Wipro Technologies Limited
Quarter Two Earnings Conference Call, Financial Year 2008-2009
October 22, 2008

Moderator: Good morning Ladies and Gentlemen. I am Sandhya, the moderator for this conference. Welcome to the Wipro quarterly earnings conference 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 Mr. Rajendra Shreemal. Thank you and over to you sir.

Mr. Rajendra Shreemal: Yeah. Thanks Sandhya. Good morning and warm greetings from Team Wipro to all people joining in from different parts of the world. Let me introduce myself. My name is Rajendra Shreemal along with Sridhar in New Jersey, Aravind and Lalith in Bangalore – we handle the investor interface for Wipro. We are delighted to have you with us today. It is a great pleasure. I welcome you to Wipro's teleconference post our results for the second quarter ended September 30, 2008. In today's call, we will discuss the results for the quarter gone back and outlook for the quarters ahead. We will begin with a short address by Mr. Azim Premji, Chairman and Mr. Suresh Senapaty, Director and CFO. They are joined by Girish and Suresh, Joint CEOs and other senior members of the management team who will be happy to answer questions. The call is approximately scheduled for 1 hour. Before Mr. Premji starts his address, let me draw your attention to the fact that during the call we might make certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the management's current expectations and are associated with the uncertainty and risk 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 USA. Wipro does not undertake any obligation to update forward looking statement to reflect events or circumstances after the date of filing thereof. This conference call will be archived and a transcript will be available in our website www.wipro.com. Let me now hand over the floor to Mr. Azim Premji, Chairman, Wipro.

Mr. Azim Premji: Good morning to all of you all. Thank you for making it to the analysts' conference call. I am sure you would have seen our results for the quarter-ended September 30th 08. I would like to spend some time reflecting on our performance for the quarter and our strategy going forward. Following that, Suresh Senapaty, our CFO will share financial highlights and the management team will be happy to take questions. Wipro Limited recorded revenue growth of 9% sequentially and net profit growth 8% sequentially. In the IT services business, we achieved revenue of 1.11 billion US dollars with a year-on-year growth of 29%, significantly outperforming our guidance of $1.089 billion. In rupee terms, our revenue growth in IT services was 36% year-on-year. What makes the results satisfying is that it has been achieved in the context of a deteriorating global economic environment. Several large financial organizations have either gone under or have been sold. There is a significant credit and the central banks are taking unprecedented steps to infuse liquidity into the system. Credit is the lifeline of any economy and that lifeline seems to have gotten impaired. The overall sentiment is cautious. The economic crisis has spread globally. What all of this means to our IT business is that we need to move from business as usual approach to a more transformational approach that will help our customers realize better cost and service optimization in the time of need. I would like to focus on our initiatives which we believe will be the game changers in the current environment. Firstly, a global programs team has been instituted with the specific purpose of organizing on the rising number of transformational opportunities. With discretionary spending being cut, we believe that our growth will be fueled by transformational deals. Our global programs team has been able to create a decent pipeline of transformational opportunities. Secondly, in different times customers look for partners with strong consulting and domain capabilities to realize cost or service transformations. Our consulting team of 1000 plus is focused on enhancing the quality of dialogue, the quality of relationships and the quality of work we do with our top clients. Currently, around two-thirds of our consulting revenue comes from our MEGA / GAMA accounts. Our consulting capabilities are also enabling downstream revenue from our large customers. Our domain capabilities are among the best as we have invested in the vertical structure a decade ago. Thirdly, we are increasingly moving towards a nonlinear model and significant investments are directed towards this initiative. Our investments in platform based BPO meant that you would grow revenues at 40% year-on-year in 07-08 with a 16% increase in headcount. It also meant that we could maintain margins in BPO last year in spite of significant rupee appreciation. In IT services, nonlinear initiatives are centered around 3 themes – intellectual property creations, efficiency enhancements, and delivery optimization. These are expected to generate revenues and returns going forward of a substantial scale. Finally, a global integrated delivery model instituted at the beginning of this year is starting to deliver productivity gains. We have been able to make significant headway in utilization without compromising on our ability to fulfill demand requirements. We are expanding our global presence with strong presence in near shore centers. This will enable us to provide near shore capabilities with specialized skills aligned with customers' business needs from regional centers. Overall, I am confident that we had made the right investment for the future and will be able to weather the near term challenges posed by the slowing global economy. I will now request Suresh Senapaty, our CFO, to comment on financial results before we start taking questions.

Mr. Suresh C. Senapaty: A very good morning to all of you, ladies and gentleman. Let me share some of the highlights of our performance for the quarter-ended September 30th, 2008. Wipro Limited revenues grew 36% year-on-year and our net profit grew 19% year-on-year. We had a tax write-back in Q2 of 2007-2008 excluding which these our year-on-year profit growth will be 21%. Our IT services revenue for the quarter was 1.1 billion dollars against a guidance of 1089 million dollars, a sequential growth of 4%. In constant currency terms, sequential growth would be about 5.6%. We have had well rounded growth for the quarter. Our retail and transportation vertical recorded strong sequential growth of 9.2%, financial services and manufacturing and healthcare recorded a growth of 7.8% and 6.7% sequentially. Our differentiated service line of infrastructure services recorded a sequential growth of 9%, testing services and package implementation grew at 7.1% and 6.2% respectively. Our Infocrossing acquisition exhibited good traction and sequentially grew higher than the company average. Our America's business grew 3.3% and Europe grew 4% sequentially. Constant currency growth sequentially in Europe would be 7.6%. We won 6 multiyear, multimillion dollars deals during the quarter. Our strong focus on large deals and global programs is reflected in our deal wins and the healthy deals pipeline. Overall, India and Middle East business continues to have tremendous traction with 40% year-on-year growth and 14% sequential growth. Here again the constant currency, it is about 19% sequential. Our strong presence in this product in addition to services in the geography continued to give us leadership on end-to-end system integration and total outsourcing deals. During the quarter, we added 28 new customers. Our investments in account mining is reaping dividends with our number of clients more than 50 million dollars on a trailing 12 month basis increasing from 14 in Q1 of 09 to 16 in the current quarter. Margin of combined IT services was 21% in Q2. We gave salary increase to offshore employees, effective August and we were able to offset the impact of salary increase through improvement in realization and utilization. In the current quarter, our realization improved by 1.9% for onsite and 1.8% for offshore sequentially. On a year-on-year basis, rates for onsite and offshore improved by 5% and 4.6% respectively. Our improvement in rates in spite of adverse currency movement vis-à-vis US dollar was through a mix of changes in customers, nonlinearity initiatives, and increased realization in fixed priced projects. Our proportion of fixed priced projects increased 500 basis points year-on-year and 100 basis points sequentially to 31.6%. Our continued focus on utilization has seen us move the lever from 67.9% in Q1 to 70.3% in Q2 on gross basis. The utilization excluding support function was 77%, an improvement from 74.4%. We believe that our utilization will remain in the narrow range from hereon. We added 2241 employees from campus during the quarter. Our IT products business had a spectacular quarter with sequential growth of 34% and year-on-year growth of 50%. Wipro Consumer Care and Lighting business continued to see good momentum with industry leading growth rates. Our domestic business continued its robust revenue growth of 22% year-on-year, our 14 consecutive quarters of 20% plus yoy growth. Unza continues to grow well in all the countries we operate in. On the foreign exchange front, our realized rate for the quarter was 42.80 rupees versus a rate of 41.26 realized for the quarter-ended June 30th, 2008. On a quarter-on-quarter basis, Forex gave us positive impact to margin by 38 basis points. As at period end after assigning to the assets on the balance sheet, we had about 2.17 billion dollars of contracts at a rate between 39.50 and 47. We continue to report adjusted non-GAAP net income for the quarter excluding the translation loss of external commercial borrowing and fringe benefit tax in addition to publishing results as world GAAP and also provide a detailed reconciliation between GAAP, net income, and after adjusted GAAP net income to help our stakeholders see our results clearly. For the quarter-ended December 2008, we expect volume led growth. We will have the impact of salary increase of our BPO employees as well as full quarter impact of offshore salary increase in the current quarter. We will be glad to take questions from you.

