

# Final Transcript

## WebEx Communications, Inc.

Wipro Limited Q4 & Year-End Results Conference Call - FY 2008-2009

Event Date: April 22, 2009

## PRESENTATION

### **Moderator- WebEx**

Good morning. My name is Niva and I will be your conference operator today. At this time, I would like to welcome everyone to the Wipro fourth quarter earnings call for the period ending March 31, 2009. At this time, I will turn the call over to your speaker, Mr. Sridhar Ramasubbu. Thank you.

---

### **Sridhar Ramasubbu- Wipro- Investor Relations**

Yes, thanks Niva. Good morning ladies and gentlemen and good evening to the participants across the globe. Rajendra, Lalit, and Aravind join me from Bangalore and extending a very warm welcome to all the participants to Wipro's fourth quarter results and earnings call for the period ended March 31, 2009. We have with us today Mr. Azim Premji, Chairman and Mr. Suresh Senapaty, CFO, who will comment on the US GAAP results for the period ended March 31, 2009. They are joined by joint CEOs of IT business, Suresh Vaswani, Girish Paranjpe, and other senior members of the Wipro management team who will be happy to answer questions.

During the call, we might make certain forward-looking statements within the meaning of the Private Securities Litigation Reforms Act 1995. These statements are based on management's current expectations and are associated with uncertainty and risks which could cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with the Securities and Exchange Commission in the USA. Wipro does not undertake any obligations to update forward-looking statements to reflect events or circumstances after the date of filing thereof.

The call is scheduled for 1 hour. The presentation of the fourth 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 on 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, Chairman, Wipro.

---

### **Azim Premji – Wipro- Chairman**

Good evening and good morning to all of you, depending on where you are located. Thank you for joining our call.

Financial year '09 ending March 31, '09 saw the most severe economic meltdown the world has seen in this generation, unmatched both in its geographical spread as well as in its severity. The crisis battered the financial sector and moved onto the real sector of the economy with total freeze in credit market, significant downturn in profit, corporate profitability, loss of confidence in business prospects, and tapering of consumer spending. This resulted in the world economy and trade almost coming to a standstill. Coordinated central government action and fiscal stimulus by key nations helped bring back some confidence in the last quarter.

Emerging economic indicators lead one to believe that the world economy will take some time to recover from the aftermath of this crisis. Our customers across geographies and industries have been affected. They want cost take-outs, capital conservation, and optimizing business processes. This should lead to increased engagements with us in their transformation journey.

In spite of this, it has not been all gloom and doom. In these turbulent times, our results have been robust, resulting in Wipro Limited posting a 29% growth in revenue.

We've had good deal-wins and generated a robust pipeline. IT services business delivered a strong year-on-year revenue growth of 18.5 percent, adding \$676 million to the top line, highest in the industry.

PBIT grew 23% year-on-year, a considerable achievement in these tough times. In crisis like this come opportunities to refuel and revitalize for the next phase of growth. We have taken a close assessment of customer requirement, and have focused on operational excellence, and delivering more than promised to customers.

Successful organizations use these challenging times to gear themselves for the future, and this year has been one of internal focus for Wipro as the external world became unpredictable. Beginning early in the year, we identified and made changes in three key focus areas. We reconfigured our sales engine to better align it to developments in business environment and we continue to strengthen the sales engine with focus on deal conversion and demand generation. Second, customers are looking for partners with consultative approach, with competencies in program management, transition management and systems integration. We had created the Global Programs Team the beginning of last year with these capabilities, and we saw some excellent deal-wins in the current year. We are confident that capabilities here will be a unique differentiator, and help convert our large deal pipeline to wins. Thirdly, we streamlined our operations; FY'09 has been a year of operational excellence. We had solid operational performance with increased focus on productivity, and realignment of cost structures in our Global Delivery model. We moved the lever on fixed price projects, productivity, utilization and offshore mix significantly over the past one year. This has given us the operational flexibility to offer multiple models, to give better price to the customer with least impact on realization for Wipro. This also sets us for a robust performance going forward.

The lack of over dependence on either the customer or a vertical or a service line or a geo has also come as a great advantage to Wipro. This further reinforces our view that business portfolio should deliver in both good and bad times, and not just in one environment.

Overall, where the demand generation looks good, conversion to wins remains challenging, and we will continue to invest in our front end and retain customer proximity. As part of the Global Delivery Model, we have also been investing in near-shore centers, including the U.S. and UK, and we have plans of scaling them substantially.

There's a strong push to hire and deploy locally where competitive local talent is available. We will globalize the spread, and localize the talent. We have expanded our service portfolio to tackle situational concerns.

The slow-down in 2001 saw us introspect and thrust several service lines such as consulting, technology, infrastructure services, package implementation, testing services, business process outsourcing, and product engineering services, which have been our key engines for growth and now account for 55% of our revenue.

We will be investing in strengthening current offerings and also incubating new verticals, penetrating new markets, focusing on new technologies, which will give us a sustainable competitive advantage.

Our engagement levels at CXOs has increased significantly giving newer insights to their business problems and how we can be a partner in their transformation journey, simultaneously with building a much stronger brand with them.

Our other business units have not been immune to the challenges posed by the crisis, but they've shown increasing resilience. Our early focus and investment in emerging economies, which have been relatively less impacted through organic and inorganic measures, have held us in good stead.

Santoor brand continues its journey of increasing market share and, in January, February '09 became the largest brand in rural south India, as measured by A.C. Nielsen. Unza continues to grow ahead of the market growth rates for Southeast Asian markets.

Our financial stability, coupled with our highest order of corporate governance and commitment to ethics and transparency, gives us tremendous confidence in our ability to ride out this wave of uncertainty and emerge much stronger than before.

In line with our commitment to the idea of triple-bottom-line, focusing on the three parameters of people, planet, and property, as a means of sustainable profitability, we adopted GRI, Global Reporting Initiatives framework for reporting on three aspects, ecological, social, and economic performance from the year 2008.

Our first sustainability report was released recently, after a detailed internal exercise of over nine months. We see this initiative as part of a continuous process of organizational development that reinforces sustainability in every aspect of our operation and which commits us to a five year timeline for becoming carbon neutral by end of 2013.

