"Wipro Limited Q1F10 Earnings Conference Call"

July 22, 2009
6:45 pm IST

Moderator Good morning, my name is Jeanne and I will be your conference operator today. At this time I would like to welcome everyone to Wipro's Quarter One results and earnings call for period ending June 30 , 2009. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question and answer session. If you would like to ask a question during th is time simply press * and then #1 on your telephone keypad. If you would like to withdraw your question press the pound key. Thank you. Mr. Sridhar Ramasubbu, you may begin your conference.

Sridhar Ramasubbu: Thanks, Jeanne. Good morning ladies and gentlemen an d good evening to the participants across the globe. Rajendra, Rishad, Aravind, Lalith are joining me from Bangalore in extending a warm welcome to all the participants to Wipro's 1st Quarter results and earnings call for the period ended June 30 2009. We have with us today Mr. Azim Premji, Chairman, Mr. Suresh Senapaty, CFO , who will comment on the IFRS results for the period ended June 30 2009. We are joined by Joint CEO s of IT Business, Suresh Vaswani and Girish Paranjpe and other senior members of the W ipro Management Team who would be happy to answer questions.

During the call we might make certain forward -looking statements within the meaning of the Private Securities Litigation Reform s Act of 1995. These statements are based on management's current ex pectations 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 Securities and Exchange Commission in the US. 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 one hour . The presentation of the 1st Quarter results will be followed by question and answer session . The operator will walk you through the procedure for asking questions.

The entire earnings call proceedings are being archived, and transcripts will be made available after the call at our website. I am available on email and on mobile as well to take any questions and table the same to the Wipro team, in case you are unable to ask questions for any technical reason. Ladies and gentlemen, over to Mr. Azim Premji, Chairman, Wipro.

Azim Premji: Good afternoon and good mornin g to all of you depending on where you are located. Thank you for joining us. As we come to the clos e of the first Quarter of the new financial year we are more hopeful on the future than we were before. In the last few quarters governments and businesses across the globe reacted swiftly to the downturn, the results of which can be seen in the emerging signs of stability in the macro environment.

There is more liquidity in the system, stock markets are off their low, consumer confidence has increased, and big corporations have generally been more hopeful this quarter both in the commentary and the results.

While these are the initial steps on the path to recovery there is a growing confidence that the environment is stabilizing. If you look at the IT business we started to see the first signs of the stability as ramp down starts to taper off and volumes start to stabilize. In this context Wipro Limited posted a 5% year-on-year growth in revenues, over 13% year-on-year growth in net income for the quarter ended June 30, 2009. Our IT Services business revenue was in line with our guidance on a constant currency basis. The currency tail wind enabled us to exceed our guidance on a reported basis. Our focus on operational excellence continues to set industry leading benchmarks.

While these results are satisfying it is important to appreciate that the world around us has changed. What we are now experiencing is a fundamental reset of the economy and the financial system and the return will be to a new reality. As an organization we continue to adapt ourselves to this new reality.

Specifically I would like to discuss two areas of focus. Our go to market strategy and operational excellence drive. Let me talk about our go to market strategy first. We continue to become more strategic to our customers and are increasingly participating in large and complex transformation deals to deliver end to end integrated solution across our differentiated service lines. We have stepped up investments in emerging geographies. Our early investment in India and Middle East has provided a strong backbone for growth and market share. We have invested in further enhancing the quality of our sales people and bring in more local talent with right domain, transition and change management capabilities.

We believe that our investments in go to market put us in good stead to gain wallet share and increase our proximity with our customers and capitalize on emerging opportunities.

Our focus on improving operational excellence and our ability to work with our customers to change/ improve our engagement models has resulted in our showing improvements across all key levers of Utilization, Bulge and Offshore mix resulting in Operating Margin expansion. The gains on account of forex has mitigated the drop in realization during the quarter.

As we prepare ourselves for this new reality we remain incredibly optimistic about the long term viability of the Indian IT industry. We continue to invest for the future in opportunities like Cloud Computing and Green IT.

Our Consumer Care businesses have also weathered economic downturn commendably. Santoor, our flagship brand emerges as number #1 toilet soap in South India, in value market share as measured by AC Nielsen for the period April-June 2009. Our toilet soap portfolio grew much ahead of industry growth rate in the quarter ending June 30 2009. In our international business of consumer care we have double digit industry leading growth rate in several markets.

I would now request Suresh Senapaty, our CFO to share the financial highlights of the quarter with you, following which our management team will be happy to take the questions.