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 telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press *1 now. First question comes from Mr. Sandeep Shah of ICICI Securities. Over to you sir.

Mr. Sandeep Shah: Yeah, sir. Congratulations on the good numbers. Looking from the matrix which has been reported, it seems like most of the billing rate increases largely coming out of Middle East and India business?

Mr. Girish S. Paranjpe: Hi, Girish Paranjpe here. Not true. I think the billing increase is across the board and as Senapaty was suggesting it is a combination of better realization and in some cases coupon rate changes.

Mr. Sandeep Shah: Okay, okay, it is possible to breakdown the billing rate increase in the Middle East IT as well as in the non-Middle East IT within IT Service?

Mr. Suresh Senapaty: No, please, but if you look at, you know, in terms of mix of business, it is mix of practices, so it is a very complex dynamics to be able to communicate on that, but overall I think there is nothing specific with respect to any particular segment and it is across the board and like we said, fixed price projects as a percentage has gone up and we have improved the realization on that account and therefore it has overall gone up and mind you, this increase would have been a bit more on constant currency. On constant currency, it goes up to 3%.

Mr. Sandeep Shah: Okay, okay.

Mr. Girish Paranjpe: In any case, Middle East is not such a big portion of our revenue that it will move the meter on our Wipro Limited basis.

Mr. Sandeep Shah: Yeah, because just on the matrix, we were getting a double digit billing rate increase or average realization improvement in the Middle East.

Mr. Girish S. Paranjpe: That's right.

Mr. Sandeep Shah: Okay, second, in the last conference call, we said that some of the large deals are likely to ramp up from the Q3 and we were mentioning while Q1 results that guidance in the Q2 being weak but from the Q3 some of the large deals getting ramped up, the growth will pick up, so in that sense, you believe the Q3 guidance is the worst case scenario we are factoring?

Mr. Girish S. Paranjpe: No, it is realistic at this point of time and what you have to balance off against ramp up in large deals that we win is also some ramp downs in challenged situations either with clients or in some areas like that. Plus you should know that in cases where we are dependent on a time and material basis, this quarter has fewer number of working days which impacts overall volume growth.

Mr. Suresh Senapaty: And also Sandeep, you heard chairman talking about overall what sea-change that you had seen over the last few weeks and perhaps going forward too in terms of both on the Wall Street and now extended to Main Street and also outside of the United States in the European market and even some of that tremors have been felt in India, so there has been not like a business as usual in terms of what we see a quarter back or what we saw in August end till as opposed to September end. There have been significant changes. Every day is rapidly changing. Companies are getting taken over. Companies are getting merged. Companies are getting nationalized. People are getting, you know, losing jobs and so on. All kinds of things are happening and therefore given that uncertainty, you are seeing what we have guided in the current quarter.

Mr. Sandeep Shah: Okay.

Mr. Suresh Senapaty: But medium to longer term position has remained unchanged.

Mr. Sandeep Shah: Okay, okay.

Mr. Suresh Senapaty: In fact, it has become stronger in terms of the situation that you are seeing, more and more CEOs are talking about cost take-out being the main mantra.

Mr. Sandeep Shah: Okay, so this last thing, the guidance being factoring some kind of anticipated ramp down, so is it some kind being communicated ramp downs or is it just to deal with the micro challenge and we are anticipating some kind of ramp down.

Mr. Suresh C. Senapaty: Yeah, it is what information we have, what we anticipate based on our own way we manage the relationships with the customer as a combination of all those factors, so some of that would have been explicitly articulated, some of that is our own overall judgment which has been superimposed on them to come to this matter.

Mr. Sandeep Shah: Okay, okay, and some of the communicated ramp downs are across verticals or how is it beginning to look like?

Mr. Rajendra Shreemal: Sandeep, could we have this question later on, maybe we can move on to the next one?

Mr. Sandeep Shah: Okay, thanks.

Mr. Suresh C. Senapaty: Thanks, Sandeep. Bye.

Moderator: Thank you very much sir. Next question comes from Ms. Priya from Enam Securities. Over to you ma'am.

Ms. Priya: Yeah, hi, this is Priya. Good morning to the management team. My first question relates to the large deal pipeline, if you could throw some light on the sales cycle or so how much of it comes from the banking and financial services segment? Secondly, if you could just give us some outlook on the core telecom OEM segment seems to be having some numbness in numbers? And thirdly on what sort of employee additions are you looking at in the current quarter and any deferment plans over there?

Mr. T. K. Kurien: Hi, Priya. This is T. K. Kurien. I will just give you a quick sense of what it typically takes in terms of with large deals. In most cases what we have found is as far as large deals are concerned is that if you go out there and compete on RFP basis, the chances of getting anything significant in terms of pricing or value back into the customer is kind of limited. So one of the focus areas that we have been kind of working on proactively is to figure out where can we sell some of these transformational deals in our customer base. So that's been one big thrust of the group. In terms of pipelines, I am…you know, a lot of these deals wherever we are competing for it sole-source takes time, wherever we are competing for deals, you know, with competition there the outcomes are more or less binary so it will be extremely wide if I give you a pipeline number that really would not mean much because at the end of the day it is really a question of how much you win and typically for us, we would like to talk about wins after we have won something rather than you know just give a guide on pipeline but nevertheless having said that, overall the way we see the pipeline itself is that the pipeline is fairly robust. The pipeline has been kind of growing over the past couple of quarters and so overall medium term, we may see some amount of slowness in terms of closure but nevertheless in terms of opportunity, the opportunities are really there.

Ms. Priya: Any signs which you have seen from Europe, you know, in terms of sales decision making and all that, especially in the large deals?

Mr. Suresh Vaswani: You know we have a pipeline, if you are specifically talking about large deals; the pipeline is good in Europe. Some of the deal wins that we have had last quarter which we spoken about are also from Europe, so and there is nothing to say that Europe is lower than US if that is what you were implying.

Ms. Priya: I think … I mean does it remain as robust now as what was in the last quarter or do you see some signs of you know slowing decision cycles rather?