We, as an organization, are aware of our responsibilities to the environment and are on our way to becoming an ecological surplus organization.

We are entering uncharted territory in the global economy and the IT sector, but while environment is challenging, the value proposition of outsourcing in general and off shoring, in particular, has only strengthened.

Our anchor in such times is rooted in providing strong business value to customers. We are confident that we are making the right investments for a bright future. I would now request Suresh Senapaty, our CFO, to share the financial highlights of the quarter, following which your management team will be happy to take questions.

**Suresh C. Senapaty**- *Wipro- Executive Director & Chief Finance Officer*

Good morning to all of you in the United States and good evening to those of you in Asia. Prior to taking you through some of our performance highlights of the quarter, let me draw attention to the fact that for the convenience of readers, our US GAAP financial statements have been translated into dollars, at the noon buying rates in New York City, on March 31, 2009, for cable transfers in Indian rupees, as certified by the Federal Reserve Bank of New York, which was US\$1=Rs.50.87.

Regarding revenues for our IT services segment that was \$1046 million or in rupee terms 49.28 billion rupees appears in our earnings release as \$969 million based on this convenience translation.

Let me take you through some of our performance highlights for the quarter. Our IT services revenue based on constant currency of quarter ending December 31, 2008 was \$1058 million, ahead of a guidance of \$1045 million.

On a reported basis, our IT Services revenue was \$1046 million. We had strong growth in challenging times in the Manufacturing & Healthcare vertical with constant currency sequential growth of 2%. Retail and Transportation continues to have strong deal traction and exhibited yoy growth in constant currency of 33%. Our differentiated Service lines of Package Implementation and Testing Services showed strong growth in the quarter with yoy growths of 19% and 15% respectively. We have always identified opportunities in emerging markets and aggressively invested in them. Our India & Middle East business grew strongly in the quarter with 31% yoy growth on constant currency basis. Our Other Emerging Markets also showed robust growth of 33.5% on constant currency terms and we will continue to invest in newer geographies.

Our customer relationship continues to be strong. Accounts with revenue greater than \$20 million increased from 52 in quarter ending December 2008, to 53 in the quarter ending March 2009. Our accounts with greater than \$50 million have increased to 17, up from 16 the previous quarter. We have two accounts with revenue greater than \$100 million for the year ending March 31, 2009.

This was a quarter of strong operational performance. Our mix of revenues from fixed price projects increased by 210 basis points sequentially to 38.1%. Over the last four quarters we have moved the lever on fixed-price projects by 8.9%. The productivity benefit from fixed-price projects reflects in the movement of our rate realization. Our onsite rates have moved up 2.6% on a year-on-year basis, while the offshore mix has moved up 3.1% on a year-on-year basis.

We've been able to mitigate the impact of pricing pressures substantially in the current quarter - sequentially, our onsite rates moved up by 0.9% while offshore rates declined marginally by 0.1%. The offshore mix moved up 195 basis points sequentially in the quarter.

The strong operational performance has resulted in a good performance on margins in the current quarter. We have sequentially improved margins by 80 basis points and adjusted for one time PDD impact in last quarter, the margins have moved up by 20 basis points, despite the pressures posed by steep volume drops. Our IT products business shows year-on-year growth of 27% in the current quarter despite the reduction of capital expenditure and investment by Indian corporates.

Wipro's Consumer Care & Lighting business continues to see good momentum with improved margins sequentially by 160 basis points, and our PBIT growth sequentially is 12%.

On the foreign exchange front, our realized rate for the quarter was Rs. 47.11 vs. a rate of Rs. 46.03 realized for the quarter ending in December 31, 2008. On a quarter-on-quarter basis, forex gave us positive impact to margins by 40 basis points net of cross currency. As at period end, after assigning to the assets on the balance sheet, we had about \$1.3 billion of forex contracts (\$1.9 billion on gross basis) at rates between 39.50 and 50.51.

As of March 31, 2009, our DSO was 60 days, as against 67 days in the same period previous year and our net cash balance on the balance sheet was Rs. 13 billion. We've generated a free cash flow of Rs. 20.6 billion during the year, a year-on-year increase of 98%.

From June'09, we will migrate to IFRS reporting. IFRS reporting is closely aligned to India GAAP, except for accelerated treatment of stock compensation. For the benefit of investors and analysts, we will provide the US GAAP number also for sequential and y-o-y comparison for the quarter.

We would be glad to take questions from here.

---

**Sridhar Ramasubbu- Wipro- Investor Relations**

Niva, we can go for Q&A.

---

**Moderator- WebEx**

Very well. If you would like to ask a question at this time, please press \*1 on your telephone keypad. If you wish to withdraw your question, please press the pound key. One moment, please, for our Q&A roster to compile. And, our first question is from Mark Marostica of Piper Jaffray. Please go ahead.

---

**Mark Zgutowicz –Marostica - Analyst**

Thank you. It's actually Mark Zutowich for Marostica. I was hoping you could remind us again what your visibility typically has been on a quarter-on-quarter basis, as well as over the next 12 months. And, then, comment on what it looks like today.

---

**Girish S. Paranjpe- Wipro - Executive Director & Joint CEO, IT Business**

Hi, this is Girish here. We don't give guidance on full-year basis, so I can give you only qualitative comments, for that problem can't give you any numbers. Our current year

visibility is really based on the pipeline that we see, the type of conversations we are having with clients, and the number of client visits we are having to our facilities in India and abroad. So, based on what we are seeing today, the sense that we have is that while some sectors continue to have, you know, continue to be impacted, in many of those, so those sectors are tech and financial services. In many of the other sectors, there is varied degree of kind of businesses usually, which is kind of getting back. And, we see that in the news pipeline, the conversations that we've had with clients, and the client visits. So, based on that, our sense is that we should see some kind of normalization taking place post-summer. And this is based on the assumption that there'll be no external kind of impact of any other issue that may crop up. And, even in tech and in financial services, our view is that while we cannot say that all the pain is gone, we are seeing that a lot of the pain is behind us. And, hopefully over the next maybe one quarter, and maximum two quarters, we should see most of it kind of going away.

