WIPRO LIMITED

Investors/Analysts Conference Call for the quarter ended June 30, 2008

5:45 PM Indian Standard Time, July 18, 2008

Participants - Wipro Management

- Azim Premji, Chairman
- Suresh Senapaty, CFO and Member of the Board
- Girish Paranjpe, Joint CEO, IT Business and Member of the Board
- Suresh Vaswani, Joint CEO, IT Business and Member of the Board
- Pratik Kumar, Executive Vice President - Human Resources
- Sudip Nandy, President Technology Media & Telecom (TMT) SBU
- Sambuddha Deb, Chief Global Delivery Officer
- Rajendra Shreemal, Vice-President – Investor Relations
- Sridhar Ramasubbu, Head IR- Americas & Europe

Moderator: Good morning. My name is Stephanie, and I will be the conference operator today. At this time, I would like to welcome everyone to the Wipro first quarter earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remark, there will be a question and answer session. If you would like to ask a question during this time, simply press star and the number one on the telephone keypad If you would like to withdraw your question, you may press the pound key. Thank you. At this time, I would like to turn the call over to your chairperson Mr. Sridhar Ramasubbu. Sir, you may begin the call.

Sridhar Ramasubbu: Thanks Stephanie. Good morning ladies and gentlemen, and good evening to the participants across the globe. Rajendra, Lalith, Aravind join me from Bangalore and extending a very warm welcome to all the participants to Wipro's first quarter results and earnings call for the period ended June 30, 2008. Joining us today are Mr. Azim Premji, Chairman Mr. Suresh Senapaty, CFO, who will comment on the US GAAP results for the period ended June 30, 2008. They are joined by Girish, Suresh Vaswani, and other senior members of the Wipro management team who will be happy to answer your questions. During the call, they might make certain forward-looking statements within the meaning of the Private Securities Litigation Reforms Act of 1995. These statements are based on management's current expectations and are associated with uncertainty and risks which could cause the actual results to defer materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with the Securities and 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. This call is scheduled for one hour. The presentation of the first 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 would be made available after the call at our website. I am available on email and through mobile as well to take any questions and table it to the Wipro team in case you are unable to ask questions for any technical reasons. Ladies and gentlemen, over to Mr. Azim Premji.

Azim Premji: Good morning to all of you all. I am sure you would have seen our results posted on our website. I would like to spend sometime reflecting on our performance for the quarter. Following this, Suresh Senapaty, our CFO, will share financial highlights and the management team will be happy to take questions.

Let me start by sharing some of my thoughts on the environment. With the oil prices spiraling out of control, we continue to see a lot of uncertainty. Our focus is to retain close proximity with the customers and partner with them in their business priorities. With the completion of our revised organization structure, we are in an excellent position to deliver better value to customers.

Moving on to results, given the headwinds of macroeconomic uncertainty, our results for quarter one 2008-2009 have been satisfying. Wipro Limited recorded a revenue growth of 43% year-on-year and net profit grew 15% year-on-year on a GAAP basis, and on a non-GAAP basis, adjusted net income grew 25% year-on-year. In our IT business, services revenue for the quarter was 1067 million USD with a year-on-year growth of 37% as against the guidance of 1060 million dollars. In rupee terms, the growth rate of our IT services business was 40% year-on-year. Growth continues to be driven by differentiated service lines. TIS, testing, and BPO grew upwards of 40% year-on-year. Our financial services business continues to show resilience in the face of strong headwinds with another quarter of 47% year-on-year growth. We have also grown well in the retail vertical. Our early investments in India and the Middle East emerging markets continue to pay rich dividends with another quarter of 50% plus growth year-on-year. We have won a few multiyear, multimillion dollar deals in India and the Middle East markets, and the deal pipeline is encouraging. We are seeing our investments in global programs, leadership in infrastructure services, and enhanced sales foot-prints starting to pay dividends in terms of large deal wins. We announced seven multiyear, multimillion dollar deals in services business during the quarter, and the pipeline looks healthy. Our ability to provide end-to-end solutions on the infrastructure services and our enhanced global foot-print helped us win a large deal with a worldwide leader in the manufacture of high quality audio and electronic products for management of infrastructure across Americas, Europe, and Asia Pacific.

Our products business grew to 53% year-on-year driven by systems integration wins and our leadership in IT business in India and Middle East markets. Our strong presence in products in addition to services in these geographies gives us a unique leadership on end-to-end systems integration and total outsourcing opportunities and deals.

Wipro Consumer Care and Lighting business continues to see good momentum with industry leading growth rates.