Mr. Suresh Vaswani: You know, there is overall a, I mean, so I am again talking from an overall perspective, overall there is slowness in the market, decisions are likely to get delayed given the situation, so there is nothing unique about Europe, but there is one thing that is unique about Europe is, you know, the continental Europe market so to speak is also now beginning to open up.

Ms. Priya: Okay.

Mr. Suresh Vaswani: So you know places like France, customers in Germany are beginning to look at outsourcing more aggressively than what they would have looked a couple of quarters back.

Ms. Priya: Okay, sure, and next if you could answer on the outlook for your core TMT business?

Mr. Girish S. Paranjpe: Hi, Girish here. Clearly there are some parts of the TMT business, which are suffering a cyclical slowdown so semiconductor industry is going through some bit of a slowdown and there is a knock-on effect of that in the related segments as well, but I think there is still a good pipeline and good optimism as far as the telecom service provider segment is concerned as well as on the media side, but hi-tech and core telecom business because of the highly consolidated market and cut back on spends, there is clearly kind of a constraint on growth.

Ms. Priya: Sure and lastly on the employee additions which you are all looking at for FY09, any deferments over there?

Mr. Pratik Kumar: Priya, hi, this is Pratik here.

Ms. Priya: Yeah, hi, Pratik.

Mr. Pratik Kumar: As we have shared that in Q2 we had 3500 people joining, almost two-third of them came from campus. While we don’t give a specific number, we believe that it would be pretty much in line with what we have done in Q2.

Ms. Priya: Okay.

Mr. Pratik Kumar: We have a chalked out plan on how we would be bringing in the remaining freshers who were to join during the course of the next 6 months and we are on course as far as that is concerned.

Ms. Priya: Sure and just one question more if I could just ask. There is some numbness in ADM revenues, is it more a quarter-to-quarter phenomenon or …?

Mr. Rajendra Shreemal: Sorry, Priya, which one?

Ms. Priya: In the ADM segment, there is some numbness in the sense it is more flattish from Q1 to Q2….

Mr. Suresh Vaswani: Priya, this is Suresh Vaswani here again.

Ms. Priya: Yeah.

Mr. Suresh Vaswani: You know if you really look at all the segments, ADM is certainly more mature in terms of penetration into the global markets and therefore you would expect a lower growth in ADM compared to all the service lines.

Ms. Priya: Okay, sure. Thanks, that's very helpful and wish you all the best.

Mr. Suresh Vaswani: Thank you.

Mr. Pratik Kumar: Thank you.

Rajendra Shreemal: Could you just please request that participants restrict their questions to maybe maximum one or two questions maximum?

Moderator: Sure, sir. Thank you very much, ma'am. Participants are requested to ask only one question in the initial round and can come back with the follow up question. Next question comes from Mr. Sandeep Muthangi from IIFL. Over to you sir.

Mr. Sandeep Muthangi: Hi, guys. Congrats on a good quarter. My question is on the employee growth front. This year the employee additions have been very low, especially in IT services. While I understand that part of it may be due to the cautious stand, is there anything specific from a client ramp down or any indications that you have witnessed?

Mr. Girish S. Paranjpe: No, I think we have…. Girish here. Sandeep, we have done a good job on ramping up utilization and I think in some ways it is almost industry leading numbers on what we have been able to achieve and we think we will be able to maintain that without allowing fulfillment to suffer, so in view of that we are pooling in people as the demand grows but a lot of the demand is currently getting fulfilled out of the bench.

Mr. Sandeep Muthangi: Okay, thanks for that and just one more question. I was looking at the auditor's report and there seems to be a statement saying due to early adoption of AS30, there might have been over statement of profits by as much as 115 crores, can you elaborate more on the nature of this comment?

Mr. Suresh Senapaty: No, this is an external commercial borrowing which we have taken against the investments we have done in acquisitions overseas, so there is an accounting standard called AS30 which is aligned with the IFRS, as a result of which you have seen this as a capital hedge. It qualifies as a capital hedge and the Institute of Chartered Accountants had given this guidance and has encouraged also early adoption, subsequent to which Wipro has early adopted AS30 but it is yet to be notified by NACAS so since Wipro has adopted it, they are just bringing it to the notice without qualifying, saying that early adoption has been done by Wipro, and pursuing to this, if it was not to be done, this is an accounting treatment, but this is consistent with the Standard Accounting practices under AS30 as well as International Accounting Standard.

Mr. Sandeep Muthangi: Okay, thanks, that's it from my side.

Male Speaker: Thank you.

Moderator: Thank you very much sir. Next question comes from Santana Krishnan from Spark Capital. Over to you, sir.

Mr. Santana Krishnan: Just a clarification on this hedges, like, you have 2 parts right, there is one on the realized Forex losses and other one is the contracts which have not expired and which will be carried on to balance sheet, could you just tell me how much of the loss has been incurred on the unrealized part and how much is on the realized part?

Mr. Suresh C. Senapaty: Yeah, I think based on the foreign exchange, what has been used in the quarter 2, that is on the cash flow hedging, we had an impact overall about 38 odd basis points of expansion of margin, so balance about 2.1 billion dollars is carried forward for future periods for which it has been assigned for…designated for and based on a marked-to-market if it were to be about 1382 crores is in the OCI which will flow into the respective quarters for which it has been designated for if the rupee and dollar equation holds good as of 30th September say.

Mr. Santana Krishnan: Out of this 2.1 billion, how much will be options and how much will be forward, I mean, as a percentage?

Mr. Suresh C. Senapaty: About 20%-30% would be option.

Mr. Santana Krishnan: Okay, this had nothing to do with the ECB hedge, right; I mean you don't have any hedge for ECB?

Mr. Suresh C. Senapaty: No, this is outside of ECB.

Mr. Santana Krishnan: What is the hedge for ECB and how is that been treated?

Mr. Suresh C. Senapaty: No, ECB has not been hedged because it is a capital hedge. It is against an investment made in US dollars and therefore we as much as the rupee depreciation/appreciation impact on the one side on the investment and in fact the other side on the loans, so…

Mr. Santana Krishnan: Sure.

Mr. Suresh C. Senapaty: Therefore in Indian GAAP, it qualifies for a capital hedge under AS30.

Mr. Santana Krishnan: Fine okay, but will be…I mean I looked at your CNBC interview, you said something about the interest on ECB borrowing being treated differently on US GAAP and Indian GAAP, what was it exactly?

Mr. Suresh C. Senapaty: Correct because the loan that we have taken was initially denominated in Yen, subsequently it has been frozen on dollars because it was… and the investments were in US dollars, in the US GAAP, it does not qualify as a capital hedge. Consequently the interest on the rupee depreciation on the external commercial borrowing under US GAAP is treated through the P&L account so we have given a non GAAP number where the US GAAP numbers are stated without the impact of that and with Fringe Benefits tax and that's where we are recommending for people to see our results on an operating basis quarter after quarter.

Mr. Santana Krishnan: Sure, thanks a lot.

Mr. Suresh C. Senapaty: Thank you.

Moderator: Thank you very much sir. Next question comes from Mr. Harshad Deshpande from Ambit Capital. Over to you sir.