---

**Mark Zgutowicz** –*Marostica - Analyst*

Ok, I guess what I was trying to get a sense of is, sort of how, if any of the backlog has been building, you know over the last couple quarters, or shrinking for that matter. So, I'm just trying to get a sense, if you look at your overall business pipeline over the next 12 months, how much visibility do you have on that? I mean, if you can quantify it, just in percentage terms. And, then, also if you could, I think you had mentioned on a call, some stabilization on the consulting side. Just curious how you look at sales cycles and looking at the widening, I guess that we've seen on sales cycles, and sort of compare that to the stability you're seeing on sales on the consulting side, which is sort of a better indicator of you know, future stability?

---

**Suresh Vaswani**- *Wipro- Executive Director & Joint CEO, IT Business*

This is Suresh Vaswani here. You know I'll comment on the first part of your question, in terms of, you know, what the visibility is and what is our sense in terms of next year versus the previous year. So clearly you know going into this year, we are going in with a fairly robust healthy pipeline, and certainly a pipeline which is more than what we entered the previous year with. So that's the first point. The second point is that it's not very sectorally focused. So we had a healthy pipeline across all our SBUs. So whether it is Telecom, whether it is TMT, whether it is BFSI, whether it is Energy & Utilities, we are seeing a fairly healthy pipeline across all our SBUs. Third is, you know, and these discussions are serious so the pipeline is, you know, the discussions that we are having with customers are fairly intense, so like Girish said, there's much more customer activity that is happening now in context of deals, in context of transformational deals that were happening, say three or four months back. You know the only issue is how many of these will we close? So that's a variable. And how fast each segment or each customer in each segment will close is what will determine the relative performance of each SBU. So all in all getting into this year from tough times last year where there were serious economic challenges, and well we've had challenges in terms of our Q3 performance

and Q4 performance, but we are getting into this year with fairly strong, I would say cautious optimism. And so you know when I mention – so I was talking about all the comments I made was related to the funnel that we currently have.

---

**Mark Zgutowicz** –*Marostica - Analyst*

Okay. And then, in terms of sales cycle, are you continuing to see those widen or shorten or what, can you give some color on that?

---

**Suresh Vaswani**- *Wipro- Executive Director & Joint CEO, IT Business*

Well you know I'm just saying history can be an indicator, because we did finalize fairly strong system integration and transformational type of deals last year. And typically it's a cycle, I mean if there is \$100 million deal, the customer certainly gets into a lot more depth, gets into visiting India and so on and so forth, so in those type of deals, the cycle is anywhere between six to nine months.

---

**Girish S. Paranjpe**- *Wipro - Executive Director & Joint CEO, IT Business*

But broadly speaking, we are not seeing any major lengthening or shortening of cycle. It is more or less on the historical pattern of all the sales cycle.

---

**Mark Zgutowicz** –*Marostica - Analyst*

Okay.

---

**Girish S. Paranjpe**- *Wipro - Executive Director & Joint CEO, IT Business*

On consulting side there is a question saying that what it is that we have seen, and I think me and one of my colleagues had mentioned earlier that, as compared to last year or maybe even January of this year, we have seen more traction on consulting than the last one or two months, which is one of the lead indicators of how the business is doing.

---

**Mark Zgutowicz** –*Marostica - Analyst*

Okay, great. Just one quick final one, headcount, can you just talk about how you are managing headcount and maybe just some color on net hires this year or fiscal 10?

---

**Suresh C. Senapaty**- *Wipro- Executive Director & Chief Finance Officer*

We had net additions of about 700 people across our businesses. But internally, we continue to ramp-up our utilization levels and not allow that to fall. And as demand picks up, we will be able to bring in folks, either from the market or we have a pipeline of engineering grads who are waiting to join us, and we have a plan to take them in on a phased basis starting from May so that as and when market picks up, we have the ability to start the projects and make them billable.

---

**Mark Zgutowicz** –*Marostica - Analyst*

Okay, great. Thanks very much.

---

**Moderator**- *WebEx*

Thank you and the next question comes from Joseph Foresi of Janney Montgomery.

---

**Joseph Foresi**- *Janney Montgomery- Analyst*

Hi gentlemen. I wondered if you could just expand a little bit on what you said about consulting sort of showing signs of up-ticking, what particular type of consulting are you doing and is that an area where you are seeing, you know, some improvement?

---

**Girish S. Paranjpe**- *Wipro- Executive Director & Joint CEO, IT Business*

First I must say that we are, as compared to our peers in the global consulting practices, relatively small. And it's small not only by size but within Wipro's overall business, it is a relatively small one. But we are focusing on some of our big clients, and this is why it is of interest to us, because if we start seeing engagements with clients or discussions about projects, it is a good indicator that things may be, kind of, little bit turning around. And I think that's really the comment that we made, that as compared to last quarter or even the beginning of this quarter, the kind of discussion that we had with some of our big clients on which the consulting teams are focused, are starting to be constructive and about doing their engagements.

---

**Suresh Vaswani- Wipro- Executive Director & Joint CEO, IT Business**

But you know just building on that and giving a prospective of the sort of deal flows that we've had this year, many, many of the deals that we finalized this year have been "system integration" type or "business transformational" type. So the Origin Energy customer in Australia, where we're doing a full fledged architecting and implementation of SAP ISU, which is both the front end, in terms of weekend transformation, as well as the back office. Likewise, Morrison is an opportunity we finalized in UK, where we are doing a full fledged Oracle retail and Oracle back office implementation; so it's, you know, truly end-to-end and truly transformation. So the deal inflow that we've had this year, including one very large deal that we finalized in India from ESIC is much more end-to-end, much more transformational, a lot of system integration, and really getting in all the capability that we have across all our service lines, to driving strong transformation for our customers.

---

**Joseph Foresi- Janney Montgomery- Analyst**

Okay. And just kind of moving onto pricing, price seems to have held a little bit better for you guys than some of your competitors. What do you attribute that to? Is that the movement to more fixed price? Are you seeing a change in the velocity of the re-negotiation of deals or the pricing on those deals, and what does pricing look like on new deals?