Our domestic business continued its robust revenue growth at 32% year-on-year, tenth consecutive quarter of 25% plus growth. Unza continues to grow well in all the countries we operate in.

Going beyond business, we recently launched Eco Eye, a corporation wide initiative on ecological sustainability. It is a comprehensive program that drives increasing ecological sustainability in all our operations and also areas of our influence. The initiative attempts to engage with increasing levels of intensity with all our stakeholders, Wipro's own employees, partners, suppliers, customers, and immediate communities. We work on the dimensions of carbon neutrality, water balance, waste management, and biodiversity.

I will now require Suresh Senapaty, our CFO, to comment on financial results before we take questions.

Suresh Senapaty: A very good morning to all of you in the United States and good evening to those of you in Asia. I will touch upon areas in our performance and financials that I believe would be of interest to you all. Let me commence by highlighting the facts that for the convenience of the readers, our US GAAP financial statements had been translated into dollars at the Noon Buying Rates in the New York City on June 30, 2008, for cable transfers in Indian rupees as certified by the Federal Reserve Bank of New York which was 42.93 rupees to a dollar.

The revenues of our IT Services segment, was 1067.5 million dollars which is in rupee terms 43.9 billion, which in our earnings release appears as 1023 million dollars based on the convenient calculation. Our IT Services revenue for the quarter was 1067 million USD against a guidance of 1060 million USD, a sequential growth of 3.5%. As communicated during our last earnings call, we have revised the reporting segments post the re-organization of our IT business. We will now report services margin at an overall level as we believe that post our re-organization, there is integration of our BPO and Infocrossing business with our IT services business, and it will make more sense to view them as one rather than separate businesses. Considering that we are in a transitory phase in reporting, we believe it would help analysts if we give an apple-to-apple numbers for quarter one so as to compare with quarter four.

Our global IT business, stood at 996 million dollars in quarter one as against 960 million dollars for quarter four, a sequential growth of 3.7%. Similarly on the margin front, our global IT margin was 20.1% for quarter one versus 20.2% for quarter four of last year under US GAAP. The margin for combined IT services was 20.1% in quarter one, a drop of 20 basis points. On the margin front for global IT business, the margin was 21.1% for quarter one as against 21% for quarter four, a 10 basis points expansion, but on a total IT services business, it is 20.1% in quarter one versus 20.2% in quarter four. The sequential growth is driven by strong performance of financial services and retail, both growing 5.5% and 7.8% sequentially. Our differentiated services lines of testing grew 6.4% sequentially. The US and Japan geographies grew above company average sequentially.

Infocrossing business continues to get well integrated and has a healthy pipeline of contracts. We closed contracts with TCV valued at 42 million dollars during the last quarter.

During the quarter, we added 31 new customers, 4 of which were Fortune 1000 and Global 500 customers. The number of clients more than 50 million on a trailing 12-month basis has increased to 14 in quarter one from 9 in quarter one of last year.

In the current quarter, our realization improved by 3.9% for onsite and 3% for offshore sequentially. On a year-on-year basis, rates for onsite and offshore improved by 5.4% and 4.6% respectively. The improvement in rate was mainly due to improved realization in fixed-price projects and a few of our nonlinear initiatives. During the quarter, we were able to maintain our margins in spite of RSU grants, etc., to improve realization and utilization.

On the foreign exchange front, our realized rate for the quarter was 41.16 versus a rate of 39.87 realized for the quarter ended March 31, 2008. Our cost rates for foreign currency cost also went up during the quarter. On a quarter-on-quarter basis, foreign exchange gave a positive impact to margins of 0.1%. As at period-end after assigning to the assets on the balance sheet, we have about 2.6 billion dollar of contract at rates between 39.5 to 45 rupees a dollar.

We raised an external commercial borrowing of 350 million dollar in March 2008. This is in effect hedge for our overseas investments. The translation loss of 660 million rupees has been recognized in translation reserves in our balance sheet, which offsets the gain on translating our overseas investment, although in US GAAP, the translation losses of external commercial borrowings are recognized in our P&L. Similarly, there is a fringe benefit tax of 46 million rupees on ESOPs recognized in our P&L account. This will be reimbursed from employees, which show up in equity rather than as a P&L expense credit.

We believe that in the shorter term accounting principle sometimes do not completely reflect our effective economic results. We will, effective this quarter, provide additional information in the form of an adjusted non-GAAP net income statement excluding currency translation impact of swaps and India fringe benefit tax on ESOPs. We believe this will help our stakeholders to see our underlying business results even clearer. For arriving at an adjusted non-GAAP net income for the quarter, we have excluded the translation loss of external commercial borrowing and the above stated fringe benefit tax on ESOPs. Of course, we also continue to publish results as per GAAP, and we will also provide a detailed reconciliation between GAAP net income, and adjusted non-GAAP net income.