Mr. Harshad Deshpande: Yes, my question is on total number of active clients. This quarter we have seen the active client count has gone down, any specific reason for that?

Mr. Suresh C. Senapaty: Yeah, you know, this is our own emphasis with respect to increasing profitability, driving productivity, those particular customers which are geared enough to be able to for us to move up in terms of profitability, etc.

Mr. Harshad Deshpande: Okay.

Mr. Suresh C. Senapaty: In that particular process, we have identified few which we sort of disassociated with, so it is part of that could be a process where some of those active customer numbers have come down.

Mr. Harshad Deshpande: Okay, and one more thing you mentioned in the previous question that you are saying quite strong or robust pipeline, in which specific sector are we seeing the robustness in the pipeline?

Mr. Suresh Vaswani: Yeah, this is Suresh Vaswani here.

Mr. Harshad Deshpande: Yeah.

Mr. Suresh Vaswani: You know there is no concentration on any specific sector. I think we have a robust pipeline both in terms of large deals and as well as in terms of mid sized deals which also drives a lot of revenue right across, but if you really look at it, the stronger sectors so far have been the BFSI sector for us, have been the Retail & Transportation sector, the Manufacturing and Healthcare sector, and if I have to pool in one more sector where you know one sees robustness in terms of demand and pipeline, it would be the Telecom Service Provider sector.

Mr. Harshad Deshpande: Okay.

Mr. Suresh Vaswani: And these I am again talking about globally.

Mr. Harshad Deshpande: Yes.

Mr. Suresh Vaswani: India, Middle East, as well as US and Europe.

Mr. Harshad Deshpande: Okay, okay, and one more question, like as against what other peers are reporting, our BFSI segment is doing fairly well compared to other peers, can you highlight some of the points why is it that we are able to do well in this challenging environment?

Mr. Girish S. Paranjpe: It is a traction that we have….Girish here. It has got to do with the traction and the customer loyalty that we have and you know that is what is reflected in the results.

Mr. Harshad Deshpande: Okay, okay, and just last question on the CAPEX gains for the…

Mr. Suresh Senapaty: Can you get into the second round please; allow the others to also raise their question?

Mr. Harshad Deshpande: Okay, okay, thanks.

Moderator: Thank you very much sir. Next question comes from Mr. Anthony from TechMart, over to you sir.

Mr. Anthony: Hello gentleman. You said about some 2 wins in Europe, I just wanted to ask a couple of questions around the European business. Firstly, roughly 27% of your revenues which come from the Europe region, can you let me know how much of that is from the UK and where the continental Europe is growing faster than your UK business?

Mr. Suresh Vaswani: Sure, we normally don't split this up, but just to give you an indication, 65% of our business is from UK and 35%...

Mr. Anthony: And which is from…

Mr. Suresh Vaswani: Continental Europe.

Mr. Anthony: Okay and which of the two is growing faster?

Male Speaker: Continental Europe.

Mr. Anthony: Okay and then just on the major deals and so, just the last part of my question, you said know there are 3-4 what appear to be in continental Europe – a testing services deal, the French telecom deal, and the General Electric systems manufacturer, you mentioned earlier on about near shore, can you tell me if any of these big deals that you have called out are also using your near shore centers?

Mr. Girish S. Paranjpe: Girish here. No, there is no direct correlation between these deals and near shore. There may ... one or two of these deals we have…at the proximity center which we have set up to facilitate easy transition and some of the higher end work which needs to be done closer to clients, but they are not necessarily leveraging our centers in Romania or Poland.

Mr. Suresh Senapaty: At the current stage but of course when the customer looks at it, they have definitely credited us more for that…what you know, capability that we have.

Mr. Anthony: Okay, and just very finally, of those European deals that you have called out in the press release, are any of them new clients?

Mr. Suresh Senapaty: All are new clients.

Mr. Girish S. Paranjpe: All are new clients.

Mr. Anthony: So you have had no services in there, this was your first penetration into those clients?

Mr. Suresh Senapaty: Anthony, can we have this question in the second round please, so that others also get a chance to question?

Mr. Anthony: Yes of course, thank you very much gentleman.

Moderator: Thank you very much sir. Next question comes from Mr. Nitin from Centrum Broking, over to you sir.

Mr. Nitin: Yeah, this was again with regard to the total number of active customers – it has actually come down by quite a number 22 and it is because of the certain classification that you explaining but could you just elaborate what exactly is that are these customers off from us, they are no longer with us or is it that based on a classification, they don't figure on that list?

Mr. Suresh C. Senapaty: Our definition is not invoiced in the last 4 quarters.

Mr. Nitin: Not involved in the last 2 quarters?

Mr. Suresh C. Senapaty: Not invoiced to them…

Mr. Nitin: Not invoiced from the last 2 quarters.

Mr. Suresh C. Senapaty: In the last 12 months.

Mr. Nitin: Okay, okay, so this does not…. Okay, fine, fair enough and if you look at the total number of clients that you have added over the past couple of quarters, if you take the last year per se maybe on an average we added 46, this time it is 28, so we have seen a significant slide there, so I was just wondering… so the overall.. so is the understanding that overall in terms of closing deals it is much tougher right now?

Mr. Suresh Senapaty: Well, I will request Suresh Vaswani to answer that, but one clarification I want to give upfront is that the measures we had before versus now is that we today say it is the new customer only if it has a particular run rate of business, and we don't do it just because it is a new customer even for a 1 dollar billed, so from that perspective there is a tighter screen we have been adopting since 1st of April.

Mr. Nitin: Right.

Mr. Suresh Senapaty: And I request Suresh to give you some quantitative views on that.

Mr. Suresh Vaswani: Yeah, this is Suresh Vaswani here. You know, we are consciously driving a focused approach in so far as our approach to customers is concerned so one of our, you know, priorities is to make sure that we grow our existing accounts and you have seen some of that bearing out in terms of greater than 50 million dollar accounts for example consistently improving quarter after quarter and second, we do want to go, so it is not that we are stopping to hunt for new opportunities, we are hunting for new opportunities, but we are going through a much more stricter qualification process, so the idea is not really grow all over the place but go and you know, win let us say staff augmentation deals but you know go for accounts or go for opportunities which are more fixed price in nature and where we have a good chance of scaling up in future.

Mr. Nitin: Right and just one last question if I could?

Mr. Rajendra Shreemal: Nitin, thanks. We would really appreciate if other people ask a question ….

Mr. Nitin: Right, sir.

Male Speaker: And we could take these questions in the second round.

Mr. Rajendra Shreemal: Thank you very much sir. Next question comes from Ms. Subhasini from JM Financial, over to you ma'am.

Ms. Subhasini: Hi, my question is with regards to the amortization expenses we have this quarter, it has gone up significantly in global IT and in consumer business as well, so could you just tell me what is the… have we accounted for that?

Mr. Suresh Senapaty: Yeah, if we look at from a year-on-year perspective because we had that Infocrossing acquisition, so that is the big difference.

Ms. Subhasini: No, even on that… even on a quarter-on-quarter basis?

Mr. Suresh Senapaty: Yeah, on the quarter-on-quarter basis, it was basically some amount of fair valuation as a result; there will be some cumulative adjustment could be done.