---

**Suresh Vaswani- Wipro- Executive Director & Joint CEO, IT Business**

So you know again let me reflect on last year and some of the approaches that we took. Clearly, we drove a lot more fixed-price projects in our business mix last year. So the fixed-price projects mix has gone up by as many as 650 basis points on a year-on-year comparison. Secondly, if you get fixed-price projects together, you have a lot of flexibility in terms of delivery model, tools usage and, if you execute well, you are really able to ratchet up margins, ratchet up price realization, which is what we've been able to do for most of last year. Our onsite pricing or price realization has improved by 3%; our offshore price realization has improved by 3%, and the fixed-price projects and the drive we've had on productivity has helped that. Now, going forward, we're pretty much going to do the same, because, at the end of the day, the idea is to give the customer a win in terms of cost transformation, and to also give ourselves a win in terms of making sure that we use the right levers and the right delivery model and the right execution for closing out on projects or for implementing projects. Having said that, you know from a next year perspective, while we've been able to do a 3% price realization update, an uptick in tough and challenging times, looking at next year, there is a lot of price discussion taking place with customers, but we do believe that the range at which our price realization could move on account of pricing pressure would be between 0 to 5%.

---

**Joseph Foresi-** *Janney Montgomery- Analyst*

Okay.

---

**Suresh Vaswani-** *Wipro- Executive Director & Joint CEO, IT Business*

And we still have all the levers, and the wherewithal, so to speak, so that we sustain our margins at the current levels.

---

**Joseph Foresi-** *Janney Montgomery- Analyst*

Okay. And just one last question, it sounded like you were expecting financial services to maybe start bottoming. And it sounds also like your commentary about your deal pipeline is relatively positive going forward. I wondered if you could just comment on where you think we are in the cycle? Are we getting closer to a bottom baseline number here or, you know, are you expecting it to take some time, maybe even a full 12 months before we start to see recovery?

---

**Girish S. Paranjpe-** *Wipro- Executive Director & Joint CEO, IT Business*

Hi, Girish here. This is again based on early conversations. The sense is that in the financial services while some of the critical things are still to be resolved, especially the stress test of the big banks that could have fallouts on consumer lending. At least in some parts of the sector, we should start seeing stability come back by the end of summer.

---

**Joseph Foresi-** *Janney Montgomery- Analyst*

Okay. Thank you.

---

**Moderator-** *WebEx*

Our next question comes from Ashish Thadhani from Gilford Securities. Please go ahead.

---

**Ashish Thadhani- Gilford Securities- Analyst**

...20% to 21%....

---

**Moderator- WebEx**

Excuse me, Mr. Thadhani, please...

---

**Sridhar Ramasubbu- Wipro- Investor Relations**

Can you repeat please?

---

**Ashish Thadhani- Gilford Securities- Analyst**

Yeah, my question is on operating margin in the IT services business, which has been very consistent at the 20% to 21% range over the last six quarters. Are you deliberately managing it to this target or can it be expected to vary a little bit more in the future?

---

**Suresh C. Senapaty- Wipro- Executive Director & Chief Finance Officer**

No, clearly our focus is, like we said our objective is to invest in the long term and make sure that short term...make sure that the short-term profitability is ensured. So, from that point we are continuously investing into growth, and whatever cash flow that gets generated is getting reinvested, and it is not as if we want to cap our operating margin at this level. You've seen that we haven't been the beneficiary of the foreign exchange gains much in 08-09. On a total basis, we have got a benefit of only 20 basis points with a cross currency impact, and perhaps we will also not get too much of a benefit insofar as 09-10 is concerned. But a lot of tightening has happened in terms of the utilization, and the sub-contractor costs, a lot of SG&A efficiency has been brought in, a lot of investments been made. So, from that point of view, it is an overall strategy how we are able to add in that, and generate simultaneously to be able to make sure that as we go along; but it is not as if one is capping the operating margin at that level.

---

**Ashish Thadhani- Gilford Securities- Analyst**

Great, that is very helpful and I also wanted to just switch subject for a second. Could you quantify the business with Delta that might have been lost, the point is that were there any factors in this client's decision that could apply to other clients as well?

---

**Suresh Vaswani**- *Wipro- Executive Director & Joint CEO, IT Business*

Okay, this is Suresh Vaswani here. I don't think, you know, Delta impacts any of our other customers. And, just in terms of a perspective on Delta, over the last year, the customer has been ramping down on the "Call Center" type of business, and ramping up with us on the back-office type of business. So, while something has been ramping down, the back office has been ramping up. There have been some reports in terms of customer satisfaction, etc. – and those are misplaced – we have consistently been at the high end, in terms of CSAT ratings from Delta. In fact, most of the month, we've been voted as Best City of the Month, and that is, I mean, they have multiple delivery centers at our location in Bombay and Pune are some of those. And, we've consistently come out as Best City of the Month. In fact, last year, we've come out as the Best City of the Year, as well. So that is the perspective of Delta.

---

**Ashish Thadhani**- *Gilford Securities- Analyst*

Okay.

---

**Suresh Vaswani**- *Wipro- Executive Director & Joint CEO, IT Business*

While something is ramping down in terms of one type of business, something is ramping up in terms of the transaction processing business.

---

**Suresh C. Senapaty**- *Wipro- Executive Director & Chief Finance Officer*

Ashish, bottom line is there continue to be customers with similar kind of revenue except the revenue profile has changed and continue to be a satisfied customer.

---

**Ashish Thadhani**- *Gilford Securities- Analyst*

That is very helpful too. And final question, could you comment a little bit on the profitability outlook in the other segment, that is the infrastructure and engineering business. It appears that the fourth quarter last was about 8 million dollars, what can we expect, you know, going forward and when might turnaround be in the offing?

---

**Girish S. Paranjpe**- *Wipro- Executive Director & Joint CEO, IT Business*

Yes, I think on the IT services, we saw some expansion; on the IT product side, we had a marginal decline; on the Wipro Consumer Care side, we had an expansion, and in Wipro Infrastructure Engineering, because there is a strong piece of the business which gets linked to infrastructure, both in India as well as in Europe, and we saw what has happened, it has got significantly impacted. I think we did very well as far as quarter one of 08-09 is concerned, we were decent as far as quarter two is concerned. Quarter three has been drastically impacted, and so was quarter four. And, going forward, we did see some of that impact in the first half of the current year. What we're already seeing so far in India is, I think you know there are two pieces - the India piece and the Europe piece. In the India piece, we're seeing some amount of revival, I hope it is sustainable, as just we're seeing the April month pretty much better than the March month kind of situation. So, we expect the quarter one to be superior to that of quarter four, as far as India operations are concerned. However, where Europe is concerned, I think it is another two quarters away.