Suresh Senapaty: Good morning to all of you in US and good evening to all of you in Asia. Prior to taking you through our performance highlights of the quarter let me draw attention to the fact that for the convenience of readers our IFRS financial statement have been translated into dollars at the noon buying rate in New York City on June 30, 2009 for cable transfers in Indian Rupees as certified by Federal Reserve Bank of New York which was $1 equivalent to Rs. 47.74. Specifically in terms of our IT Services segment that was $1033 Million and in Rupee terms Rs.48.27 Billion appears in our earnings release as $1011 Million based on the convenient calculation. Effective this quarter we have started reporting our financial under IFRS. We will continue to report non-GAAP adjusted net income under IFRS which will exclude the impact of accelerated stock-based compensation accounting. Once India reporting converges with IFRS effective April 2011 it will enable reporting single GAAP reporting.

Moving on to our results, our IT Services revenue for the quarter ended 30th June was $1033 Million, a sequential decline of 1.3% and year on decline of 3.3%. On a constant currency basis our IT Services revenue was $1014 Million in the range our guidance. Our constant currency growth on a year-on-year basis was 2.1%. We are seeing growth rates starting to pickup in some of the verticals, communication and media service providers grew 6% sequentially. Energy and utilities grew 5% sequentially and healthcare and services grew 7% sequentially. Retail recorded an impressive year-on-year growth of 23% in constant currency. Our manufacturing grew 9% year-on-year in constant currency.

Of the new customer wins this quarter 60% were in retail and manufacturing. BFSI showing signs of stability while technology and telecom continue to face challenges. Package implementation and BPO delivered a sequential growth of 3.5% and 4% respectively. Our India and Middle East business grew 21% year-on-year on constant currency basis. Our focus on large accounts has resulted in accounts greater than $50 Million on a trailing 12 month basis, increase from 14 in Quarter One of FY09 to 17 in Quarter One of FY10.

In terms of operation, our fixed priced moved up 30 basis points and offshore moved up 160 basis points sequentially. Effective this quarter results under the global IT Services include Citos as well. Our onsite realization improved sequentially by 1.3% while offshore realization dropped by 1.1% sequentially. Our volumes dropped 1.5% in the quarter as against 6.3% decline in the previous quarter. Our continuous focus on realigning our cost structure has resulted in our market improving by 0.5% in the current quarter it is 22.2%

despite the challenging environment. As of June 30th our DSO, that is days sales outstanding was unchanged from the previous quarter of 60 days.

Our IT product business revenues were flat on a year -on-year basis in the current quarter due to reduction in capital expenditure by Indian corporates. We improved margins and profit before interest and tax grew by 13% on a year-on-year basis.

Wipro Consumer Care and Lighting business continues to see good momentum with a revenue growth of 9% year -on-year and profit before interest and tax growth of 27% on a year-on-year basis.

On the foreign exchange realized rate for the quarter was 46.74 versus a rate of 47.14 realized at the quarter ended March 31. On a quarter-on-quarter basis forex gave a positive impact to margin of 1% including the benefit of cross currency. As at period end after assigning to the assets in the balance sheet we have about $1.2 Million of forex contracts, $1.65 Million total contracts at rates between 40 and 51.6. Our net cash balance for the balance sheet was Rs.29 Billion, we generated free cash flow of Rs.14 Billion during the quarter, year-on-year increase of 150%. We would be glad to take questions.

Sridhar Ramasubbu: Jeanne, we can start the Q&A.

Moderator: Yes. At this time if you do have a question press * and a #1 on your telephone keypad. We will pause just for just a moment to compile a Q&A roster. Your first question comes from Joseph Foresi from Janney Montgomery Scott. Go ahead please.

Joseph Foresi: Hi guys, you had mentioned sort of a movement to stability. I was wondering if you could talk about what you are using as a measurement to sort of gauge the stability and you know maybe just talk about why you feel now it is imp roving for the client base in general?

Suresh Vaswani: This is Suresh Vaswani here. Clearly it is based on our own improved performance over the last couple of quarters. For example in Q4 we had a sequential decline of about 6%, in Q1 it was negative 1% but better than negative 6%, and for Q2 we have given a positive guidance. So our outlook is purely based on what we see as our potential, what we see as our customer base, what we see as our funnel and what we see as the deals that we have won, and a projection of that going forward.

Joseph Foresi: Okay. You talked about the pipeline last quarter being perhaps better than it was a year ago I was wondering is that coming in at the pace that you expected it and or when can we expect to realize some of those types of increases?