Ms. Subhasini: So going forward we can expect the same trend.

Mr. Suresh Senapaty: Yeah, based on, yeah, this will be the similar number going forward.

Ms. Subhasini: Okay and this quarter, the other segments which you report has, you know, has not performed as per our expectation, the margins have also dipped significantly, so could you just tell me what has happened here?

Mr. Suresh Senapaty: Yeah, that is primarily with respect to our Wipro Infrastructure Engineering Business because of the impact that in India we feel with respect to the infrastructure spend we saw a lot of headwind in that respect, both in India as well as Europe and therefore you see a very muted number so far as Q2 is concerned and I think in the shorter term or a few more quarters, you will see that muted result so far as the Wipro Infrastructure Engineering is concerned, in this traditional hydraulic business.

Ms. Subhasini: Sure, thanks, that's all from my side.

Moderator: Thank you very much ma'am. Next question comes from Mr. Viju George from Edelweiss, over to you sir.

Mr. Viju George: Yeah, hi, thanks…congratulations for the management and thanks for taking my question. I had this question specifically with regard to global program management, many of your peers are also talking about, you know, huge transformational deal pipelines, so just you know, maybe in 2 or 3 sentences, can you just figure out what specifically marks out Wipro from its peers?

Mr. T K Kurien: I think there are 2 very, very clear distinctions as far as global programs are concerned from a Wipro perspective vis-à-vis the rest. Number 1 is for us I think the real benefit of global program is that we would add value to customers and making a significant impact as far as either their customer base is concerned in terms of customer acquisition or in terms of cost to serve, so the way we are doing this is most of our deals would be consulting and vertical lead. To that extent what will happen is that our ability to not only go there and sell a deal which has got significant transformational ability behind it but also to manage the processes in change at the customer end to move to a new organization I think is what is going to really differentiate us from our peers.

Mr. Viju George: Okay, one more question if I may. I think the corresponding entry in the last quarter on the balance sheet was 924 crores on account of OCI, what is the corresponding entry in this quarter?

Mr. Suresh Senapaty: It is 1383 crores.

Mr. Viju George: 1383, okay. Thank you.

Mr. Suresh Senapaty: 1383. Yeah.

Moderator: Thank you very much sir. Next question comes from Mr. Dipesh Mehta from Khandwala Securities, over to you sir. Mr. Dipesh, you can go ahead with your question. There is no response. We will move on for the next question. Next question comes from Mr. Pankaj Kapoor from ABN AMRO, over to you sir.

Mr. Pankaj Kapoor: Yeah, hi, sir, the first question is on the financial clients who have been going through a process of either getting acquired or are filing for bankruptcy, just in terms of our exposure to them, can you give a consolidated number in terms of what percentage of our revenues would be exposed to them?

Mr. Girish Paranjpe: Yeah, we have less than 2% of our revenue which is really exposed to clients who have faced any kind of bankruptcy or merger or acquisition.

Mr. Pankaj Kapoor: Okay, and what kind of a view we have taken on them as far as our guidance is concerned for the next quarter?

Mr. Girish Paranjpe: So in all those cases, you know, either the succeeding organization has indicated to us that they would want us to continue to serve, we are continuing the work; where they have asked to ramp down, we have kind of ramped down; and our guidance factors all that in to account.

Mr. Pankaj Kapoor: Just a follow up on this- has there been any kind of delays in payment on any of such accounts?

Mr. Girish Paranjpe: No, specific I would say impact and to the extent we felt necessary, we have made appropriate provisions.

Mr. Suresh Senapaty: Also Pankaj if you look at our number of days of outstanding, it has either remained as good or it has improved.

Mr. Pankaj Kapoor: Fair enough, sir. Thank you so much.

Moderator: Thank you very much sir. Next is a follow up question from Mr. Santana Krishnan from Spar Capital, over to you sir.

Mr. Santana Krishnan: In the balance sheet, we have the capitalization reserve and the hedging reserve; I just want to know as per Indian GAAP, are you required to still take the OCI only to… I mean the marked-to-market losses only to the balance sheet, wouldn't you take it to the P&L?

Mr. Suresh Senapaty: No, because we follow cash flow hedging, so consequently it remains in the balance sheet which is almost a similar treatment what we gave in the US GAAP.

Mr. Santana Krishnan: Fine, okay, so even the Indian GAAP is treated the same way is it?

Mr. Suresh Senapaty: That is correct.

Mr. Santana Krishnan: Okay, thanks a lot.

Moderator: Thank you very much sir. Next question comes from Mr. Neerav Dalal from Avendis Capital, over to you sir.

Mr. Neerav Dalal: Yeah, hello, sir, could you tell me the impact on your EBITDA margins due to the wage hike and what have been the wage hikes this quarter?

Mr. Suresh C. Senapaty: Wage hike, we got impacted from 1st of August for the entire offshore employees and this had an impact of about 1.4% but this for the whole quarter because of the various other pluses that we had in terms of price realization improvement, utilization improvement, and other operating efficiencies, overall we saw a margin expansion of about 10 basis points.

Mr. Neerav Dalal: Okay, fine. And one more question on your… what has been the... haven't there been any M2M losses on your ineffective hedges this quarter which gets translated to the P&L?

Mr. Suresh C. Senapaty: Because it was a minor amount, I wouldn't rule it out that it was zero, but it is a very small amount.

Mr. Neerav Dalal: Okay and you all are no longer carrying forward the translation gain or loss on your ECB that you have not taken to the P&L, am I right?

Mr. Suresh C. Senapaty: That is on the US GAAP. On the Indian GAAP, it qualifies for a cash flow for… capital hedging...

Mr. Neerav Dalal: Okay.

Mr. Suresh C. Senapaty: As per AS30 but under the US GAAP because we took the loan in the form of Yen to start with against the dollar exposure, while subsequently that has been made dollar to dollar, it did not qualify from a US GAAP and therefore it gets routed through the P&L account but to help everybody read it right, we are also communicating the number which is on an adjusted basis. We have 2 adjustments there. One is the rupee depreciation on the external commercial borrowing and the second is fringe benefit tax where onto Indian GAAP, it gets into tax line; under the US GAAP, it gets into the OM line, so these are the 2 non GAAP adjustment numbers that we report and we recommend people to see on that basis for our operating efficiency.

Mr. Neerav Dalal: Okay, fine. Thank you.

Moderator: Thank you very much sir. Next question comes from Mr. Pankaj Kapoor from ABN AMRO.

Mr. Pankaj Kapoor: Yeah, hi, sir. Just another question on the pricing outlook, you mentioned that during the quarter we had a few coupon rate increases also, I just want to understand which vertical and in which geography you were able to get these and what is the outlook you are building on them? Thanks.

Mr. Girish S. Paranjpe: So, hi, Girish here. This is across a broad swathe of clients, so don't want to kind of hold out a particular vertical or geography, and the outlook is that we expect the pricing to be kind of steady going forward.

Mr. Pankaj Kapoor: Have there been any cases of clients asking for price declines also whenever we have gone in for negotiations or even out of turn kind of a pricing decline?