For the quarter ended September 2008, we expect volume-led growth with stable pricing. We will have the impact of salary increases of our offshore employees in the current quarter. We will now be glad to take questions from here.

Sridhar Ramasubbu: Yes, we can go ahead with the Q&A.

Moderator: At this time, if you have any questions, please press star and the number one on the telephone keypad. Your first question is Joseph Foresi from Janney Montgomery. Your line is open.

Joseph Foresi: Has there been any change in the tone of what you are seeing in the environment over the last couple of weeks and may be you could talk about any particular client-specific issues both in your IT Services or Consumer Products area that you might be seeing some weakness?

Girish Paranjpe: Hi, this is Girish Paranjpe here. There is no specific change of tone whereby we are seeing a change of direction or change of desire for clients to do work with us or the type of work they would like to do with us. However, having said that, there is no doubt that some of our clients who are in the financial services space and in retail space have witnessed a significant amount of turmoil and that has been the reason for caution for us.

Joseph Foresi: So, I guess and help us to reconcile, there has been no change in tone then why what seems to be conservative guidance for the next quarter?

Girish Paranjpe: The conservative guidance for the next quarter is a function of what we see based on the current deals that have been closed and what we see as potential billing for the next quarter.

Joseph Foresi: Okay and then just on the head count side, I think there were some tractions on some of the IT services business. I was wondering if you could tell us what you kind of feel or what the reason for that was and what are you doing with your campus offers at this point in time?

Girish Paranjpe: So, on campus offer, we typically make campus offers a year in advance and we made the campus offers for people to join this year a year ago, and we have a schedule by which people will join this year and that is in progress. Apart from that, we continue to hire from the market both experienced people as well as we run a special program for science graduates which is outside of the campus hires. So, our talent pool is really a combination of these three streams. So, that is what kind of makes up our talent pool. In terms of the negative add that we have had this quarter, it is a function of two things. One is that we had a particularly lumpy joining at the end of last quarter and also that we think that we will be able to drive utilization and productivity strongly, which is why there is this kind of aberration in our headcount.

Joseph Foresi: So, just to clarify, there has not been any change and you have not delayed the taking out of the campus offers that were made last year?

Girish Paranjpe: Could you repeat that, your voice……

Joseph Foresi: Yes, yes. I was wondering if there is any change in the program as far as the campus offers that you had put out last year. Are you still taking them out, are they in place, is it the same amount of people?

Girish Paranjpe: Yeah, so we have not made any changes so far. There is a schedule that we have for people joining, and the people are joining as per that schedule.

Joseph Foresi: Okay and any thoughts on the trajectory of growth, just a request, for the last year. Any thoughts on that trajectory of growth this year? Do you expect September to be lower than the back half of the year and thank you.

Suresh Vaswani: If your question was what do you see the outlook for the next half, was that your question?

Joseph Foresi: Yeah, that was it, yes.

Suresh Vaswani: Well, we certainly see a better outlook for the second half of the year based on the pipeline that we have and on the deals that we have won in quarter one. So, we did speak about earlier in the day about winning close to half a billion dollar worth of deals in terms of total contract value and those deals in terms of revenue would kick in, in two or three quarters from now. So, net-net, we certainly see a better outlook for the second half of the year based on our current deal pipeline and based on the sort of work that we are doing with customers in terms of building the deal pipeline.

Joseph Foresi: Okay, thank you.

Suresh Vaswani: Thank you.

Moderator: Your next question comes from Mark from Piper Jaffray. Your line is open sir.

Mark: Hi, good evening. Just a couple of questions. First, with regards to BFSI, it clearly is lot much better than your peers this quarter, and your pipeline looks like here for the next 6 to 12 months and what your existing BFSI clients are communicating to you in terms of further commitments over the next 6 to 12 months or, you know, potential delays?

Girish Paranjpe: Hi, this is Girish. So, as you would have seen our sequential growth in BFSI was fairly encouraging and probably better than what some of the peers had been. As of now, what we see is business as usual from clients and it continues fairly uninterrupted. There is clearly caution in terms of kicking off new programs, and there is some amount of extension of timelines for negotiating larger kind of duration in programs. So, those are the two signs that we have as of now from clients in the financial services segment.

Mark: Okay, and then just one another question. In terms of your top 10 clients, could you just remind us again where your concentrations are there in terms of just an industry focus and secondly sort of the same question I guess what they have been communicating to you in terms of commitments over the next 6 to 12 months and what kind of visibility you really have on, you know, that backlog?

