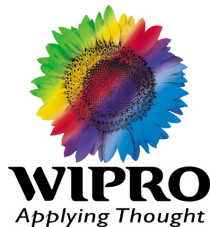




“Wipro Limited Q3FY10 Earnings Conference Call”

January 20, 2010
2:00 pm





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Moderator

Ladies and gentlemen, good morning, good evening and welcome to the Wipro Limited Earnings Conference Call. This is Rochelle, the Chorus Call Conference Operator. Please note that for the duration of this presentation all participants' lines will be in listen-only mode and this conference is being recorded. After the presentation there will be an opportunity for you to ask questions. Should anyone need assistance during this conference call, they may signal an operator by pressing * and then 0 on their touchtone telephone. At this time I would like to turn the conference over to Mr. Rajendra Shreemal. Thank you and over to you Mr. Shreemal.

Rajendra Shreemal

Thank you, Rochelle. Thanks everyone for joining us today. Good morning and good afternoon from Team Wipro to all people joining us from different parts of the world. As the operator just mentioned, my name is Rajendra Shreemal, Head of Investor Relations and Treasury. Along with Sridhar in the US, and Rishad and Aravind in Bangalore, we handle the investor interface for Wipro. We thank you for your interest in Wipro, it is a great pleasure. We welcome you to Wipro's post-results teleconference for the fiscal quarter ended December 31, 2009.

We will begin with a short address by Mr. Azim Premji, Chairman, followed by financial highlights from Suresh Senapaty, CFO of Wipro, and follow it up with a Q&A session with the management team. We have here Girish Paranjpe and Suresh Vaswani, joint CEOs, and other senior leadership team members of Wipro.

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



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Azim Premji

Good day to all of you and a very happy new year. On a broad basis, Wipro had another strong quarter with 5% year-on-year growth in revenue and a 21% year-on-year growth in profits. Overall, the macro environment continues to stabilize. That is also very positive.

Let me just focus on the IT business. We had a good quarter. Our IT Services business grew in line with our guidance, at 5.8% on a reported basis and 4.9% on a constant currency basis. The demand environment has improved and we have seen broad-based sequential growth across all, I repeat, all service lines, all verticals and all geographies. Growth has been volume led with an uptick in volume of 4.7%.

We have seen strong growth in healthcare, BFSI, Energy & Utilities and Communications, Media and Technology, and also reasonably strong growth in Telecom after a long time in terms of sequential growth rate. We have also seen strong growth in service lines like BPO and TIS.

Our expectations are of a flat to marginally stronger IT budgets with greater share of offshore strength. Our customers remain focused on cost reductions and we continue to drive more large scale integrated projects where we play more a 'partner' than a 'vendor' role. Margins have been flat but we remain committed to driving operational efficiency across all businesses. We continue to drive non-linearity with complete focus within the organization which has contributed more than 8% of our revenues - we expect a significant uptick in this as we go forward.

We continue to globalize and localize our capabilities. Of the people we hired overseas, 63% were local and our local delivery centers continue to gain traction in Atlanta, in Chengdu, etc. We continue to invest in consulting and sales organization. We have hired 31 partner level people year-to-date and continue to make sales investments in emerging economies which is reflected in the sales growth we have seen in the first nine months of this year.

Now let me speak a bit about our consumer care and lighting business. Our India household business continues to outperform the market with Santoor, our flagship brand growing almost twice as fast as the market. In our international business, some of our smaller developing markets like Vietnam, Indonesia and China have seen phenomenal growth.



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We have also consolidated our Yardley acquisition on December 9. We think the acquisition is very interesting and has very interesting future possibilities of brand extensions. Our commercial business of switches, furniture and lighting have been challenged due to the downturn but are now beginning to recover. Wipro Infrastructure Engineering has seen robust recovery in India with business bouncing back to the best years, though Europe still is a major challenge. Europe, however, seems to have bottomed out and we can now be hopeful of moderate growth.

We have grown our market share in the hydraulics business, both in India and overseas, and will continue to grow these markets since we have become much stronger as an organization. We also continue to make big strides in our start-up Eco-energy business. The business model here is that of consulting led multi-technology solutions for renewable energy and energy efficiency. We won the first contracts for consulting and implementation of utility scale Solar Photo Voltaic Plants. Our business model has been validated by the market and our confidence in the same has increased significantly.