Suresh Vaswani: So if I look at our last quarter's performance I think it has been a quarter of good deal wins, our largest deal was in Indian Telecom, actually it was an Indian telecom service provider in India called Unitech, in collaboration with Telenor, that was a large deal. Then we have won five midsize deals last quarter, significant scale or significant potential in terms of customer acquisitions. So net -net I think what we spoke about in terms of healthy funnel has resulted in healthy order booking that we have had last quarter and that should result in good revenue performance going forward. Looking into Q2, it looks even stronger than what it was looking in Q1, and we have estimated the funnel size will increase by 10%. So all in all, from a funnel visibility perspective, from a deal closure perspective , things are looking sharp. Its all a matter of when does it close, when does this realize into revenue, how many we win, how many we lose .

Joseph Foresi: It sounds like in your commentaries perhaps a little bit more positive and confident than some of your competitors, I am wondering when you are competing on a deal maybe you could just talk about what you think those advantages maybe in the win areas - the domain expertise, or are people looking to do main pricing when closing a deal?

Suresh Vaswani: I would say that it is a combination of various factors, there are some deals that we w on on the backbone on the strength of our domain capabilities, and the fact that we have both IT and Business Process Outsourcing as s trong propositions from our side. A good example of that is Origin Energy which was really at the intersection of strong domain capabilities both on retail, energy and utilities, strong BPO capabilit ies and overall strong IT services capability. So I think what really worked for us is the fact that we have a fairly strong scale in terms of services, we are strong on BPO, we are strong on package implementation services, we are strong on infrastructure services . That works well, and that coupled with the domain capability that we 've built across all our SBUs becomes a competitive edge and a strong differentiator for us with respect to most of our competitors. Of course we just have to ensure flawless execution as a par t of the business with risk management and if you get it all everything right more often than not we win.

Joseph Foresi: Okay. Thank you.

Moderator Our next question comes from Mark Marostica from Piper Jaffray , go ahead please.

Mark Marostica : I was just wondering if you could quantify the margin benefit over the past couple quarters in the shift to offshore, given that we 've see a pretty sharp drop sequentially over the past couple quarters in billed onsite person-months. Does this imply that some of t hese margin benefits maybe muted over the near to medium term ?

Girish Paranjpe : So let me …..this is Girish, just trying to understand the question a little bit better, you were saying that because we have seen margin expansion on the back of offshore mo vement, we've come to a point where we cannot see any further improvement in offshore element at the level that we have reached ?

Mark Marostica: Yes.

Girish Paranjpe So, Mark, the story is as follows. On the matured part of our business which is the application management, infrastructure management , etc., I think there is opportunity to do much more work on global delivery and offshore business as compare d to what was historically acceptable. Historically , it was felt that at least 30% -35% of the work would be done onshore and only the balance would be done offshore. As business has matured and as clients confidence has grown, I think people are much more willing to accept much lower presence onshore as long as we have the right people in front of the client and we have a robust process offshore and transparency in front of the client about how the work actually gets done. So we could even see for something like 20-80 or 15-85 as far as onshore-offshore mix is concerned. So the more mature, the more standard the process, the higher the client confidence, and actually off-shoring potential is pretty significant and much higher than we currently see. In terms of newer businesses, whether it's system integration or consulting, it tends to be more onshore, whether it's in US or Europe or Japan or wherever it is. And the play of onshore-offshore that we have in our business mix, is a play between these two factors. So how much more mature businesses we are able to sell, versus how much of the new businesses we are able to sell, will impact. So I think there's a little more potential to move offshore. If in a particular quarter it does not happen, it is not because the company has hit the roof, it is because maybe the percentage of consulting and system integration business dominated, which is why the offshore mix has gone down.

Mark Marostica: Okay. That is very helpful. And then related so many marketing line, I am just wondering if this 6.5% and 6.6% of revenues is a reasonable run rate for FY10 . And we had talked in the last call about initial investments that would resulted in some permanent reductions here and I am just curious just sort of if you look at benefits from permanent reductions going forward relative to potential uptick in demand and sort of how do you see that some of the marketing expense line trending this year?

Girish Paranjpe: Mark, I do not think what we are seeing as reduction this quarter is something that is permanent, it is more quarter related, and some correction in the work force mix that we did. Actually we think the S&M investment should be a little bit higher and maybe the nature of that investment would change, maybe fewer people or many more senior people, many more people were sitting in front of our clients - our client engagement partners or our consulting partners, so our sense is that within the marketing investments in the current quarter is not representative of what we could see appropriate for the business.

Mark Marostica: So for the remainder of this year, is there rough range that you feel comfortable with on that line item?

Girish Paranjpe: Yeah instead of looking at one quarter if you look at our track record for last three or four quarters you will have a better sense of what we think is the appropriate level of investment.

Mark Marostica: Okay, very good, thanks very much.

Moderator: The next question comes from Trip Chowdhry of Global Equities, go ahead please.