Suresh Senapaty: Well, if you look at our top 10 clients, they are in multiple kinds of verticals. They are in technology, they are energy and utilities, they are financial services. So, fairly across board kind of a thing. So, actually so far as quarter one was concerned, we did well so far as the number one or top 5 or top 10 were concerned, and our objective is to continue to make sure that we harness those accounts and increase our market share of wallet by investing more and more into those accounts, and because we have multiple realization of services, we continue to add more and more of their service offerings to the kitty so far as the customers are concerned.

Mark: Could you just provide may be a little bit more granularity in terms of, you know, what your visibility is on, you know, just specifically those top 10 clients over the next 6 to 12 months. It is obviously a difficult time here to get a visibility, but if you can just put some colors on that?

Suresh Vaswani: This is Suresh Vaswani here. If your question is to do with visibility in so far as the top 10 clients are concerned going forward, you know, we have shown a sequential growth in terms of revenues from top 10 clients and we do believe that we can continue with that trend given the fact that we have a strong program addressing our top customers and given the fact that we are also working on, you know, putting together proactive opportunities in context of large Mega/GAMMA accounts. So, a quick answer to this is we see the top 10 accounts or the top accounts of Wipro fairly leading the growth.

Girish Paranjpe: And also just to clarify, the top account is just about 2.7% of our revenue. So, we are not having any one particular customer where there is a very high level of over dependence.

Mark: Right, that was very helpful. Thank you.

Moderator: Your next question is from Trip Chowdhry from Global Equity. Your line is open sir.

Trip Chowdhry: I was just wondering since the market conditions are not so good, probably the acquisitions that you were looking last year could be this year pretty much on sale. Have you thought about acquiring some companies because our research is showing like some of the companies who were trying to be shopped around, today they a willing to be sold at least 60% lesser value than last year. Have you thought about may be taking this slowdown as an advantage and going shopping at probably much better prices because now the ball is in your court versus other person's court. Thank you.

Suresh Senapaty: Yeah, Trip I think, our strategy has been to be able to you know string our pearls and that has to be first, the setup has to be that there has to be a strategic need for this. There has to be a fulfillment like we said, whether it is a skill set, whether it is a geography, there has to be a strategic need, and then follows the financial aspects of it and multiple other stuffs. So, just because financially it becomes more viable or economical and it does not make a strategic shift, we would not want to, you know, jump the gun there. It has to be meeting our three filters which we talked about strategic, cultural as well as financial. So, just because the market is good in terms from an acquisition perspective, we would not like to jump in.

Moderator: The next question is from Arvind Ramani from Bank of America Securities. Your line is open.

Arvind: Can you provide us some color on the existing deal pipeline for IFOX related contracts as well as you margins for that business?

Suresh Vaswani:This is Suresh Vaswani here. IFOX has won last quarter roughly 42 million dollars worth of contracts in terms of ECB. Clearly for IFOX related services. So, we have good momentum in terms of sales buildup in IFOX. We see a good healthy pipeline building up for IFOX, and we also see a strong pipeline building up for integrated deals between Wipro's Infrastructure Services and IFOX. So, all in all, we are fairly excited by the opportunity. Our Infrastructure Services business along with the IFOX acquisition.

Arvind: Can you comment on the margins?

Suresh Vaswani:We have integrated the IFOX business into Wipro's Infrastructure Services business. So, we are no longer talking about specific margins in context of IFOX because lot of things are really integrated, but to just give you a broad perspective, the IFOX business is very strongly driven by the revenue buildup. So, certainly, going forward, we see the Infrastructure Services business and IFOX businesses merging in terms of operating margin over the next few quarters, merging or being very similar in terms of margins over the next few quarters.

Arvind: Great. You have booked a forex loss pertaining to an external commercial borrowing to the tune of 660 million rupees under the US GAAP. Can you just provide some color on this?