---

**Ashish Thadhani-** *Gilford Securities- Analyst*

Thank you very much, good luck.

---

**Girish S. Paranjpe-** *Wipro- Executive Director & Joint CEO, IT Business*

Thanks.

---

**Moderator-** *WebEx*

Our next question comes from Julio Quinteros of Goldman Sachs. Please go ahead.

---

**Mr. Vincent-** *Goldman Sachs- Analyst*

Hi. This is actually Vincent sitting for Julio. My first question is on the sequential volume decline that you saw during this quarter, maybe you can just provide some more color on that and specifically utilization, looks like it trended down pretty materially sequential basis, so just wondering when we should expect to see the utilization rate picking up again over the next few quarters?

---

**Girish S. Paranjpe-** *Wipro- Executive Director & Joint CEO, IT Business*

Hi, Girish here. So, the volume decline was really led by sectors, which have been fairly strongly affected by the slow-down. So it's high tech and financial services clients that have led that. And it was primarily that when January came, it became the reset point for many projects; and the clients chose not to renew the project, or put it on hold or

deferred the second phase of that project. So as a result of which we had kind of sequential volume declines, and some of it happened immediately and some of it is planned to be done over the next one or two quarters. So we could see further impact of that continuing in the next one or two quarters. But having said that, broadly speaking, it seems like much of the, you know, kind of ramp-downs have already been kind of factored in. And unless the environment weakens further, there's reason to believe that at least the decline will be arrested. And in other sectors, where the volume growth is still pretty good, we'll start to see the benefit of that coming through in our overall results.

---

**Mr. Vincent-** *Goldman Sachs- Analyst*

All right, that's helpful. And in terms of the effort mix, it looks like offshore mix had been stable over the last three quarters, but actually increased prematurely to 72% this quarter. Just wondering if you can provide some color, in terms of expectations for effort mix going forward? Should we expect to see more mix coming from the offshore side and how does that impact your margin profile going forward?

---

**Girish S. Paranjpe-** *Wipro- Executive Director & Joint CEO, IT Business*

So there has been a strong drive from outside to move work to offshore, because it provides tremendous value to the clients and is margin increasing to us. And because we have been successful wherever we have been able to, you know, persuade the clients to see the value or where we find a multi-year fixed price contract, it gives the flexibility to move the work offshore on a program basis. So we think what we achieved this year is the beginning, and there's more to come in the current year as well. May I request my colleague Manish Dugar, who is the Head of Finance for our IT business to talk about it.

---

**Manish Dugar** – *Wipro- Head- Finance- IT Business*

Yeah, so one of the things that we have consciously tried to do is, whenever the clients have come back with requirements on looking at lower prices, our discussion has always been to motivate them to look at lower costs and that has happened primarily through taking different steps. One of them being trying to move more to an outcome based fixed price project. Also, we look at more and more off shoring and, as you would have seen in the numbers reported on the realization, this has – one offshore mix increase has been one of the significant drivers for us to be able to be in a win-win situation where the customer has had lower costs, while we have not only retained our prices but improved our profitability.

---

**Mr. Vincent-** *Goldman Sachs- Analyst*

Got it. And just last one for me, in terms of your...in terms of the campus offers, can you make some comments on how many offers you already made for campus next year and what are your expectation in terms of the expected ramp-up in terms of the campus freshers coming on board over the next few quarters?

---

**Pratik Kumar-** *Wipro- Executive VP- Human Resources, Brand & Corporate Communications*

Hi, this is Pratik here. So we made offers for graduates who are passing out in year 2008, and we were intending to take them onboard, before the last fiscal got over, which was not the case, so we had some spill-overs from the offers which we had made last year. So just in terms of order of priority, our first priority would be to ensure that they come onboard, so specific dates have already been communicated to those students, and they would be roughly numbering around 6,000 plus, which would from the month of May starting over about the next five or six months they were coming. In addition to that, the graduates who are going to be passing out during the course of this year, we have made about 7000 offers. And once we are through absorbing all the graduates of previous years, we'll begin to take them onboard. We are hoping that they will be absorbed as many during the course of this financial year, as well. But if you're not able to do this, there could a possible spill-over to the subsequent year or so. And beyond that we are not looking at making new fresh campus offers currently. We have picked up the news item that as an industry-body, we've all agreed, and all the participating companies, that we will be visiting campuses for hiring only in the last semester which is essentially the January, February, March quarter. So we are still some distance away. As we get closer to the date, we will get a clearer view in terms of the numbers we want to commit on campus. And this one I am talking about graduates who would be passing out in the year 2010.

---

**Mr. Vincent-** *Goldman Sachs- Analyst*

That's helpful, thanks.

---

**Moderator-** *WebEx*

Thank you. Our next question comes from George Price's line of Stifel Nicolaus. Please go ahead.

---

**George Price- *Stifel Nicolaus- Analyst***

Hi, thanks. George Price from Stifel Nicolaus. I guess a couple of questions. First you know you touched on this in your comments and a couple of questions, but I guess I'm still not clear on something. I'm surprised by you know your cautiously optimistic tone and outlook as it stands in contrast I guess to what I've heard from recent reports you know if you think about the tone and comments from Accenture, Mphasis, TCS and even IBM recently. And I know you mentioned strong pipelines, a lot of people are saying that but the conversion rates are slow and decision making is slow and I know you're talking about good conversations with clients. But it's still not clear to me why you're expressing more confidence that things are likely to turn over the next one to two quarters. Can you, you know discuss that further?