Trip Chowdhry: Thank you, two questions, first is regarding say package implementation . Are you seeing on a relative basis, say year-over-year, size of implementation has got reduced but the number of implementations have increase d, or is it the same as last year around this time, then I have a follow -up question.

Suresh Senapaty: This is year-on-year for Quarter one results. So year-on-year there has been a growth of 18.3% in package implementation.

Suresh Vaswani: I think your question was more related to the scale of implementation, am I right in that ?

Trip Chowdhry: Yes, say each implementation was taking up about six months, and that probably this time around instead of having bigger implementation s, you had many implementations, but in a shorter duration.

Suresh Vaswani: I think it is a mix of both. We do have many more implementations as against support deals on the package side. So there is a lot more system integration activity & implementation activity we are doing now . And also we are into much larger implementations than traditionally we have been in the past. So let us say in Origin Energy implementation is a fairly large scale implementation of 850 IS utilities, likewise the Oracle deal that we won in UK is a very large scale implementation of Oracle Retail. So our deal sizes have become large, they are more system integration, they are more transformational, but the number of implementation also that we are doing compared to the previous years have gone up.

Trip Chowdhry: The other question I have was, in the implementations in which you're involved, are there any upgrade implementations, or are they more in terms of enhanced functionality kind of implementations?

Suresh Vaswani: Again a mix of all, and some of the implementations that I spoke to you about especially between the two cases, they're actually fresh implementations. So customer is moving from the legacy systems to a full fledged re-architecting of the front end systems and so I would say grounds up fresh implementation and not just upgrades of implementations that have already been done.

Trip Chowdhry Okay. Last question, if we look at the oil prices, say over the last 5 months or so, they have almost doubled and they are in above $60 a barrel and probably that is signifying an inflationary environment, and historically what we have seen in the past massive downturns, higher oil prices indirectly impact IT budgets which somehow negatively impact almost every tech sector. Are you seeing any indications right now , say over the last two or three weeks, where the customers behavior has changed because directly or indirectly they feel they are in the inflationary environment, where their resources are getting tied up, directly or indirectly related to oil prices , and has your conversations changed a bit over the last say two or three weeks with your customers. And that is all I have, thanks again and good execution.

Girish Paranjpe: Trip, thanks for that question. You know, it would be fascinating to see the correlation between oil prices and IT budget, we have to look at that if there is anything. In our conversations, nobody has been perceptive enough to pick that up. So we have not had a chance to have that conversation with clients. On the IT budget, I think most people have been waiting to see how 2010 will get better, and I think that exercise will probably start post summer in the US, which is between the September to November time period. So really that is what we are kind of trying to guess towards.

Trip Chowdhry: Thank you. All the best.

Moderator: Our next question comes from Ed Caso from Wells Fargo Securities. Go ahead please.

Ed Caso: Good evening. My first question is along the lines of protectionism in the the long-term. I am trying to, in fact, the companies are fairly focused on the issue in the United States. I am curious, maybe you can talk a little bit more about that, and what your plans are, as far as staffing in the US and Europe is concerned, relative to India. In other words, sort of moving more towards the global model as opposed to an Indian centric model?

Suresh Vaswani: So this is Suresh Vaswani here. We clearly are driving, I would say, a much more concerted and aggressive strategy in terms of globalization of our workforce. Today I would say out of the onsite people that we have in US and Europe roughly 20% would be from the local population, we certainly want to drive that more going forward. Again if you look at our sales force also, which is roughly 30%, $1/4^{th}$ of our sales force is local. So net-net these are the data points we are clearly driving towards offshore globalization, and much more diversity across the corporation.

Ed Caso: And my second question revolves around price realization. What is the impact of actual pricing & of utilization?

Suresh Vaswani: Before I go to price realization I think your question also has to do with global delivery and delivery model of centers outside of India. Now that again is a clear strategy that we are implementing. We have more than 30 centers global centers today, in US, in Europe, in Asia-Pac and in South America, and we clearly are moving to a much more globalize d sort of delivery model in terms of our execution of contracts across the board. That does not mean that we are compromising on India in terms of the horsepower ability, it just means that we are having a stronger global delivery model which leverages on the resources and the capabilities across the world to deliver services to the customers. Moving on to your question on pricing, would appreciate if you could repeat that.

Ed Caso: I was trying to understand the components of operating margin that come from p rice, from utilization and from foreign exchange?

Suresh Vaswani: First of all, if you look at the last quarter performance, we have enhanced our operating margin by 60 basis points. And you know we had a FOREX upside of 1% in terms of operating margins which sort of gave way to the pricing pressure that we had in terms of the discounts given in the earlier quarter. So that impacted our, I would say, blended price realizations this quarter. So one equated to the other, the gain on FOREX was loss on so far as pricing is concerned, but we still have a gain of 60 basis points in terms of operating margins and that was driven by stronger operating parameters. So we have a fixed price ratio, we had a better offshore mix this quarter and we had industry leading gross utilization which helped us move our operating margin up by 60 basis points this quarter.