Suresh Senapaty: You know, like we do investments in foreign currency, whenever rupee depreciates or appreciates, we tend to account for the difference between the rate at which we purchased versus the spot rate, and carry them in the books and the balance sheet as a translation capital reserve. Just to make sure that we do not lose out on that, we have taken external commercial borrowing of about 350 million dollars against that investment, and on that investment, it just works on a counter which means on the capital account you lose, on the borrowing you gain and the vice versa. So, from an economic standpoint, it is exactly a hedge, but under the US GAAP, because the currencies are different in terms of the borrowing and investment, it is not qualified to be hedge accounting while on the international accounting standard and Indian account standard, it does qualify, so consequently this 660 million rupees which is the exchange difference on the 1st of April to 30th of June of 660 million rupees has been taken as a hit for rupee under accounts, and to make sure that we have a proper understanding of the business operation, the two items which we have tried to give an adjustment to, to give an non-GAAP number, which is one is this 660 million rupees, and the other one is the fringe benefit tax on ESOPs because after the ESOPs were granted, there is a law in India which started taxing the fringe benefit tax including on the existing grant, and consequently we have decided to recover those fringe benefit tax to get from the employees, which in the economic point of view what the company pays versus what the company recovers go as loss. Yes, from a US-GAAP perspective, the recovery from the employee is treated into the capital accounts, and the pay made out of the company is treated as charge to the P&L. So, these are the two items where we are capturing that separately and giving an adjusted GAAP number, so if you read our financial resource more appropriately.

Arvind: That was very helpful. Also wanted to find out what is your outlook on pricing?

Suresh Vaswani:This is Suresh Vaswani here. I think our outlook for pricing is, pricing will continue to be stable. We have seen better price realizations this quarter, and that was thanks to some of the price pickups we had been able to negotiate with our customers over the last couple of quarters, and of course, we were able to drive productivity, a lot more in some of our fixed-price contracts, which is the reason why you are seeing the price realization being up in quarter one, but going forward, we see a steady sort of environment in terms of pricing. We do believe that new contracts will come in at higher pricing than our existing contracts.

Arvind: How is the new joint-CEO structure working out and how does Mr. Premji's role kind of changed or get enhanced through this?

Suresh Vaswani:You know, I am going to first talk about how is our joint-CEO structure working, and then of course Mr. Premji will speak. I think it is working wonderfully. We have had a great first 3 months. Results are in line with what we expected to deliver to the market. We are teaming up together strongly, and we clearly believe in the power of two CEOs to deliver stronger strategic thrust to our business as well as stronger operational thrust to our business, so I think it is working wonderfully well.

Azim Premji: So far as I am concerned, this is Azim Premji speaking, I see my role is going back to being a chairman of Wipro Limited versus being the Chief Executive Officer running Wipro Technologies and Wipro Infotech, so I am very comfortable in terms of the job which I have got settled back into.

Arvind: Great, just one last question. How is your sales being organized, I mean, are you guys having someone new or how is really sales being organized?

Girish Paranjpe: Girish here. Sales is organized by geographies and sales people are aligned to industry verticals and practices. We have Geo Heads for North America, for Europe, for Japan and China, as well as for Asia-Pac. India and Middle East of course is kind of run separately, and all the Geo Heads actually report to me and Suresh. We also have people in the territory, the sales people also report to the respective verticals and to service lines.

Arvind: Yeah, thank you.

Girish Paranjpe: Welcome.

Moderator: The next question is from Kanchana Vydianathan from Pacific Crest Securities. Your line is open.

Kanchana Vydianathan: Hi, thank you. My first question is, looking at the revenue from the various industries, it is interesting that you mentioned financial services and retail is where, I mean if you look at the clients these are the ones that are having the issues that, that is where you seemed to have posted the strongest growth. Can you help us reconcile that, and also help us understand what is happening in the technology and the communication service providers space because that seems to be weak?

Girish Paranjpe: Hi Girish here, let me talk about financial services and retail, and I will request my colleague Sudip Nandy talk about technology and media. So, you are right that if you look at our sequential growth in financial services, it is kind of bucking the trend, and it has been ahead of what some of our peers have done, and I think it is largely due to the strength of our relationship with clients and also the quality and the depth of work that we do there. I think in retail also it has been the consequence of some large deals that we have won. They are more managed services type of deal, and we have, even in the last quarter, some of the big deals have been in that sector. So, we are quite confident that especially in the retail we will be able to continue to see the momentum going forward. Financial services, there is a note of caution, given the significant turmoil that we see in that space, but what we have seen so far what was business as usual to keep the business running, that part of work has not got affected. There is little bit of concern about large programs and funding and also extended cycles for again significant price being kicked off. Let me turn it to Sudip to talk about the technology segment.