The Wipro brand continues to set high benchmarks in the industry. Wipro was ranked 8th in the India's most valuable brand (2009) study carried out by Brand Finance, a global brand valuation firm for The Economic Times. Now, I will hand over the mike to Suresh Senapaty, our CFO, to share the financial highlights with you.

Suresh Senapaty

Good afternoon, ladies and gentlemen. Our IT Services revenues for the quarter ending December 31st, 2009, were \$1127 million, a sequential growth of 5.8% and year-on-year growth of 2.4%. On a constant currency basis, our IT Services revenue was \$1,117 million. As we had suggested last quarter we are seeing broad-based growth with positive sequential growth rate in all our verticals, geos and service lines. The momentum was driven by Financial Services with 6.7% sequential growth. Energy & Utilities and Healthcare & Services both posted double-digit sequential growth rates and Communication, Media, and Service Provider posted 8% sequential growth. Even our more challenged verticals like Telecom and Technology posted positive sequential growth in the current quarter.

We are seeing significant traction in our IT Infrastructure and BPO business, reflected in our strong sequential growth of 9% and 7% respectively. Our Product Engineering service line also posted strong sequential growth as development spends stabilized. Europe



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continues to be an exciting market for us, characterized by 5% sequential growth in the quarter. Our investment in emerging markets continues to pay rich dividends. Our India & Middle East business grew 16% sequentially, while Other Emerging Markets grew 20% sequentially. We are seeing particularly strong traction in Australia. We saw strong volume pick-up in the current quarter with 4.7% sequential growth. We continue to drive productivity and non-linearity - our proportion of fixed price projects increased by 2.2% to 42.5%. Our realizations were impacted by lower working days and shut down in the current quarter - our offshore realizations dropped by 2.4% while onsite realization dropped by 0.3%. Our focus on operations helped us maintain margins in the current quarter despite headwinds of rupee appreciation, impact of progression and impact on realization due to lower working days and shut down. As of 31st December, 2009, our DSO for the IT Services business was at 60 days.

Our IT products business showed year-on-year growth of 20% in revenues and operating profit growth of 34%. We improved margins sequentially by 0.8%. Wipro Consumer Care and Lighting business continued to see good momentum with revenue growth of 14% year-on-year and operating profit growth of 21% on a year-on-year basis.

On the foreign exchange front, our realized rate for the quarter was Rs. 45.83 versus a rate of Rs. 46.9 realized for the quarter ended 30th September, 2009. On a quarter-on-quarter basis forex gave us flat impact to margins including the benefit of cross currency. As the period ends, after assigning the assets on the balance sheet we had about \$1.3 billion of forex contracts (\$1.8 billion on a gross basis) at rates between 40 and 50. Our net cash balance on the balance sheet was Rs. 36 billion. We generated free cash flow of Rs. 7.6 billion during the quarter. For Wipro Limited, under IFRS, our revenues grew 6% year-on-year and profit after tax grew 19% for the quarter ended 31st December 2009. We would be glad to take questions from here.

Moderator

Thank you very much, sir. Ladies and gentlemen we will now begin the Q&A session. Our first question is from the line of Vihang Nayak of Motilal Oswal Securities Limited. Please go ahead.

Vihang Nayak

Good afternoon sir. Good quarter. Just wanted to understand whether the dip in offshore realization is because of the lower billing rate during this quarter?



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Suresh Vaswani That is correct.

Vihang Nayak Okay. The lower billing days would be there in the onsite business also, why is the realization flat there? Did we have an uptick in our billing rates for onsite?

Suresh Vaswani There were lesser number of working days onsite too, but we got some cross-currency advantage there and therefore the decline was muted.

Vihang Nayak Okay. Secondly, you have added more than 4,000 people this quarter, are most of these employees really freshers? How many of them are lateral?

Suresh Vaswani It is a combination of both lateral and campus. Deb, would you want to throw some more light on this?