Ed Caso: Are you able to put each of those pieces in basis points, can you split now the 60 basis point improvement in those cases?

Sridhar: Ed, we can, I can walk you through offline, is it okay?

Ed Caso: Great, thank you, thank you gentlemen.

Moderator: Our next question comes from Moshe Katri from Cowen and Company. Go ahead please.

Moshe Katri: Can you walk us through maybe some of the things that you are saying, and some of the verticals that were highlighted, retail, manufacturing, financial services and maybe we also talk about some of the challenges that you are seeing in North America and in Europe?

Suresh Vaswani: Okay so let me go back, this is Suresh here again. I will give you a broad paintbrush of how we performed across the verticals and maybe give you a similar perspective of the geographies. So let me start with the healthcare and services SBU. I think we have delivered strong sequential growth performance in healthcare where we had 7% sequential growth. RCTG - Retail, CPG, Transportation, and Government verticals - and all that comes under an SBU, has shown a strong year–on-year growth of 14%. Manufacturing also come into a positive growth performance of 4.5%. Energy and Utilities has done well from a sequential perspective and we see good potential in this business going forward, given the consolidation that has taken place and given the transformation initiatives here. Our BFSI segment has shown an improved performance since the last quarter, which is nearly flattish in terms of growth from a negative sequential growth in the previous quarter. So that is very, very encouraging. And then we have TMT SBU, which is a combination of technology & telecom, and the telecom service provider type of businesses. Here we've faced challenges in terms of some of the structural changes taking place on the technology side of our business, and on the telecom equipment side. We have seen a quite stronger upside on the telecom services provider business, particularly in some of the emerging markets where we have won substantial size deals. So that is one perspective in terms of the verticals. In terms of geographies, U.S. and Europe have shown a slight decline last quarter in terms of sequential growth. Japan market is quite challenged because most of our business is on the technology side - various challenges on that side in the Japanese markets – so we are driving a lot more enterprise business in the Japanese markets. In Asia Pac market, we have extremely strong traction and we had a good performance last quarter of 37% odd. And India and the Middle East is a very, very strong differentiator. In fact, it stands out as a part of our total business portfolio. We h ad a robust growth in terms of 21% YoY growth in local currency terms. That is the broad perspective in terms of geography and verticals.

Moshe Katri: Okay. And then can you repeat the list of the different variable s that benefitted margins this quarter? And how much did they benefit in terms of basis points?

Suresh Vaswani: So we gave an overall number of 60 basis points which was because of a stronger gross utilization number, stronger fixed price project number, and a stronger bulge mix and a stronger offshore mix, combination of factors which resulted in the 60 basis points improvement. We have not split it up but we can do it offline with you.

Moshe Katri: Okay. And then finally can you also talk just finally on pricing trends ? I guess the general feedback is that the most of the pricing renegotiations have already taken place last quarter, etc., etc., but do you think that there is a rest , that we are going to go through another phase of pricing renegotiations down the road, please?

Girish Paranjpe: Girish here. Let me put that answer in two parts. So with most of our long -standing clients we have a Master Services Agreement , and where we have Master Services Agreements most of the negotiations are kind of done. There are a few clients that are currently in progress and will probably get done in this quarter. Some of the results of these negotiations are what we see impact of that going forward in the current quarter which is next to small decline in the net realized offshore revenue . Having said that, that there is still another set of negotiations taking place on a deal by deal basis. So especially we had deals were of a significant size, independent of what has happened in the MSA, or in case where we have not long standing client but new deals that we are signing, we end up having negotiations which then has an impact on the margin. The good news is that in many of these cases where we are fighting deals we try to make them into outcome based deals which is why the percentage of fixed price projects have almost doubled over the situation three years ago. And in the fixed price projects while the realization is maybe under pressure, our margins turn out to be superior because we have many more levers to use in execution of results.

Moshe: Great. Thanks.

Moderator: Next question comes from Ashish Thadani from Gilford Securities, go ahead please.

Ashish Thadani: I have a question on headcount . In relation to your closest peer, Wipro is being noticeably conservative on headcount addition. Does this divergence betray any lack of visibility or confidence in the near term, and how would you reconcile these contrasting trends? And further should we expect headcount to pickup in coming periods?