Sudip Nandy: Hi, this is Sudip. In the last quarter, we have significantly reorganized our technology business because we saw a couple of trends in the market and took the opportunity of the reorganization to take advantage, to position us even better, so we have moved the media and the entertainment business from elsewhere in the organization to combine with the telecom service provider business, and it is now called communications and media vertical. We also moved the IT Services and the BPO business for the telecom companies and technology companies and combined these to offer an end-to-end service as a genuine industry vertical offering tech solution, IT and BPO, so there are two additional verticals. One is called hi-tech, the other is called telecom equipment, and then the last thing we did was we converted the embedded systems and the VLSI design and the mechanical design part of the business as a horizontal, which allows us now to go and offer the same services to customers in the manufacturing space, in the medical devices space, in the retail automation space, in the energy utility space, and so on, but this has been a quarter of change in all those fronts, but we have now got the parts aligned properly. We are now seeing a very good funnel and help create wins in the communication service provider business and some wins in the technology business. In the telecom infrastructure business, we are seeing a lot of activity, but the funnel is not as strong, and we are having equal number of ramp downs as ramp-ups, but the good news is that there is activity, and that is not frozen in the track syndrome that we have observed for the last 4 or 6 quarters. So, after the consolidation in that space, we have found people that they are rationalizing products, introducing new products. With the rationalizing, we are having some ramp downs. For new products, they are having new activity, and I think the rationalization will be over in a quarter or two, and we will see an uptake in the telecom equipment vendor space also. So, all in all, I think we have made significant changes. We are organized in a very unique way now, and I think the future should be good.

Kanchana Vydianathan: Okay, so that means if I understand it correctly, then looking at your September quarter and for the rest of fiscal 2009, you are expecting a pickup in the technology space, I guess, if you look at the retail space, and you are expecting to the trend to continue or the strength to continue, and I guess the uncertainty is the financial services.

Girish Paranjpe: That is right.

Kanchana Vydianathan: Okay. Are you seeing weakness in the financial services only in North America or even in Europe?

Girish Paranjpe: As of now, I think more to North America. Europe, we still have to see.

Kanchana Vydianathan: Okay. One question with respect to your pricing. It is actually interesting that your pricing has significantly improved this quarter. I was wondering are you running into any situations where clients are coming back, and you see sporadic renegotiation on your pricing contracts. Anything of note?

Suresh Vaswani:Nothing substantial of note, so…yes, there is the odd customer who talks about price renegotiations, but it is, you know, very, very marginal I would say.

Kanchana Vydianathan: Okay.

Suresh Vaswani:The customers are not really coming back to us for any substantial price negotiation.

Kanchana Vydianathan: Got it, and one final question, just looking at your OCI, I was wondering if you could help us understand, you know, what is through your hedging as to what is remaining at the end of the June quarter, and whatever loss that you have right now, in the OCI, how that would play out depending on if the rupee appreciates or depreciates?

Suresh Senapaty: Beyond whatever the hedges have been applied to exposures on the balance sheet, is about 2.6 billion dollars, and the OCI is about 9340 million rupees, and about 1/3 of that would pertain to the current fiscal, and the balance would be over a period of 2 to 3 years. It will hold the growth if the current spot and premium holds, and if rupee appreciates this amount will come down. If the rupee depreciates, this amount will go up, and we have been following this strategy from 2004, trying to seek certainty as opposed trying to be opportunistic because these are against underlying transactions and not secular in nature, and they are clear forward contracts or options, which is straight forward options.

Kanchana Vydianathan: Okay, thank you very much. This is helpful.

Moderator: Gentlemen, at this time, I would like to remind to ask a question, please press * and then number one. The next question is from Ashish Thadani of Gilford Securities. Your line is open.

Ashish: Yes, good evening, just want to go back to Europe. Are you sensing any signs at all of certain economic slowdown in that region and could that threaten the adoption trend witnessed in recent quarters?

Suresh Vaswani:Well, you know, broadly from an IT-services perspective, we……okay, this quarter, the sequential growth of ours in Europe has been marginally lower than what was in the US, but in terms of market potential, funnel buildup, and the opportunity, I do believe it is pretty similar to what we see in the US, so we are not seeing drying up of the funnel. We are seeing quite a lot of openness when it comes to the Continental Europe Geographies looking at outsourcing, and we are seeing a fairly healthy funnel buildup insofar as Europe is concerned. So, nothing peculiar about Europe in terms of market trends.

Ashish: Okay and…..

Suresh Vaswani: If anything, there is more openness for some of the continental Europe customers to look at outsourcing more aggressively.

Ashish: Great, and you earlier referred to business as usual work versus new projects. Could you break down the relative size of these components for you?

Girish Paranjpe: Business as usual work is about 55% to 60%. New projects tend to be actually about 20% or so, and then there is consulting work and some smaller project.

Ashish: Okay, that is very helpful, and on the margin front, over the last year or so, the IT operating margin has drifted down from about 24% to 20 or 21. Do you primarily do, I guess currency and acquisitions, is it reasonable to expect a return to prior levels, or has the margin philosophy changed since that time?