---

**Suresh Vaswani- *Wipro- Executive Director & Joint CEO, IT Business***

Well this is Suresh Vaswani here. So we have a cautiously optimistic sort of outlook. It's only based on what we see in the pipeline, what we are talking to customers, and mind you, there's couple of things that we've done last year which places us in a situation that we're in today. We've been clearly working very closely with customers. We've been working with them in terms of you know you could say generating demand. Which is quite different from let's say two or three years back when it was all about managing demand. So the discussion that we've had our intention the pipeline is real but I would still say the word cautiously. Optimistic is in line with what you said. It's very difficult to predict when the opportunities will close, how fast they will close. And you know that builds in the cautiousness insofar as the optimism is concerned.

---

**Girish S. Paranjpe- *Wipro- Executive Director & Joint CEO, IT Business***

Hi, Girish here. I just wanted to add, you know, one of the things which is a little different for us as compared to many of our peers is that we have a better balance of business by industry verticals. We are less dependent on one or two industry verticals for bulk of our business. We are more well-balanced in terms of geographic spread, so we have a chunk of the deals which come from India and the Middle east which is still fairly robust, and we are well-spread by service line, because there are certain parts of our service lines, especially on BPO and infrastructure management which are less affected by slow-down there because they are annuity type of businesses. So I think that may be the reason why you are seeing a little difference in our kind of posture versus what you heard from others.

**George Price-** *Stifel Nicolaus- Analyst*

Okay, fair enough. What was the acquired revenue contribution in US dollars in the fourth quarter and what are your expectations for the fiscal first quarter 10, June quarter?

---

**Girish S. Paranjpe-** *Wipro- Executive Director & Joint CEO, IT Business*

George, the organic revenue on a sequential basis was minus 6.7 percent as against minus 4.9 percent, which was on a overall reported basis. And similarly, that number, organic revenue growth on a constant currency basis year-on-year was 6.8 percent versus 8.7 percent, including acquisitions.

---

**George Price-** *Stifel Nicolaus- Analyst*

Okay. And I guess last question is, can you talk at all about how you think your tax rate is going to behave in fiscal 10 and in fiscal 11, given the, you know, the growth outlook that you see and, you know, transition of new work into SEZs, you know, assuming the STPI gets away next March. Thanks.

---

**Pratik Kumar-** *Wipro- Executive VP- Human Resources, Brand & Corporate Communications*

Sure. George, as far as growth is concerned, we continue to have most of our growth going to the SEZ. And the next year effective tax rate would be approximately 100 to 200 basis points higher than what you have seen in the current year, whereas in US GAAP we would have very good ETR which is less than 14%. Regarding April '11, I think it is slightly too far away. It would depend upon the growth that we have in that financial year and we would be able to give a better sense on it maybe two, three quarters down the line.

---

**Girish S. Paranjpe-** *Wipro- Executive Director & Joint CEO, IT Business*

But because we have been fairly ahead on the SEZ point of view, our endeavor would be to be as close to the numbers that we are going to see for the current year.

---

**George Price-** *Stifel Nicolaus- Analyst*

Okay, but you still see that the tax rate this coming here fiscal 10 up 100 bps, 200 bps due to what is that STPIs rolling off?

---

**Girish S. Paranjpe**- *Wipro- Executive Director & Joint CEO, IT Business*

Yeah.

---

**Pratik Kumar**- *Wipro- Executive VP- Human Resources, Brand & Corporate Communications*

That's right.

---

**George Price**- *Stifel Nicolaus- Analyst*

Okay, alright, thank you.

---

**Moderator**- *WebEx*

Our next question is from Ed Caso of Wachovia. Please go ahead.

---

**Chris Wicklund**- *Ed Caso- Analyst*

Hi good morning. This is Chris Wicklund for Ed Caso. Can you comment on the...

---

**Rajendra Shreemal**- *Wipro- Head- Investor Relations*

Ed, this is Rajendra here, could you speak up please.

---

**Chris Wicklund**- *Ed Caso- Analyst*

Yes, this Chris Wicklund for Ed Caso. Is that better?

**Girish S. Paranjpe**- *Wipro- Executive Director & Joint CEO, IT Business*

Yeah, it is slightly better.

---

**Chris Wicklund**- *Ed Caso- Analyst*

Can you comment on the cost controls underway specifically on the SG&A because that looks like it is down sequentially both in dollar and rupee terms?

---

**Suresh C. Senapaty**- *Wipro- Executive Director & Chief Finance Officer*

Can you just repeat the question please.

---

**Chris Wicklund**- *Ed Caso- Analyst*

Yes, can you comment on some of the cost control measures that you are taking at the corporate level?

---

**Sridhar Ramasubbu**- *Wipro- Investor Relations*

Cost control measures on G&A, that is what he is asking.

---

**Chris Wicklund**- *Ed Caso- Analyst*

Yes.

---

**Manish Dugar** – *Wipro- Head- Finance- IT Business*

Hi. This is Manish here. We have two kinds of primary activities when we look at cost. One is what is being led by the businesses in terms of utilization, COGS reduction; and the second one is what is led at the corporate level, which is SG&A. I would like to split the whole thing into two parts. Keeping our future perspective and keeping our growth expectations in mind, we are maintaining S&M. However, what we have done is we have looked at significantly retooling our G&A structure, which helps us reduce the overall SG&A in spite of having invested in the S&M piece. And let me now touch upon some of

the things that we are doing on the G&A side, which would typically revolve around re-looking at the way we have structured our internal processes. And – for example, we have made significant investments now in automation, which helps us to reduce the overall support structure and that significantly reduces our costs, while bringing in efficiency in the process. And not just reducing the cost it also helps us in significantly supporting the business in improving the operating metrics. So in affect there are – while there are small value items around travel costs, there are things around reducing the electricity cost, which again is significantly driven by our green initiatives, but I think the more important thing is that while investing in sales and marketing, we have been able to reduce our overall G&A and have in spite of that been able to support our business in delivering the operating margin improvements that we have seen on the COGS line items.

---

**Chris Wicklund- Ed Caso- Analyst**

Okay. And also, were there any additional reserves taken from Nortel in the quarter?

---

**Manish Dugar – Wipro- Head- Finance- IT Business**

No, we have stuck on to the 7.5 million dollars that we had provided in the last quarter.

---

**Chris Wicklund- Ed Caso- Analyst**

Okay, thank you.

