 to 65. What are you as a company doing about this, I mean, I am sure that there will be land lobbying from NASSCOM etc, but is that worrying you and do you expect cost impacts to come through because of this issue?

Vivek: Yeah, I think if you look at the on site centricity it has actually been you know growing up but not as large. It was 51% onsite as of March 2002, and as of December 2003, it is 53%. So over the entire nine months period it has only gone up two points, but having said that what we are doing is making sure that we have the ability to have many more employees on an L1 Visa, and I think that is helping us out. The second is that on the package implementation site we continue to also hire people locally, and I think that prevents us from having to have Visa problems, and finally you know as things stand today we are lobbying with the governments to make sure that the H1b caps are at the levels that we expect them to be. But at this moment in time we are not expecting any material impact on business with that combination of three things, which is:
A: It has not been a big impact.
B: We continue to be able to drive L1 Visas.
C. Many of the package implementation business, which is what we are doing onsite is actually being able to get supported by people hired outside.

Sujit: But then local hirers for PI are they not coming into a much higher salaries?

Vivek: Not that much actually. If you look at what the H1b requirements are legally in terms of how much you have to pay a person going abroad and since we do not play games with those numbers, you know it is not that different actually right now!

Sujit: Even for senior implementation consultants is it?

Vivek: Well you know, if you go and see the really senior level they do become much more, but right now no.

Sujit: Okay. Thanks.

Moderator: Thank you very much Sir. On next question comes from Ms. Mithali Gosh of DSP Merrill Lynch.

Shekar: Hi Sir. This is Shekar Singh. I just wanted to know whether you have any payables outstanding against the Lattice group and if they are how much is it?

Senapaty: As I said before we have against the $70 million we have billed, we have collected $46 million, and last quarter we had about 3 and odd million dollars, next quarter we do not anticipate any revenue from there.

Shekar: Okay. Secondly for some of this telecom equipment manufacturers where you are seeing the growth now after for the past two quarters. Is it new R&D projects that you are working one or is it that some of the products where these companies are no longer offering maintenance support those products have been transferred to Wipro or other such companies?

Vivek: I think it is little bit of, I won't not say new products per se, it is really increasing the amount of work we are doing in some of the existing products, penetrating newer divisions and newer product groups within the customer in terms of being able to get more work done off shore and a sustained maintained offering for older products, but we are not seeing any big spend on new products in these companies.

Shekar: And lastly there has been a sharp increase in revenue from the fixed price projects. So is it that this quarter there was large number of these fixed price projects coming to an end and therefore the revenue growth have been sharp, where as going forward in Q4, same thing might not be repeated and therefore we are expecting a slightly lower revenue growth in 2004, in Q4.

Vivek: The fixed price projects went up from 34 to 36%, so it wasn't the sharp spike?

Shekar: Okay. In terms of revenue growth that will be around 16 or 17% revenue growth quarter-on-quarter.

Vivek: We have been in the 30-35% range in the fixed price projects for a long time. No I do not think that has any big impact?

Shekar: Yeah. Thanks a lot.

Moderator: Thank you very much Sir. Next in line we have Mr. Supritam Basu.

Basu: Hi. Good afternoon. I have a couple of questions. Firstly, at the top line level you entered a systems integration business and the telecom service provider space with a lot of enthusiasm last year and you also got a fairly large contract from Lattice Group for on the back of your entry there. But what we have seen after that is that business has kind of tapered off for you and now if you have got Lattice group itself kind of falling by the roadside. So I mean, is that something that you are happy with and is that something that we can expect to see a change in?

Vivek: I think the TISP business you know in terms of, you know we have answered that question a little bit earlier in terms of how the market dynamic on that are and the fact that that business center of gravity appears to be moving away from Europe and North America, at least in terms of new investments and into Asia Pacific.

Suresh Vaswani: Let me cover the India and Asia Pacific part on the TISP space. You know roughly 15% of our revenues in the domestic market today actually come from the telecom sector across products and services and this is a big sector for us in the India and the Asia Pacific. We have made the necessary investments we are involved in most of the major you know contracts that are likely to get finalized in India and we have put in our bridge.

Basu: Sir I understand but essentially what I was looking at is when I was looking at the TSP space is that there are a lot of large application, reengineering if you will, and maintenance contracts that are out there at this point in time. We are seeing some traction on that with some of your peers. But, is it that you are really chasing only the SI type of assignments on the TSP space?

Vivek: I think that is correct that our primary focus was initially on the SI space. That has hit the wall. We are getting breakthroughs now on the normal legacy and maintenance kind of work, but it has been slow in the coming.