Girish Paranjape: Ashish, this is Girish Paranjpe here. Last year, I think, for multiple quarters we were challenged when we reported our campus offers and we were constantly compared to the peer group, and the question we were asked is whether we were too conservative on the outlook and whether we didn't have confidence in the outlook, and so on. So retrospectively, in terms of that, we probably were right to be conservative, compared to what our peers had done. So having made the right call, I think we are getting the benefit of that with not having a huge overhang. Looking forward we will also take another look at how the demand is shaping up and the opportunities we are seeing, and then go to campus sometime next year, and we'll decide what the best way to make offers is, again. What is that also come to light for us is the fact that in a longer part the application management technology infrastructure type of deals we have been able to leverage standard platform, much more use of tools and automation to bring down the actual number of people required to execute certain projects. So as a result, at least to a small extent, I am not saying that we have solved the problem entirely, but to a small extent we've been able to delink the revenue to the headcount. So if I do not go out and hire 'x' 1000 people it does not automatically mean that I am giving up that much revenue.

Ashish Thadani: Right, that's certainly helpful. Then I was wondering if you could look beyond September and share any broad expectations that you might have for the second half on the type of recovery that you might anticipate through March as we sit here today.

Girish Paranjpe: It is a billion dollar question. All of us are trying to figure out how the demand will shape up and at this point we have only educated guesses. If you want us to share educated guesses we have do that. But I must say that with caveat because this is really based on conversation at this point of time, and what we've seen is that people are virtually taking stock every quarter & deciding how they want to take decisions for that quarter. But having put all those caveats, I think that our view at least is that we'll see slow improvement, and slow improvement in the next couple of quarters. And that improvement will probably get consolidated depending on how the budgets pans out for 2010 for many of our clients. So I would say the real turning point will come on the basis of 2010 budgets, and after that how much people feel confident enough to spend that. Having said that there are some sectors which are currently challenged structurally. And that may continue to affect the whole outlook, especially in the telecom equipment vendor side as well as in the technology side. There is a lot of structural change yet to get realized. And only once that is behind us, will we feel much more confident on overall basis.

Ashish Thadani: But you're confident that the tough quarter is behind you?

Girish Paranjpe: Yes

Ashish Thadani: Ok, and then one point of clarification. The guidance of 1.035 to 1.053 billion for an apples to apples comparison, the relevant figure for comparison would be the constant currency 1.014 in the current quarter, right?

Suresh Senapaty: it will be 1033.

Ashish Thadani: Ok, so you're saying that from 1.033 the guidance is going towards 1.035 to 1.053?

Suresh Senapaty: Yes. So it is 0.2% to 2% and it 1,035 to 1,053.

Ashish Thadani: Ok, that's helpful. Thank you.

Moderator: The next question is from Viju George of Edelweiss, go ahead please.

Viju George: Yes, hi. I'd like to understand how your management would like us to think about guidance, because you started reporting in a band only very recently. How should we reconcile to your earlier practice of giving a point guidance? Is the point guidance likely to be at the lower end of the band or the midpoint? Thank you.

Suresh Senapaty: Well Viju, the very fact that we're giving a range; if you pin us down to one number then there's no value of the range. So we would like you to infer as low as possible in the range.

Viju George: Okay, okay more pertinently, if we were to attac h a probability within the range, would you say that we attach a greater probability to the mid -point of the range?

Suresh Senapaty: Our advise will be to just go by the range.

Viju George: So would you say that there is an equal likelihood of you hitting the lower end, the midpoint, as well as the higher end, or would you say that you will aim to get towards the midpoint, because in this quarter you actually went a little below the midpoint, the median?

Suresh Senapaty: Agreed, therefore we wouldn't advise you to go on the upper end or the middle end since our achievement could be as low as the lower end and as high as the higher end.Equal possibility of 0.2% to 2%. It is a reflection of the external environment and therefore we are giving a range.

Viju George: Okay, okay. Yes, I understand that but I just want to get a sense that you are attaching equal probability right through the range without facing the midpoint?

Suresh Senapaty: That is true.

Viju George: Okay, the other question I had was just relati ng to the new business in this quarter . It seems to have come much below what it used to be in previous quarters, so are there some challenges out there that you have noticed with regard to your clients in this quarter in terms of at least scaling this up as per expectations?

Manish Dugar: Hi, this is Manish, the new business the way we report gets reset when we begin the year so the percentage which we report seems to be very low in this quarter is because we have many customers which started only this qua rter and will qualify for that revenue and this continues to get built up till the end of the year and then the clock gets reset again.

Viju George: Manish, I did the adjustment for that math and I still find that its much lower than what it used to be in the same quarter last year?

Manish Dugar: If I remember the numbers correctly, last quarter, Q1 versus this quarter , the difference is not significant.