---

**Moderator- WebEx**

The next question comes from Moshe Katri of Cowen & Company. Please go ahead.

---

**Moshe Katri- Cowen & Company- Analyst**

Thanks. Your commentary in the guidance and in terms of what you are seeing in the pipeline sounds a bit more optimistic and positive than some of your peers. What do you attribute it to, is it, you know, lack of any specific customer exposure, lack of, I mean, the fact that you are bit more diversified, the fact that you don't have a lot of exposure to capital markets, are you executing better, you know, it would be really helpful if you can kind of address that? Thanks.

---

**Suresh Vaswani**- *Wipro- Executive Director & Joint CEO, IT Business*

I am tempted to say all of that, but let me just build on what you said. I am Suresh Vaswani here, it certainly has got to do with the fact that we have worked very, very closely with customers all of last year. Manish did speak about the fact that we have not scaled down or we've not cut down on S&M investments, in fact we have been making those investments. We have build up a fairly strong client engagement management structure on strategic accounts. We have build up a fairly strong hunting force also – hunting sales force and therefore a lot of new opportunities have been created. So that's one perspective. The second perspective is really what Girish said that we have a fairly wide portfolio of services right from – we are strong in BPO, we are strong IT infrastructure. We've acquired Infocrossing that fits into our IT infrastructure story pretty strongly. We are strong in package implementation. We are strong in product engineering services. So we have a fairly enviable list of services portfolio, and fairly strong SBUs, which cut – which basically cut across virtually all the solid growth, high growth industry segments and substantial industry segments. Then of course the state of geography. We have – I mean if you look at our revenue mix and this I am taking at an integrated IT level, 50% of our business is in US, 30% is Europe, the 20% is the emerging markets, of India, Middle East and other emerging markets, including Australia and Asia-Pac and those markets have been growing extremely well. Our India and Middle East business has grown 28.5% on the dollar basis, but on a real rupee basis, which is the currency in which we deal in India and Middle East, in India particularly, the growth has been as much as 48%. Asia-Pac growth has been 44%. So I think it's a combination of all these factors, right, which is contributing to our outlook, which has been kept going for the day. We keep hearing, it's more optimistic than our peers, but I guess, we've done a lot, we have a lot and we're fortunately placed in terms of some of the strategic investments that we've made including geography investments, which are resulting in our outlook the way we have described it.

---

**Moshe Katri**- *Cowen & Company- Analyst*

So should we conclude that most of your customers have finalized their budgets for this year and that's why you have that visibility?

---

**Suresh Vaswani**- *Wipro- Executive Director & Joint CEO, IT Business*

Well, you know, so let me give you some perspective on budgets, you know, again the picture is not consistent right. So, some customers have actually enhanced their budgets. Some customers are flat and so far as budgets are concerned that some customers have pruned down the budgets to maybe between 5% and 15% negative. But, the big theme really is to get more for less. So, I think customers have gone past the shock of the economic slowdown and are now taking action for their future and really that is what the picture is.

**Moshe Katri- Cowen & Company- Analyst**

Okay. And then finally just to confirm, we should expect some sort of a pick-up during the second half of calendar 09, is that what you were saying earlier in the call?

---

**Suresh Vaswani- Wipro- Executive Director & Joint CEO, IT Business**

Well, you know, we speak about the immediate quarter in terms of guidance and the immediate quarter is a reflection of, I would say, what has happened in the last two quarters. So, that is a comment to that, but, you know, to sort of be more explicit, we certainly believe in the cautious optimism. We have a fairly strong robust pipeline and, therefore, we are positive about our outlook in the coming quarters.

---

**Moshe Katri- Cowen & Company- Analyst**

Thank you, very helpful.

---

**Moderator- WebEx**

Our next question is from George Price of Stifel Nicolaus.

---

**George Price- Stifel Nicolaus- Analyst**

Hi. I just sort of got back on for a couple other questions. First, I was wondering if you could talk about what happened in ADM versus package implementation. It looks like the former was down as a percentage of revenue quarter-over-quarter, the latter actually up, you know, what do you attribute that to?

---

**Girish S. Paranjpe- Wipro- Executive Director & Joint CEO, IT Business**

It is something to do with, which sectors are more kind of dominant in one and the other? So if you think about it, ADM is pretty dominant in financial services. So a lot of ramp down in financial services directly impacted ADM. On the other hand, we've seen significant growth in the manufacturing packaged consumer goods, and those are very packaged driven or kind of standard packaged driven industry. So the uptick that we've seen there is kind of led to the uptick in the Package Implementation.

---

**George Price- Stifel Nicolaus- Analyst**

Okay, okay. And you mentioned also expansion in hiring plans onshore, particularly the US and the UK. I guess a couple of questions related to that. Is this kind of a reaction to what is happening in the political climate in the US or, you know, are you seeing any impact to your business from that one way or another and that is kind of the first question, and the second question would be, you know, what impact do you see this shift having to your profitability, your operating margins overtime? Thank you.

---

**Girish S. Paranjpe**- *Wipro- Executive Director & Joint CEO, IT Business*

Hi, Girish here again. So, what we're talking about hiring is primarily in two or three different areas. One is things like consulting with, by design we have to hire in the respective countries, because that's where you know it is easier to actually deliver the business. Secondly, we are constantly trying to localize, which is why we are trying to hire locally to be able to increase the local content in many of the countries we operate in. And that is really driving our local hiring plans.

---

**George Price**- *Stifel Nicolaus- Analyst*

And then from a, you know, just from a profitability standpoint, I mean how do you see if this trend, you know, continues over the next couple of years, what kind of impact to operating margin do you see this as having?

---

**Girish S. Paranjpe**- *Wipro- Executive Director & Joint CEO, IT Business*

I think you should kind of know that when we have people whether sent from India or hired locally, they are all paid comparable basis. So hiring locally doesn't necessarily do anything to our – on to our margins. It's just the ease of hiring talent that is the difference. And given the fact we already have a lot of locally hired people now, done multiple acquisitions, we have a better brand awareness and gives us confidence to do local hiring of the sort of talent that we really need.