Mr. Girish Paranjpe: Only…very selected and very sporadic basis.

Mr. Pankaj Kapoor: Okay and those would be like normal to what typically happens or was there any kind of an abnormality there?

Mr. Girish Paranjpe: So sometimes there is a little bit of a knee jerk reaction in some sectors but broadly this is…that can happen in either change of management or some event like that.

Mr. Pankaj Kapoor: Okay, just following a bit on this, are there any cases of contract restructuring which are coming in now which in a way means that we need to convert say to base the pricing to a fixed pricing kind of a model, are you seeing any increased instances or abnormality here?

Mr. Girish Paranjpe: No, but I think there are more occasions where the clients are happy to entertain and we are happy to convert time and material contracts to multi or fixed priced managed services contract. In fact we have been urging our clients to move to that model so that we can be held accountable for outcomes rather than having to be monitored on an overall headcount basis, so and I think the current environment actually is persuading clients to be more receptive to our ideas.

Mr. Pankaj Kapoor: Okay and just lastly on the decision making cycle, for your deal wins, have you been seeing any kind of a change over here? Earlier you had mentioned that clients are taking more time, so especially in the last month or so have you seen the decision making cycle getting elongated further or is it still at the earlier levels?

Mr. Girish Paranjpe: No, there is no doubt. There is certain amount of extension to decision making cycles and what would have normally got closed in 60 days may now take 90 days or 120 days and especially when there is a big kind of flux in the market, many decisions would be put on hold for a while still things stabilize.

Mr. Pankaj Kapoor: Okay, is this what is flowing into our hiring outlook also because in terms of utilization we are probably close to our historical high, so do you see that near term there could be some volume concerns and we may not have significant improvement in utilization, so what is the outlook you are building on that going forward? Thank you.

Mr. Suresh Vaswani: Okay, this is Suresh Vaswani here. You know we have to frankly start delinking revenue growth from volume growth because there are 2 things that are driving. We are driving utilization, we are driving productivity, we are driving fixed priced projects, and we are also driving strongly nonlinear delivery models, so you know, volume growth cannot be seen necessarily as a reflection only of revenue growth because there are many, many more drivers that we have that will enable us to drive revenue growth without necessarily commensurate driving the volume growth.

Mr. Pankaj Kapoor: Fair enough, sir. In fact the question was that since you are looking at close to optimal utilization and our hiring has not been very strong so maybe our guidance is building in essentially efficiency lead gains rather than any specific large volume growth.

Male Speaker: Thanks, Pankaj, yeah.

Mr. Pankaj Kapoor: Okay, sir, thank you so much.

Moderator: Thank you very much sir. Next question comes from Mr. Dipesh Mehta from Khandwala Securities, over to you sir.

Mr. Dipesh Mehta: Sir, I have 2 questions. First is our debtor days seems to be increasing during the quarter and the second is about our top 6-10 clients, is there any change in the profile or any specific client issues, can you elaborate on that?

Mr. Suresh Vaswani: So your question was related to our top 10 clients, is that what you said?

Mr. Dipesh Mehta: Right, particularly top 6-10.

Mr. Suresh Vaswani: So what was the specific question because we don't necessarily disclose….

Mr. Dipesh Mehta: No, you can elaborate what is…is there any specific client issue or across the clients we have seen some kind of slowdown?

Mr. Suresh Vaswani: See if I look at our top 5 customers, right, we have seen a revenue uptake, so our top 5 customers have grown higher than the company average.

Mr. Dipesh Mehta: Right.

Mr. Suresh Vaswani: Top 10 customers have grown lower than the company average but that could be you know, specific to a few customers like you said in 6-10, but in the top 5 customers, we have seen growth higher than the company average.

Mr. Dipesh Mehta: So we have not seen any shuffling between 6-10 to 1-5 in this particular quarter?

Mr. Suresh Vaswani: Just one second. So there is some sort of shuffling, so you are right there is some sort of shuffling in the 6-10th customer, so some new customers have come and there some customers have moved to the between 10-20 category.

Mr. Suresh Senapaty: And in terms of your question with respect to debtors, the overall DSO in Wipro Technologies has been 67 versus the June quarter of 67 and versus the September 2007 of 70 so year-on-year, it has dropped from 70 to 67 and quarter-on-quarter it has remained the same which is including the unbid, and if you look at the more than 90 days, it is about 7.7% versus the year before which was about 9.5%, but the debtors that you are talking about is in the Indian IT operations where you have seen the kind of growth that we have got both in the products as well as the services, the sequential growth has been about in constant currency 19% in the services side and for the products, it has grown 48% year-on-year, and that has reflected in the higher debtors in the Wipro Infotech part of the business. On the IT services part of the business particularly the Wipro Technology front, there has been an overall DSO improvement.

Mr. Dipesh Mehta: And the last thing, you have not quantified the offshore salary like what was the quantum?

Mr. Rajendra Shreemal: Sorry, what was the question?

Mr. Dipesh Mehta: Offshore salary which we announced during the quarter?

Mr. Rajendra Shreemal: Offshore salary, it was then 7%-8%.

Mr. Dipesh Mehta: Okay, thanks.

Moderator: Thank you very much sir. Next question comes from Ms. Mithali from Merrill Lynch. Over to you, ma'am.

Ms. Mitali: Hi, good morning. Could you help us understand what you are hearing…what the early indications of the budgeting cycle of customers that you are hearing from, I mean firstly whether those kind of discussions have started at all and you know, what is the kind of indication in terms of overall budget spend and maybe the kind of deals that people are considering and you know in connection with that, also is there any sort of early signs or any signs at all that things may actually start moving more towards the offshore vendors?

Mr. Girish S. Paranjpe: Hi Mithali, this is Girish here.

Ms. Mithali: Yeah.

Mr. Girish S. Paranjpe: You know with many clients, the year end is December so some of them had already finalized the budgets when the events happened of last month or this month and you know, my guess is that all of that really will be reexamined all over again and any cases we have seen in the earlier days of 2001 and 2002, budgets got reassessed virtually every quarter, so I don't know whether we will come to that path but I think whatever was done in August-September in terms of budget freezing will definitely get reviewed by January begins, but my sense is that around December we will get a better sense of the budgets.

Ms. Mitali: Right and what are the kinds of deals that people are really looking at, or what are the kinds of services that people are really looking to leverage from the offshore vendors and are you seeing you know, signs of vendor consolidation so even if they are actually shifting offshore, you know, what is the competition like from the global vendors who also have offshore basis now?

Mr. Suresh Vaswani: Mithali, this is Suresh Vaswani here. You know customers are looking at I would say not necessarily the conventional off shoring type of mindset but they are really looking at something that is driving more than just off shoring, it is driving much more cost transformation, or is driving some business transformation so that is the sense one gets from customers today. Then specifically about you know service lines so to speak, you know, I think infrastructure services if you look at our results in infrastructure services that really is showing an uptake. We have grown around 64% year-on-year in that service line. Testing is looking good. Package implementation is looking good so these are the 3 service lines which are continuing to be looked very, very actively by customers in terms of either transformation opportunities or cost take-out opportunities.