Suresh Senapaty: Viju, we need to look at overall growth number too. So if we were look at in proportion of the overall growth so in quarter -on-quarter we would have grown 5% we could see that the growth that we would have got _because of the new customers go up by 5%. But the fact that quarter on quarter was decline, the new business percentage seems reasona ble..

Viju George: Okay, thank you.

Moderator: The next question comes from Neville Elshisha from Pacific Crest, go ahead please?

Neville Elshisha: Yeah, on the volume side , just to follow up on that, I was wondering if you can talk a little bit about how much of the slight improvement on volumes was due to the less ramp downs in existing projects versus your ability to close or start a new project, and may be a bit more color on close rates. I think you said that it is a bit better, is that the case and do you expect it to continue going forward?

Girish Paranjpe: Well this is Girish here. Last quarter actually we had a volume 1.5% decline although total headcount went up by 711 people, and 1.5% volume decline is a combination of the new project starts, drops had increased multiples time that and offset by kind of closure of projects which had come to a logical end . The color I want to share with you is that as compared to maybe the last quarter last calendar , and the first quarter of this year there is a situation where standing targets were cancelled under pressure of budget deadline s. I think that trend has largely abated. So what we see now is more about logical end to projects and start of new projects and unfortunately at the end of last quarter the num ber of logical ended projects exceeded the new startup projects but our expectation is that as we move forward the number of new project starts and the headcount added will be more than the ended existing projects .

Suresh Senapaty: If you look at our gudance you will find that quarter 3 of last year December 2008 we held on volume, we held on pricing, quarter 4 also we also held on pricing, there was a volume decline and we guided that so far the quarter 1 is concerned if we have any impact both on the pricing as well as the volume, and as we go forward we go to look for much more stability on the pricing and the volume is something that we will be looking for uptick and therefore if you would look at the guidance that was given it will be more of a break out of volume growth and stability in pricing.

Neville Elshisha: Just a quick follow up on an earlier question just as to understand that the stabilization you are saying in financial services, is that both in Europe or UK and US, or is that primarily USA?

Girish Paranjpe: I would say both because in some sectors like the investment banking, they are global corporations where US or Europe does not matter. I ts only in retail banking and in the insurance sector also we have much more global companies so I would say that its kind of broadly on both.

Neville Elshisha:: Right thank you.

Moderator: Your next question comes from Ashwin Shivakar from Citigroup, go ahead please?

Ashwin Shivakar: Hi, can you comment something on the European pipeline specifically, since over the last couple of quarters Europe has been moving more aggressively towards the use of offshore outsourcing?

Suresh Vaswani: I would say both the Europe and US pipeline are equally good, insofar as we are concerned, except the type of pipeline is slightly different. So Europe I would say is not as mature, particularly countries like Germany, France are not as mature in terms of the outsourcing process as US would be. So now we're beginning to see a lot more system integration and a lot more first time kind of outsourcing contracts in Europe vis -à-vis the US, so the funnel looks good both in US and Europe, on a relative basis I cannot single out and say that the Europe funnel is bigger or smaller than the US funnel the type of opportunities are slightly different. So there is much more application support and managed services type of opportunities in US, and much more system integration and first time outsourcing opportunities in Europe.

Ashwin Shivakar: Is there any noticeable difference in pricing tre nds or closure rates decision-making, you know, how fast, how slow?

Suresh Vaswani: No, relative US and Europe one is not able to single out whether the deal closure is faster in US or in Europe, neither there is any substantial difference in terms of pricing. Pricing relates to the type of contracts we are bidding for, and I've already covered that the nature of opportunities differs.

Ashwin Shivakar: Okay, when we look across the verticals, obviously there was quite a bit of difference in relative growth rate. What kind of services are working better, selling better and what aren't really selling?

Suresh Vaswani: You know, if I broadly look across all the verticals and try to single out the services which are relatively doing better and, you know, go down the service line part, I would believe that BPO presents a strong opportunity, I would believe that package implementation, and package implementation particularly in Europe can be singled out, and I would say infrastructure services comes out stronger. These three service lines, and may be even testing services, come out relatively stronger in terms of full, and in terms of potential, versus the ADM service line or the product engineer ing service line.

Ashwin Shivakar: Okay, and one clarification, your comments on BFSI today include s the impact of the Citi captive acquisition or not?

Suresh Vaswani: Yes, they do. The Citi acquisition is a part of our overall BFSI business, and therefore the overall BFSI picture includes the Citibank acquisition.

Ashwin Shivakar: So in your commentary on trends you hinted stabilization, so if you excluded the acquired revenue would you still comment that BFSI is getting more stable?

Girish Paranjpe: Qualitatively yes.