Suresh Vaswani: But you know, especially and so far as the large teleco are concerned, we are also looking at not only the SI space, but also the possibility of doing complete IT infrastructure management for them, and we have started doing that for some customers in India. So our offering into the telecom space is system integration. In fact, last year out of the three major deals that were finalized in the telecom space, Wipro actually had one too in terms of system integration. So our thrust is system integration, our thrust is software integration, as well as infrastructure management into the teleco space in the domestic and Asia Pacific markets. And you know increasingly there is a lot more activity happening, specially in India as you go forward in this space.

Basu: Right okay. My second question is really on the expenses side. Essentially if I look at your company as a whole and I look at your employee expenses that are part of your gross margins or gross cost, I find that your employee expenses actually went up fairly sharply during this particular quarter on a sequential basis, and if I kind of tie that in with the fact that your EBIT margins on IT services fell by something like 140 basis points. I mean does that mean that you had some very new expensive hires or are these bonuses I mean what is exactly happening on this line?

Senapaty: Yeah. So far as the gross margins is concerned, as you know two aspects we have talked about;
A: Utilization drop of about 2%.
B: There was an increase in the niche consultant fees that we have to pay, which is about 0.2% and rupee appreciation of about 0.1%. A combination of this did impact, though there is an offset of increase in realization by about 0.8%, so that is the net impact in terms of the margin.

Vivek: But to answer specifically, no, there are no big very expensive new hirers and no there were no bonuses paid.

Basu: Okay. I understand what you are saying but if I look at the actual numbers that is nearly 25% sequential rise in employee expenses which is I do not think is really fully answered by the new recruits that you have had per se.

Senapaty: Sorry. Can you repeat the question please?

Basu: See I mean I understand what you are saying in terms of the utilization rate drop and also the consultants being hired which has had a 0.2% hit on the gross margins, but if I actually look at the magnitude of the increase in salary expenses, it has gone from something like 125 crores to about 166 crores at the gross cost level. You know that is a huge jump.

Senapaty: Because there is an additional hire of about 1500 people apart from the increase in the strength in the business development on the sales side.

Basu: Right. Okay. All right. Thank you.

Suresh: Thank you.

Basu: Sir one additional question. This is Dipankar here. Could Raman please explain the increase in EBIDTA margins sequentially once again because you have had pricing pressure, you have had customer specific volume declines, but you have had shift utilization going up. So could you please tie these things in once again?

Raman: We have got a shift utilization that has gone from 1.47 to 1.66. We have also had a decrease in the general and administration expenses of about 5% and these two factors are the major contributors to our increase in margins.

Senapaty: He has not said any volume decrease. There has been a volume increase, but there is an utilization drop in terms of volume increase being lesser than the hiring that we did. So price realization lower and utilization lower, but shift utilization higher, and productivity improvement has been there and as a result of which this is a net impact.

Basu: Okay. Thank you very much.

Moderator: Thank you very much. Sir. On next question comes from Mr. Bhavutosh Vajpay of CLSA.

Vajpay: Hi. Just I have one question on your growth by vertical. Specifically if you look at the financial services vertical that has grown around 2.5% this quarter sequentially and the growth was again low last quarter at around 1%. So what specifically is Wipro strategy in this vertical given that most of your growth seems to be coming from utilities and manufacturing?

Vivek: We continue to want to push forward in this vertical, but I think that as things stand right now we have not got the results we would like to have seen.

Vajpay: Right. Secondly on the onsite rates going up. Is it because of higher package implementation work from the manufacturing clients? What is the reason? What kind of work is driving this onsite traction?

Vivek: Well we certainly had a very strong growth on the package implementation side and that has contributed to this. I was saying that the package implementation is one that helped us drive the pricing. In addition, what we have had is just a general kind of growth in some of our accounts where we got better pricing, but there has not been any substantial improvement in terms of either us driving price increase with the existing customers or a big increase in terms of new customers coming in at a higher prices as I said. Good news that they are coming in at higher prices, but not that much higher.

Vajpay: Right. Finally just wanted to understand for example taking case study of Delta Airlines. If a client in the BPO space has given an order to a vendor like Wipro Spectramind in India and another vendor in Philippines. How is the pitching of Indian BPO at this point in time versus Philippines, because as I understand on the cultural aspect Philippines is slightly ahead?

Raman: I think culture of the home market where the client operates there are aspects of understanding the processes and systems and technology. There is an aspect of interlinking the technology, the bandwidth and so on. At this point of time, between the customers, and we have at least four customers who operate out of Philippines and India. I think on balance it is comparable.