Ms. Mitali: Right, and just a final thing on this point, you know, what is the kind of competition you are seeing from global vendors in these specific areas of growth?

Mr. Suresh Vaswani: You know in these areas of growth and you know, broadly, we are competing as much as with global vendors as much as we are competing with our peers here, but increasingly it is more a competition which includes all the global vendors and some of the Indian vendors in the fray.

Ms. Mitali: Right, thanks, and just one quick second question on the margin side, with utilization, you know, having improved quite impressively and now being probably at some sort of optimum level, you did speak of a positive bias to margins helped by nonlinear initiatives and you know fixed pricing, if you could elaborate a bit on that and you know secondly on the cost side, what is the kind of you know, leverage that we have for instance in terms of variable compensation percentage?

Mr. Suresh Vaswani: Sure, okay, you know, let me give some perspective of that, Mitali. There are 2 or 3 things we are doing. One is increasingly moving our business towards more and more fixed priced projects. So once you have fixed priced projects, you have a lot more leverage in terms of you know the people that you put on the contract, the experience level of the people, drive productivity, finish the project earlier and so on and so forth and therefore you have enough room in terms of making sure that you deliver better than what you had originally anticipated in terms of …the profitability is concerned. The second thing that we are doing is in terms of manage operations type of contracts, you know, increasingly we are shifting customers towards getting away from a people sort of mindset to a much more outcome based mindset and you know, once it becomes outcome based and we are able to really use a lot of the tools that we have, a lot of the methodologies that we have, and truly drive nonlinear service delivery, so whether it is in BPO or whether it is application support or whether it is package implementation or whether it is in testing, you know, clearly we want to drive that. Drive a lot more automation than we were earlier able to do, so really a combination of fixed priced projects, combination of overdrive on productivity and combination of nonlinear delivery model is what gives us the confidence that we will be able to sustain…we will be able to sustain margins and also have a positive bias in so far as margins are concerned.

Ms. Mitali: Right, that's very helpful and just you know, what is the kind of percentage we have of, you know, variable compensation or you know, other scope to squeeze cost?

Mr. Suresh Vaswani: See around 15% of our salary costs are variable on an average.

Ms. Mitali: Right, thanks, that's very helpful.

Moderator: Thank you very much, ma'am. Next question comes from Mr. Rishi Maheshwari from Centrum Broking. Over to you sir.

Mr. Rishi Maheshwari: Thank you. I would like to know … the interim dividends have been held back, I would like to know your comments on that, is that the reason why you see the caution in the environment or is that because of an acquisition in fray?

Mr. Suresh Senapaty: You know, these kind of turmoil overall in the market place, you know, gives companies like us a lot of opportunities in terms of acquisition of talent, acquisition of trying to make some investment in some practices which will help us make our customers a win in the market place, etc., etc., so at this point in time, conserving cash whether it is a CAPEX to REVEX or in any form including dividends, we think will be helpful for us to be able to capitalize on any of the opportunities, whether organic or inorganic in any manner and hence we thought it will be more appropriate that we do not give any dividend at this stage.

Mr. Rishi Maheshwari: But Mr. Premji was quoted a couple of months ago stating an acquisition that may in fray in Germany, especially in the SAP space, is that coming up or any light on that?

Mr. Suresh Senapaty: No, like we said that acquisition has been a main part of our overall strategy in addition to a supplementation to the organic growth and we will be continuing to stay focused on that and as and when we come up with any particular transaction, of course we will let you know.

Mr. Rishi Maheshwari: Right, thank you so much.

Moderator: Thank you very much sir. Next question comes from Mr. Sandeep Shah from ICICI, over to you sir.

Mr. Sandeep Shah: Yes, sir on the…this billable offshore employees, there is some material decline, can you throw some light for what this has happened?

Mr. Suresh C. Senapaty: Overall, you know, there is a volume increase of 1.5%.

Mr. Rajendra Shreemal: In fact Sandeep, as far as offshore billable…. The overall volume increase is what we have shared, Sandeep.

Mr. Sandeep Shah: No, sir on the reported matrix, we also share the billable man months, so…

Mr. Suresh Senapaty: Yes, but all we are saying is that overall there has been a volume increase.

Mr. Sandeep Shah: Okay, okay, okay. Thanks.

Moderator: Thank you very much sir. Next question comes from Mr. Shekar Singh from Goldman Sachs, over to you sir.

Mr. Shekar Singh: Hi, sir. Last quarter you mentioned that the pricing can come down but if I now understand the source of your pricing increase, it is mainly on account of the nonlinearity that you are building in the model, basically move to fixed priced and all, so in that scenario, why should the pricing come down?

Mr. Suresh Senapaty: No, no, I don't think we have guided any kind of a price decline in Q2,

Mr. Shekar Singh: Okay.

Mr. Suresh Senapaty: In Q3, we are making…a caution that number of days in Q3 is lesser than that of Q2.

Mr. Shekar Singh: Correct.

Male Speaker: What we are saying is that headcount addition is no more a lead indicator; we are saying that we are taking all actions in terms of nonlinear initiative which will in effect result into better price realization and may or may not be increasing the coupon price with the customer.

Mr. Shekar Singh: Yeah.

Mr. Suresh Senapaty: So that is a win-win that we are seeking between the customer and us and that would mean an alignment of the go-to market that we mean creating more solutions, value propositions, etc., those are some of the initiatives while today we are not much headed ahead but going forward we have already done that, demonstrated in BPO and hopefully over the next few quarters, we will be able to demonstrate much more explicitly in the IT services.

Mr. Shekar Singh: Sir, just for my understanding like with your sort of model and the attempt that you are making to make it nonlinear, a volume growth if we were to segregate into volume and pricing, in your case even in future quarters, most of the revenue growth should actually come from pricing increase, which is basically like the effect of all the nonlinear initiatives that you are taking?

Mr. Suresh Senapaty: That is true but not necessarily that we will stop growing volume wise so we will do both.

Mr. Shekar Singh: Sure, so basically like just to understand this like if you are doing a fixed priced contract and if you reduce the number of employees, that will actually show up as a reduction in volume in terms of billable employees, but if the billing continues to remain the same, it means your billing percent has actually gone up.

Mr. Suresh Senapaty: Absolutely, except there is one factor which is the currency, constant currency versus currency movement.

Mr. Shekar Singh: Yeah, yeah, say we are talking about the constant currency versus… you know...

Mr. Suresh Senapaty: That is correct. You are right.

Mr. Shekar Singh: So, thanks a lot, sir.

Moderator: Thank you very much sir. Next question comes from Mr. Pradeep Gandhi from Edelweiss Securities, over to you sir.

Mr. Pradeep Gandhi: Congrats on a good set of numbers. Hello?

Mr. Suresh Senapaty: Yes, please. Thank you so much.

Male Speaker: Thank you.

Mr. Pradeep Gandhi: Okay, I just wanted to understand about the product segment, in this quarter we have seen the 33% increase in the product revenue, where as the margin has increased hardly 2% or probably as a percentage of revenue, so why there is a decline in the product….in the margin percentage?