Suresh Vaswani:Okay, this is Suresh Vaswani here. I think it is reasonable to expect a positive trend insofar as operating margins are concerned going forward. I think there are levers that we have for productivity which we plan to drive. There are levers that we have in terms of pricing when it comes to new customers, so the broad outlook would be a positive operating margin outlook.

Ashish: Okay, and finally, the tax rate appeared to be a little higher than what we had anticipated for the quarter. What is the outlook for that for the rest of the year and beyond?

Suresh Senapaty: Ashish, this is Suresh Senapaty here, we will be within 100 basis points so far as the whole year is concerned vis-à-vis what we had in quarter one. Quarter one to quarter one of last year, there is big difference because quarter one of last year where we did write back, nothing of that nature we had in quarter one, and that is why, and we have always stated that it will be about 14% to 15% will be our ETR, and we hope to do the same in the current year.

Ashish: Okay, thank you very much.

Participant: Hi Sir. Congratulations on a good quarter, particular in your first vertical, and can you give some light please on to India and Middle East region, where the kind of head count growth is coming from and on what period of time do you see before you are getting major managed services contracts out of that region is my first question. My second question is about the long-term pipeline in terms of service lines where we see the new opportunities coming first.

Suresh Vaswani:I haven't understood your first question, but I will answer your second question and may be you could repeat your first question later for me.

Suresh Vaswani: This is Suresh Vaswani here. So, if the question is in terms of service lines, where are we seeing the funnel build up, I would say, you know, normally we have four service lines, and we have just added one more service line, and I will speak about that as well. The first service line is infrastructure services. With the combined proposition of Infocrossing Infrastructure services and the strong presence that we have in India, we see a fairly positive outlook for that service line across global geographies. We have had a good quarter last quarter in terms of our year-on-year growth, which is roughly 75%. So, that is on infrastructure services. On package implementation, here again, we are seeing good traction building up for both the application support type of projects as well as some key strategic implementation projects, so we have a healthy pipeline for that. Testing services has always been a strong differentiator for Wipro, and that again has come up with the strong performance in quarter one in terms of a year-on-year growth of 40%, and we see a fairly strong outlook for that business. BPO is the other major service line. Here again, we see strong traction building up for transaction processing, and our ratio of transaction processing business has continuously increased over the last couple of quarters and now it accounts to 39% of our business. We see a lot of opportunities at the intersection of application and BPO, and which is what we are trying to do to make sure that our sales fields and practice fields are more aligned together to create the opportunities at the intersection. We have repositioned our product engineering services business, which was largely focused on the technology sector to address all our verticals, and here we see strong opportunities in the manufacturing sector, in the aerospace sector particularly. In addition to of course the traditional sectors that we are focusing on in terms of technology and telecom. So, that was the perspective on service lines. We do believe that service lines will continue to be very strong growth drivers for Wipro and differentiators for Wipro. Would want to also add one, you know, you all would have heard about the repositioning that we have had of our consulting business. We have got, put together all our consulting business which was a part of our various verticals and service lines in the past, into one integrated consulting business. So, there are two objectives of doing that. One is obviously to build stronger traction with customers, deliver better value to customers in terms of integrating all our various service lines together, and secondly, you know, we also beginning to now look at consulting as a service line, pretty much like package implementation is or infrastructure services is. So, you have got now actually six service lines within the Wipro fold which work through the various verticals in terms of driving customer proposition. So, that was the answer to your question two. If you could please repeat your question one.

Participant: Thank you very much. It is about in the India-Middle East business, where there is correction in head count, having invested in the area before you are saying major outsourcing business coming up?

Suresh Vaswani: Well, you know, we have made strategic investments in India and Middle East over the last many years. India, we have a very, very large presence, and you are familiar with that. Middle East is again a fairly strong opportunity for us. We have been early in that market place. We have invested over the last 5 years. We have a joint venture there in Saudi Arabia called Wipro Arabia Limited, but clearly to cut a long story short, I think we have a very powerful proposition addressing both these markets, expanding across consulting, services, application, as well as technology. We have strong partnerships in terms of system integration partnerships to address these markets and these partnerships are Cisco, AMC, Microsoft, SAP, and Oracle to just mention a few of them, and we are very strongly positioned in large outsourcing opportunities both in the Middle East and India, both in terms of what we call as transactional outsourcing opportunities as well as transformational outsourcing opportunities. One of the biggest wins, really the biggest wins that Wipro has had was in India, I think, last quarter from an organization called Airtel which is in the telecom provider space. We are completely responsible for both their IT operations currently as well as transforming their IT, as they go ahead expanding the number of circles that they operate in, and as they launch new services.