---

**George Price**- *Stifel Nicolaus- Analyst*

Okay, fair enough. Thanks very much.

---

**Moderator**- *WebEx*

Our next question comes from Joseph Foresi of Janney Montgomery. Please go ahead.

---

**Joseph Foresi-** *Janney Montgomery- Analyst*

Two quick follow-ups, first, I wonder if you can give us some idea of what the impact of the recent acquisitions was on this quarter numbers and maybe what you are expecting over the next two quarters?

---

**Suresh C. Senapaty-** *Wipro- Executive Director & Chief Finance Officer*

You mean the acquisition that we did in the month of January?

---

**Joseph Foresi-** *Janney Montgomery- Analyst*

Yeah, the most recent one.

---

**Suresh C. Senapaty-** *Wipro- Executive Director & Chief Finance Officer*

Right. It sustained its revenue numbers, it sustained its margins. We had an intangible effect of about a million dollars for the quarter and going forward, we would see as quarter follows a little bit of expansion in those numbers.

---

**Joseph Foresi-** *Janney Montgomery- Analyst*

Any specific numbers you can wrap around that from a revenue perspective?

---

**Suresh C. Senapaty-** *Wipro- Executive Director & Chief Finance Officer*

No, I mean it is embedded into the quarter one guidance that we have given and we will keep talking about it as for every quarter as they come closer.

---

**Joseph Foresi-** *Janney Montgomery- Analyst*

Okay.

---

**Suresh C. Senapaty**- *Wipro- Executive Director & Chief Finance Officer*

But the outlook is good here.

---

**Joseph Foresi**- *Janney Montgomery- Analyst*

Okay, okay.

---

**Sridhar Ramasubbu**- *Wipro- Investor Relations*

Do you have a second question Joe?

---

**Joseph Foresi**- *Janney Montgomery- Analyst*

Yeah, just one last one, I think we have been talking a lot about sort of your relative stands versus rest of the competitors. I wonder if you can just talk a little bit about the pipeline and the realization of that and maybe you can talk about, you know, how it compares to where we were last quarter and in the same quarter, you know, last year?

---

**Suresh Vaswani**- *Wipro- Executive Director & Joint CEO, IT Business*

This is Suresh Vaswani. So, I have answered the question earlier, but certainly the pipeline looks good, the funnel looks good and it looks better than what it was, you know, last year...entering into last year. So, that is the first point. The second point is it's not necessarily very sectoral, because the pipeline the way we see it looks pretty much robust across all the sectors or across all the SBUs that we have in our structure.

---

**Joseph Foresi**- *Janney Montgomery- Analyst*

Are the deal signings...the size of the deal smaller, bigger, is there a specific area where the deals are better?

---

**Suresh Vaswani**- *Wipro- Executive Director & Joint CEO, IT Business*

You know, again, I have to sort of reflect on the sort of deals that we've been winning last year. We won large number of deals. Some deals are in the range of \$300 million plus. We recently won a deal in India which is \$300 million plus. We won deals in U.S. on the Infocrossing side which are \$100 million plus. So I would say that a lot of our pipeline is between the range of \$100 million odd to \$500 million dollar type of deals, and there some of those deals there in the pipeline. But all in all three points, one, pipeline looks good, good mix of more value added, more system integration type of deals. Third is good mix of some deals which are IP, BPO type of integrated deals and similar to what we did last year in terms of origin, and certainly a better pipeline entering this year than we were entering – than we entered into last year. Now, I have my colleague Manish also comment on this.

---

**Manish Dugar** – *Wipro- Head- Finance- IT Business*

Hi Joe, Manish here. I think just to add to what Suresh said if we were to look at relative pipeline like you asked, we certainly see the size of the pipeline because our conversion ratio is remaining similar, and we see similar pipeline across geographies, so, Asia Pacific, India, Middle East, US, Europe. The second important thing is the kind of deals that we are getting into transformational type with significant play in terms of delivery. So that's another good news, and I think the acceptance of the client in the places we're going we're going, we certainly see that has gone up and that's kind of, one of the reasons why we have more confidence in our ability to win the deals.

---

**Joseph Foresi**- *Janney Montgomery- Analyst*

Thank you very much.

---

**Moderator**- *WebEx*

We have one final question that comes from Trip Chowdhry of Global Research. Please go ahead.

---

**Trip Chowdhry**- *Global Research – Analyst*

Thank you. I was just wondering like is there something that we are seeing different this year versus say the last year in terms of the corporation setting budgets. I don't think any of the at least financial sectors have really solidified their full-year budgets because what we are hearing is budgets are very much influx and they are doing it on month-to-month basis. Have you seen similar things or probably there maybe two segments where some customers are doing month-to-month budgets and the other segments which are doing the whole year, any thoughts? Thank you.

**Girish S. Paranjpe**- *Wipro- Executive Director & Joint CEO, IT Business*

Hi Trip, this is Girish here. You are right and probably some clients with international services, there's been lot of uncertainty and as we kind of look back on a month-to-month basis and there some of the things are being reviewed even after they are kicked off. So, clearly there is some uncertainty there. But there is – on the other hand there is also lot of identity type of work that we do, which is less affected by this flux that happened. And honestly, our purpose is that if we see even some stability in the financial services side in the next, maybe few months, then the uptick that we have in other sectors will more than make up for the growth that we have to add overall.

---

**Trip Chowdhry**- *Global Research – Analyst*

Excellent. Thank you.

---

**Sridhar Ramasubbu**- *Wipro- Investor Relations*

Thank you very much. Thanks for the participation. We are available...the IR team is available offline for any further clarification. Thanks once again. Niva, you can conclude the call.

---

**Moderator**- *WebEx*

Very well. Thank you. At this time, this concludes your conference. You may now disconnect.

---

**Disclaimer**

The information contained in event transcripts is the textual representation of the applicable company's conference call and while efforts are made to provide an accurate transcription, there may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference calls. In no way does WebEx Communications, Inc., or the applicable company assume any responsibility for any investment or other decisions made based upon the information provided in this event transcript. Users are advised to review the company's conference call itself and the applicable company's SEC filings before making any investment or other decisions.

©2008, WebEx Communications, Inc. All Rights Reserved.