There are certain aspects in which we out of India perform a little better than their Philippines partners and there are some aspects in which Philippines performs better than us.

Vajpay: Right. Thank you.

Moderator: Thank very much Sir. On next question comes from Mr. Trideep Bhattacharya of UBS.

Trideep: My first question is about majority of your existing clients fall due for re-pricing in the January-March quarter. Looking into that how do you feel comfortable with your existing pricing? I know you have commented that the pricing you expect to be stable. Is there a fair conclusion to make that this pricing negotiation session will go off smoothly and one should not expect any disruptive incidence there?

Vivek: Well, you know our expectation is that it should go through smoothly but you know these are not easy times when it comes to pricing negotiations.

Trideep: I see. My second question is on Spectramind. I think all the call center services while there is a pricing pressure on the voice centric business. What are the steps the management are taking to move towards transaction processing where the billing rates if you think I mean could be little more like you know one can hold the pricing a little bit more than what it should have been earlier?

Raman: We are continuing our focus on generating BPO business of the customers that we signed in the last two quarters. Two of the customers are from non-voice work. They are both under the transition. There are seven customers that are under transition right now. We are also continuing to grow our focus on generating business from other geographies that will help better seat utilization and therefore better margin. At this point of time, Wipro Spectramind Services, customers from Australia, UK, Canada, and the US though majority of our business comes from the US.

Trideep: Okay. My next question is got to do with the domestic telecom services. Could you comment a little bit on how do you see the pricing and the margins going forward. I mean the SI integration business, I mean the Wipro Infotech part of it?

Suresh Vaswani: No. We see the domestic telecom services sector as a major area for us to focus on in terms of the IT investments they are making. We have a complete full services proposition in terms of being able to supply the IT infrastructure there, in terms of being able to system integrate the IT infrastructure, as well as take part in the BSS/OSS implementations. So the point is it is key focus area for us. We are already strong there and we are now also getting some of our global practices to address these sectors. So it is key growth initiative for us in future.

Trideep: But in terms of margins where you see the margins going forward in this part of the business?

Suresh Vaswani: I think the margins in this sector will broadly be in line with the sort of margins we are making in the services business and the solution business in the domestic market. So it is not going to be any different from a services solution perspective than any sector.

Trideep: Thanks a lot.

Moderator: Thank you very much Sir. Next we have Mr. Amit from Birla Sun life.

Amit: Yeah. Vivek, just taking a look at the way our SG&A have rolled in the last about five to six quarters. They tend to move up in ladder kind of a style. It is not a very consistent increase. Current quarter it moved up from 11% to 13%. Is this a conscious strategy on our part?

Vivek: I think if you look at SG&A expense, it has gone up primarily because of additional hire of sales engineers and I think that as a result it is conscious. In addition link to that is more business travel and training. So I think that we are seeing that as being a conscious investment. We hired 17 additional sales people this quarter.

Amit: Okay. But going forward, are we expecting this to maintain the same trajectory. I am essentially trying to look at it whether it would be a more consistent quarter-on-quarter rise let us take absolute numbers or are we looking at it in more in terms of a step wise increase may be every two or three quarters where we ramp up the sales force probably a four quarter ahead?

Senapaty: Yeah Amit, as has been stated by us before, we continue to invest in that. It is not possible to be precise as to how much more because like we said consistently we have been investing in the last two to three quarters and selling expenses because this takes two-three-four quarters to bear fruits and we will continue to invest.

Amit: Okay. Just let me take it the other way round. Would you say there were any one time significant expenses this quarter on SG&A.

Senapaty: Not of a significant nature.

Amit: Oaky. Secondly, if you could give us the effort mix for the current quarter that will help.

Laxminarayan: About 22% of our people at the end of the quarter were based overseas.

Amit: Okay. One final question. This was in terms of the Lattice deal. Does the guidance assume that there will not be any maintenance revenues accrued to the company on this?

Vivek: Yeah. For the 186K for this quarter we are saying there will be no maintenance revenue if it goes to zero. And that is why I said that you know we do not expect it be zero forever, but at least for the coming quarter until the client does figure out what they want to do with the assets they have purchased, we are at zero.

Amit: Okay. Thanks a lot.

Moderator: Thank you very much Sir. Our next question comes from Mr. Ajay Mathurani of EdelWise.

Ajay: Yeah. Good afternoon Sir. My question relates to Spectramind. Could you give me the total number of clients and you know broken up say into transition into ramp up into steady state or letter of intent clients?