Suresh Senapaty: And also to just supplement, over the last 2 quarters, we have had very good wins from Saudi Arabia, one is more than a 50-million dollar and another one was about 100-million dollar deal in the

Saudi Arabia, and the funnel continues to be little invert in terms of bidding for more projects in Saudi because the kinds of investment that is coming up is…... Did we answer your question?

Participant: Yes, you did, thank you very much, okay.

Suresh Senapaty: Great.

Moderator: Your next question comes again from Arvind from Bank of America Securities. Your line is open sir.

Arvind: Hi, just wanted to get an update on your operations in Atlanta and Mexico.

Sambuddha Deb: Yeah, this is Deb here. We have a center in Mexico, and as of today, it has got a number of people billing out of that, and we are seeing certain expansions that are happening there based on the type of business that is coming in there. We also hope to expand BPO services there.

Arvind: Can you provide us some color with your revenue outlook for IFOX?

Suresh Vaswani:Well, I think the IFOX business is ticking along pretty well. They have finalized close to 42 million dollars in TCV last quarter of very specific IFOX business. So, I am not talking about the total business that we have got on account of that, but I am specifically talking about the IFOX business. We see good traction building up for the IFOX business. We see good traction building up for the integrated offerings of the IFOX business into the traditional Wipro base, and we see both traction building up for integrated outsourcing deals. Thanks to the IFOX proposition that we have. So, we have a very positive outlook on IFOX, and we have a very positive outlook on our overall infrastructure services business.

Arvind: More specifically, you know, when you all did the IFOX integration last year and had talked about, you know, making it a billion dollar business a few years out and now you have had a chance to kind of take a closer look at this business, are you kind of more comfortable or less comfortable with that few year outlook?

Suresh Vaswani: Well you know, first of all our infrastructure services business today accounts for 18% of our total revenue. So, that is a fairly large business for us. IFOX particularly in the US is a very key part of our infrastructure services, and I have no doubt, you know, so this billion dollar reference, I am not so familiar with in terms of what context you speak, but certainly we see our infrastructure services business combined with the IFOX business driving stronger growth for us in the US market. So, I do not think it is going to be too far down into the future when that business will reach such scale.

Moderator: Your next question comes again from Mark from Piper Jaffray . Your lines are open sir.

Azim Premji: Can we have the last question, operator?

Sridhar Ramasubbu: Sir, this will be the last question.

Mark: Okay great. Thanks. Actually, just two quick ones. On the Consulting Business, I am just curious, you had a nice optics sequentially year-over-year there. Is that all organic, I know we are talking small numbers here on a relative scale, but is that all organic and secondly is that sort of a precursor to may be, you know, better business trends in the US over some period of time, may be if you could provide some color on that and then just another related question, are you continuing to look at acquisitions more aggressively in this year, specifically in the US?

Girish Paranjpe: Hi, this is Girish here. There has been no acquisition, and the Consulting Business is all organic, and we continue to be optimistic about being able to make an impact with clients and you know build kind of leverage consulting not only for revenue growth, but deeper client relationship, more value-added perception about what we can do as well as hopefully bouncing revenues.

Mark: Okay and in terms of acquisitions in this area in US is that something you are looking at given the present point of prices of the companies in this area?

Girish Paranjpe: At this moment, we are not very bullish on making acquisitions in Consulting because it is not only a matter of valuation as Senapaty said earlier, it is about cultural fit and about kind of making the two organizations work together and I think there we continue to have concerns on how well that works.

Mark: If I can go ahead…if I can squeeze just one last one in, unrelated. Just in terms of you are looking at balancing utilization trends with, you know, having the appropriate headcount per finale of pipeline, how are you looking at, you know, bringing on new heads. I mean if you could provide some rough outlook in terms of how you are looking at bringing on new bodies and what sort of wages look like as well?

Girish Paranjpe: Hi, Girish here. You know, as mentioned earlier, we have people coming in from three talent pools. One is campus hires, when we kind of offer a year in advance. We have experienced people who are required for us to fill out the pyramid and then we also run a science grads program where we bring in people as apprentices and get them to complete an engineering degree over a four year period. So, those are three streams by which we fill our talent pool, and you know, based on our creation of a global delivery organization now, we are seeing the advantage of greater fungibility and mobility of people, and we really hope to see uptake in the utilization rate that we have in the organization. We have seen a steady improvement over all of last year, and we think that we will be able to pull it up further.

Mark: Okay, great. Thanks very much.

Girish Paranjpe: Thank you.

Sridhar Ramasubbu: Thank you very much for your participation. We are available offline for any questions, Rajendra, Lalith, Aravind, or myself, and there is an archived facility available.