Mr. Suresh Senapaty: Yeah, I think partly because of the exchange like…. exchange benefits on the export side, exchange not necessarily benefit from the domestic market point of view because you always have this lead of having picked up the deal but fulfilling it a little later and at the speed at which rupee has been depreciating, there would be leakage which we would not be able to pass it onto the customer, so partly it is that and partly it is, you know, since we have grown much better, you know, there has been a little bit of so called margin dilution but, you know, they are much more mix of revenues in the product side that has come and rather than anything substantially change in terms of the customer behavior or our own overall strategy.

Mr. Pradeep Gandhi: Okay, and one more thing like can we expect a similar kind of trend going forward in the growth prospect….revenue….?

Mr. Suresh Senapaty: No, typically in the product side, the growth is very high in Q2 and Q4.

Mr. Pradeep Gandhi: Okay.

Mr. Suresh Senapaty: Q1 stands muted particularly quarter 4 to quarter 1 actually there is generally a decline. Quarter 3 and quarter 2 are more or less similar kind of a thing but it could be a little bit of plus, a little bit of minus, but quarter 4 is generally a very good quarter so far the product is concerned. As you know, in India, whether it is a government business or income tax, drives investments in the product for many customers, so therefore 2 and 4 are generally very good quarters in the product side in India.

Mr. Suresh Vaswani: Just one more clarification I would like to give. This is Suresh Vaswani here. We have also extended our products business to the Middle East, so like we have a full fledged product system integration services solution store in India, we have extended that same model to the Middle East, and we were not doing products business in the

Middle East in the past, so that is why you are also seeing a significant uptake in terms of products growth.

Mr. Pradeep Gandhi: Okay, okay, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Mr. Vikas from Motilal Oswal, over to you sir.

Mr. Vikas: Hi, you had a decent set of numbers in this challenging times. I had this question – from the clients' perspective are you seeing…I just wanted to understand what is the kind of priority in IT spends all the clients are, you know, looking at in these challenging times?

Mr. Suresh Vaswani: Okay, this is Suresh Vaswani here. You know from a customer point of view, whatever is discretionary, whatever is nice to do, they will not do.

Mr. Vikas: Right.

Mr. Suresh Vaswani: They will drive productivity and in so far as the IT investments are concerned, so just to give you an example, virtualization of storage….

Mr. Vikas: Okay.

Mr. Suresh Vaswani: Or a virtualization of their entire IT architecture which will reduce the IT investment significantly but will drive much more productivity is what customers are going to do. From a services perspective, you know, the business has to run, right, so that will go on. In terms of projects, if these are projects which are going to make a significant impact in so far as the business is concerned, obviously absolutely the must do in terms of the business transformation, they will simply go ahead and they would want to do it faster than what they would have normally done. So, you know, that's the outlook.

Mr. Vikas: Right, but is this, you know …is this trend similar in the clients who are already affected and the clients who are not affected?

Mr. Suresh Vaswani: You know I think this entire economic situation today is not necessarily localized to the banking sector, it is all pervasive.

Mr. Vikas: Right.

Mr. Suresh Vaswani: So the same sort of mood in terms of cost cautiousness, productivity, using assets better, and looking for IT investments which are more transformation is actually across the board.

Mr. Vikas: Right. And secondly this sounds very interesting, you know, this testing as a managed service for largest financial services group, can you bit elaborate on this, whether is this something unique which you are doing, something which is, you know, first time, and probably this involves a lot nonlinear revenues?

Mr. Suresh Vaswani: No, testing as managed services has been our core proposition now for the last couple of years.

Mr. Vikas: Okay.

Mr. Suresh Vaswani: And this is one of the large deals that we won in EMEA, you know, for a large banking client, so we are not doing the development there, but we are doing the testing, we are consolidating all the testing, we are driving significant automation, and you know, we are driving productivity, but this is something which is very core to our business, which we have done again and again for various customers.

Mr. Vikas: So…

Mr. Suresh Vaswani: It is just that now we drive a lot more automation and a lot more nonlinearity than let us say we were doing in the last 2 or 3 years back.

Mr. Girish S. Paranjpe: Vikas, this is a little unique because we have led the client engagement with this deal so we had no previous engagement with the client. We have lead with this offering.

Mr. Vikas: Right.

Mr. Girish S. Paranjpe: And it is kind of comprehensive end-to-end testing kind of a set up in a new geography.

Mr. Vikas: Sure, sure. Thanks a lot.

Moderator: Thank you very much sir. Next in line we have Mr. Ashwin Mehta from Mangal Keshav, over to you sir.

Mr. Ashwin Mehta: Yeah, I had a pricing related question, are you seeing any instances of pricing pressures of a different kind where in scope increases of projects are not being compensated by additional resources without actual rack rate showing a decline?

Mr. Girish S. Paranjpe: Yeah, Girish here. You know, those challenges are not unique to these times; that happens with unreasonable clients any time of the year.

Mr. Ashwin Mehta: But there have not been any untoward increases in such kind of instances?

Mr. Girish S. Paranjpe: No, no.

Mr. Suresh Senapaty: And also Vikas just to clarify when we communicate an increase or the realized rate, these are basically price realization and not necessarily the rack rate.

Mr. Ashwin Mehta: Okay, but I was coming from the point of view of if these kinds of instances are happening, in that case further increases in utilization might get difficult.

Mr. Suresh Vaswani: Yeah, that is true.

Mr. Ashwin Mehta: Okay, thanks.

Mr. Suresh Senapaty: Hopefully customers won't get ideas from you.

Moderator: Thank you very much sir. Next is the follow up question from Mr. Anthony from TechMarket, over to you sir.

Mr. Anthony: Yeah, thanks again, just to clarify on the European wins, can I firstly confirm that all the European wins, not the UK ones I assume that's an existing customer, but all the new continental European wins are indeed new clients?

Mr. Girish S. Paranjpe: That's right, Anthony, they are all new clients.

Mr. Anthony: That's great. And can you tell me just finally which of your service lines do you find most successful in opening new logos in continental Europe?

Mr. Suresh Vaswani: You know, I have…this is Suresh Vaswani here. They are difficult to single out because if you…if you look at this European list, you will find one testing opportunity which has opened up, then you will find one infrastructure…or a package implementation opportunity that has opened up, so I would say in terms of the service lines that sort of differentiate us and strongly differentiate us are really all of these- testing, package implementation, infrastructure services where we have seen huge growth and also BPO.

Mr. Anthony: Okay, thanks very much again.

Mr. Suresh Vaswani: Thank you.

Moderator: Thank you very much sir.

Mr. Suresh Senapaty: Can we have the last question operator?

Moderator:	Sure, sir. The last question comes from Ms. Subhasini from JM Financial, over to you, ma'am.
Ms. Subhasini:	I just wanted to know what is the quantum of offshore hikes that we have given?
Mr. Suresh Vaswani:	7%-8%.
Ms. Subhasini:	Sure, thanks, that's all from my side.
Moderator:	Thank you very much, ma'am.
Mr. Suresh Vaswani:	Okay, thank you.
Moderator:	Thank you very much sir. Ladies and gentleman, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation.
Moderator:	You may now disconnect your lines. Thank you.