Raman: Total number of customers broken up did you say Ajay?

Ajay: Yeah.

Raman: We have nine customers in production right now and we have seven customers who are in transition and these seven include the four that we signed up this quarter and we had said we signed on four customers in last quarter.

Ajay: Right. And production. How many of these would be you know ramping up or how many of these in the steady state where you know volume is either constant or declining?

Raman: In terms of ramp ups, see most of the ramp ups if we take the number of processes, the ramp up happens by process and not by customer. At this point of time, we have 31 different processes and in terms of the processes that are being transitioned, most of the growth that we see coming would be from the processes that are in transition.

Senapaty: Even with the existing customers when you talk about reduction in volume you are working on let us say 3, 4, or 5 processes, if there is a decline in one particular thing you could always redeploy into some new processes with the same clients, same customer to go back to the ramp up stage. So it is difficult to say that whether which customers are declining and which customers are going up because within the customers you can say some processes are going down but something else is going to go up.

Ajay: Okay. In terms of the pricing pressure that you spoke about. Is this customer specific in the sense one particular customer declining prices or are we seeing it all pervasive?

Raman: No these are customer specific.

Ajit: Customer specific. So it is one customer specific which has declined prices where we see?

Raman: It is customer specific. One or two or five, but you know it is a matter of a customer, it is a matter of a tenure process of a customer.

Ajit: Right. Okay to put it the other way would it be fair to say that the new client addition that has happened have happened at existing rates or lower rates?

Raman: On the average rate that we have given in the attachments we are seeing new client additions at that average rate or better.

Ajit: Right. Okay. Moving on to the IT services part where we said for embedded systems clients we are seeing them you know formulating their India strategy. By this do you mean that they are evaluating to go in with a third party provider or setting up own centers are we seeing a trend towards that?

Vivek: I think the question really is yeah between the third party provider and their own centers. So we are seeing that decision making kind of still pending.

Ajit: Right. But are we seeing an incremental shift towards own centers from third party centers or it is you know it has remained pending from the previous quarter to even now. Or are we seeing a shift in?

Vivek: No I think what you are saying is that we are seeing many more people actually question what they should be doing. But if you look at the data, the data does indicate a pretty rapid rise in terms of the number of people employed by the company owned centers.

Ajit: Okay. Fair enough. Thank you.

Moderator: Thank you very much Sir. Next we have Mr. Sandeep Shah from Tower Capital and Securities.

Sandeep: Yeah. If we look at your gross margins can you explain the decline in the gross margin for the global IT revenues as mainly on account of the increase in the onsite revenue or it is on account of the increase in the salary gross?

Balki: Primarily it is driven by like what you have point out because of the increase in on site mix and rupee appreciation. So utilization drop has been neutralized by the price increase.

Sandeep: Okay. If you look at the ramp up which has happened in the last three quarters, can you just give us the outlook on the utilization rates going forward?

Senapaty: We do not specifically articulate what exactly it will be or India will always be to penetrate because we have expressed there in terms of what best we have achieved in the past, but always in a short term it is difficult to be completely precise because it is a function of skill set mismatch, onsite off shore, and combination of varieties of factors but what phase is that we are not at our optimum level but there is a space for us to go up.

Sandeep: Okay. Thank you.

Moderator: Thank you very much Sir. Next in line we have Mr. Girish Pai from SSKI Securities.

Pai: Yeah. Hi. Just a question on the closure of large RFPs and strategic outsourcing contracts. Do you see this thing getting speeded up in the March quarter or do you think the closure will get pushed back into the June and probably September quarters?

Vivek: Richard Garnick who runs the US operation will talk about that.

Garnick: Yes. Good day. We see activity out there continue to increase. However the speculation of when these projects will close is too premature to project at this time.

Pai: Okay. Question on utilization, I would have assumed that you would push up the utilization level to something like 78-79% before you start recruiting as aggressively as you have in this current quarter. You know just like to understand what is your strategy vis-à-vis utilization?

Vivek: I think that what we wanted to do was make sure that we do not step back on our commitment to campus hiring and so we wanted to go ahead with the campus recruitments as well as position ourselves to the extent that there should be volume growth that were there. I think that at this moment in time we are not shooting for 78-79% utilization. Surely that something that we could look at, but not at this time.

Pai: Okay. This is regarding pricing pressure in IT enable services, is it coming from competition or is it coming from customers who want to set up captive centers and therefore you know they are asking for much lower prices than they used to give in the past. Is it coming from the competitive pressure or is it from you know customers pushing for it.