Suresh Senapaty: So we're are talking on a quarter-on-quarter basis, and since the last two quarters we have already folded that in, so with or without doesn't make a difference.

Ashwin Shivakar: Okay, thank you.

Moderator: Your next question comes from George Price from Stifel Nicolaus, go ahead please?

George Price: Thanks very much, number of my questions have been answered but I did want to follow up on the comments you had on investments, specifically on the sales side. I was wondering if you could give a little bit more color around what those investments are, you know, what you need to do improve the quality of your sales and marketing efforts?

Suresh Vaswani: Let me take that, this is Suresh here. So we are doing a few things actually. First and foremost, we have appointed a new global geo sales head, an Am erican person, will be based in New Jersey in the US, so that is the recent development. The person is a local American. Second, we are clearly looking at enhancing our client engagement management structure which we spoke about earlier in this conversatio n. So we are looking at much more senior people handling our large accounts, we classify them Mega accounts and Gama accounts. Then we are looking at aligning our entire structure, in terms of practitioners, sales folks and delivery folks, really behind the client engagement managers. We are investing a lot more on the consulting side of our business, and a lot of our consultants will work in our strategic accounts, hand in hand with the client engagement managers. While we look at stronger f arming of accou nts to some of the initiative I just spoke about, we're also looking at you know hunting in the U.S. and Europe markets in terms of looking at selective opportunity – or looking at customers where we believe we can scale substantially. So it's not a mindl ess sort of hunt. It is a fairly targeted hunt in terms of qualifying customer opportunities carefully and really going for customers where we believe that we can scale. So these are some of the initiatives at the geography level. But you know as we swit ch back to the SBU level, which is an integral part of o ur sales system, so to speak, a lot more domain capability, a lot more system integration capability, and a lot more transformation capability, which we are consciously building up as we move into our future.

George Price: And I believe you talked about, looking at the trajectory of the percent of revenue in sales and marketing say over the last four quarters would be representative of what you think on a percentage of revenue basis, so that would be representative of what you think will look like going forward, making these type of investments. Is that correct?

Suresh Vaswani: Yes, broadly yes

George Price: Okay.

Suresh Vawani: The only, the only qualification I would like to give is that at the end of the day sales & marketing is a categorization there is a strong back office and a SBU structure that we have and a lot of people are involved in pre-sales activity, lot of people here in India are involved in pre-sales activity, bid management activity and bid process, which also we're building on substantially.

George Price: Okay, and that would not fall in the sales and marketing bucket, correct?

Girish Paranjpe: Hi, Girish here. No, the people who are visibly involved in sales and marketing are normally included in sales & marketing. But then, as they say, it takes a village to win the deal. So there are lots of other people who are supporting the sales and marketing effort, who are not formally classified as sales and marketing.

George Price: Ok, ok, understood. Last question around that topic, if you look at the investment you are making, and that you want to make, does that change at all based on your assumption of the trajectory of recovery and demand i.e. do you think you would invest more along these lines if you have a slower, more drawn out recovery as opposed to may be something sharper?

Suresh Vaswani: See we have taken a few decisions in context of our investments and one key decision we've taken is that we will invest, not necessarily only keeping the short-term challenges that we face, but certainly looking at the mid term and the long term. So we've sort of classified our planning process into Horizon 2, Horizon 3. We are looking at Horizon 2 and Horizon 3 in terms of what transformations are likely to happen, and making those investments today. So clearly, we're making no compromises in terms of making short term compromises, and sort of giving away our long term initiatives and investments in our long term initiatives. Immediately, the way we look at it short to mid-term, the horizon two initiatives are much more targeted at building domain capability, consulting capability and system integration capability. On the more longer-term perspective, we've identified, I would say, seven mega themes which run across all customers, all SBUs which we are consciously now beginning to invest in. And some of these themes are cloud computing, green IT, collaboration, social computing, information management and so on. So clearly the drive is not only short-term, in terms of achieving short -term results, but also earmarking investments for the mid term and the long term.

George Price: Great, thank you very much.

Sridhar Ramasubbu: The last question from Rachael?

Moderator: All right we have Rachael Stormo nth from Nelson Hall, go ahead please?

Rachael Stormonth: Thank you. I'm also asking for a breakdown of the various reasons of margin improvement. So thank you for that.

Sridhar Ramasubbu: Yeah, there are no more questions, right Jeanne.

Moderator**:** That is correct sir.

Sridhar Ramasubbu: Yeah, so we wind up. Thank you very much for joining the call. The IR team is available for offline queries. I understand there are no real queries left as such, so we will close the call today, thank you.

Moderator: Thank you, this concludes the conference call, you may now disconnect, thank you.