Raman: Actually it is a mix of both but from primarily led by the competitive pressure where people are willing to buy the top line.

Pai: Okay. Just on pricing in IT services we have seen down turn a few quarters back and stabilization, now I wanted to know whether you are more or less confident about the stability of pricing going forward than you were say three months back, do you think the stability will remain there or do you see another down leg from here for pricing.

Vivek: I think a lot depends on how this economy shapes up. I think that the reason why we have seen some stabilization is because all the benches cleared in the big guys you know for the big companies and customers who are buying more from bigger companies. I think the next threat would come from existing customers you know pushing pricing downward again and there we have to do what we can in terms of either being able to offer higher services for build stronger relationships. So it is not something that we feel complacent at all about. Because this bear could come back again.

Pai: Just one last question. In the past you have talked about lack of credibility of the offshoring propositions of big 5 players especially regarding the offshoring deals that were coming to India. Where do you think the big 5 are placed right now, do you think the credibility has improved say vis-à-vis three months back or six months back. How often do you come across these guys and what is the win rate like, do you think these guys are winning more deals against you or your other India peers. That is my last question.

Garnick: When you speak about the big 5, I think there is a major decline in the market place for them to execute, build up the processes, the methodologies, the structure, that Wipro and companies like Wipro have created here in India. I believe that they are building and they are marketing these services, but we do not see the execution of that in the market place and I believe it is going to be sometime till they have the ability to compete with Wipro in particular.

Pai: But do you think their option, there the proposition has become more credible now than say six months back or?

Garnick: Not over six months period.

Pai: Okay. Thank you very much.

Senapaty: Can we have the last two questions please.

Moderator: Sure Sir. Our next question comes from Mr. Sameer Goel of Anand Rathi Securities.

Goel: My question has been answered.

Moderator: Thank you very much Sir.

Senapaty: Can we have the last one?

Moderator: Yes Sir. Next question comes from Mr. Manoj Singla of JP Morgan.

Manoj: Good afternoon Sir. Thanks for the last question. My first question is to Vivek and I was just to wanting to ask that new year being started you must have gone back to your customers and asked for budgeting cycles as to what are their thought processes and what are they are thinking. So what do we think as to what will be momentum going forward in general and in particular for offshore and for us.

Garnick: Yes. Again this is Rich Garnick, will take this question as I have seen much of the market place. There is still a compelling need in the IT services site, we see it is continue to strength, however on the engineering side about business, there is some challenges but overall we see a generally slack trend from our former clients; however, we still have an objective to increase our penetration in the overall IT services market and then start to increase our penetration over time. But the overall market is seeing some challenges offshoring as we go forward.

Vivek: The total market is expected to decline say roughly about 2% on the total IT spend, but the percentage going offshore is suppose to increase.

Manoj: Sure. My next question is again on the guidance part. I think a lot has been asked on the call regarding that. I was just trying to understand now we know that AMS and Ericsson are going to be consolidated from next quarter what is your expectation on the revenue side as to how much roughly would we get from those two entities to combine if you can share that.

Senapaty: No we have not shared that but as you know we have talked about it the total commitment side we have got from Ericsson on this deal and the period, we have talked about the total run rate that the AMS had, but they are generally not uniform across the year and a quarter to quarter basis, so therefore we are saying that since it will be reported in a combined basis under Wipro Technology we have not given any separate split for that.

Manoj: Sure and my last question is to just relates the SG&A cost which was also talked about in detail sometime in the call. You said your SG&A cost have increased this quarter and they are roughly around 13% of sales. Now if you compare with the other global IT services companies you are still much much lower, for example, Accenture has an SG&A of around 30% of sales. So do we see these going up still further from here and may be 4-5%, so what are your expectation on that over a longer time horizon.

Vivek: I would say that it is probably going to go up but may be not as much as 5% and I would say that it is not going to go up in big steps, I think we are probably going to continue to make investments in brand, continue to make investments in customer relationship programs. But I think that is more of a longer term trend I would say.

Manoj: Sure. Thanks a lot.

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

Laxminarayan: Thank you ladies and gentlemen for participating in this call. Should you have missed anything during the call, the audio achieve will be put up of this call on our website and we would also be putting up a transcript of this call very soon on our investor relation section of the website, and of course should you need any clarification, we will be very delighted to talk to you. We look forward to talking to you again next quarter. Have a nice day and thank you very much.

Moderator: Ladies and gentleman thank you for choosing CyberBazaar's conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.