Sambuddha Deb Hi, this is Deb. I am the Head of Delivery. We added 3,000 people from campus and the rest from laterals and contract.

Vihang Nayak Okay, good. Also, you spoke about your salary revision in the next quarter. Could you please tell me when this revision would be effective from and what will be the magnitude of the revision?

Pratik Kumar Hi, this is Pratik here. We had shared last quarter that salary hikes will take place in the course of this quarter. It will be made effective from February 1st for our employees both offshore as well as onsite.

Vihang Nayak Okay. And what would be the offshore hike and onsite hike?

Pratik Kumar We haven't yet frozen the numbers yet but it is largely going to be in line with what we have seen some of the other players who had given salary hikes recently do or announce. It is going to be in line with what we see happening in the market.

Vihang Nayak Right. Also, we have seen utilization increase across the board in this particular quarter, only in BPO have we seen a dip of almost 300 basis points, any particular reason for this? And what has been the hiring in BPO in this quarter?

Suresh Vaswani We hired approximately 3,000 people in BPO this quarter. And there is no very specific reason for the drop in utilization. Again, it is the number of days available there, because



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in some cases there is a shutdown, though not in the case of 24X7 which does not shut down, but some of the other schemes do reduce. What happens there is that the utilization drops rather than the rate dipping.

Vihang Nayak

Okay, understood. Thanks.

Moderator

Thank you Mr. Nayak. Our next question is from the line of Kunal Sangoi of Edelweiss. Please go ahead.

Kunal Sangoi

Yeah, thanks for taking my question. My question is with regards to hiring itself. Could you help us with the gross hiring figure for the quarter?

Rajendra Shreemal

Kunal, we normally give only net additions, not the gross hiring numbers.

Kunal Sangoi

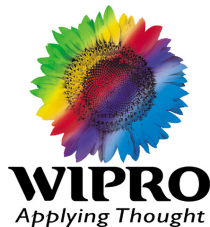
Okay. So, over the last four quarters we have seen voluntary attrition continuously rising, how is the management looking at that? I understand the salary hikes effective next month will certainly help that, but what are the other measures the company is looking at to bring back the attrition to close to 10% levels?

Pratik Kumar

Voluntary has gone up, but I think we need to understand, Kunal, that we did not entirely anticipate it. As you yourself remarked, we have had some very-very quiet quarters on the attrition front. Lately, we have seen movement as far as hiring is concerned; all players big and small are beginning to hire. And therefore there has been some spike in attrition as a result of that, which is expected. However, since we end up comparing numbers, you would surely like to compare numbers right now I will just clarify here that our numbers are annualized numbers. If you look at our trailing 12 months' attrition number, it's at 9.9%, so that is pretty much there, but our annualized number is at 13.4%. So, as I said, this is something which we did not completely anticipate. So what are we actually thinking of doing about it? Of course what we shared just now, we will be having the salary hike effective February. Normal promotion cycles which are done in two rounds in April and October will also kick in. We think with that we should be able to keep things in check.

Kunal Sangoi

All right. Secondly, with regards to technology & telecom verticals, here we have seen an increase in revenues on absolute basis almost after five quarters. Do you think this uptick is for real or is it only pent-up demand? How do you see the trend this year?



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- T. K. Kurien We are cautiously optimistic as far as telecom is concerned. We think we have seen the bottom as far as we are concerned and would probably see a growth going forward.
- Kunal Sangoi Okay, sure. So, that still may not grow much faster, or maybe at the pace at which BFSI and others are growing, but you see that the recovery is happening gradually, right?
- T. K. Kurien That is what I say, we are going to get growth back.
- Kunal Sangoi Okay, thank you.
- Moderator Thank you Mr. Sangoi. Our next question is from the line of Srivathsan Ramachandran of Spark Capital. Please go ahead.
- Srivathsan Ramachandran I just wanted to get your comments on product engineering services. That is another service line that has shown quiet a good improvement on a quarter-on-quarter basis. Since Technology and Manufacturing have not seen much growth, is it that you are seeing product engineering services in newer space, in something like an Energy & Utilities or Healthcare? What is driving the growth?
- Girish Paranjpe I think there are some parts of product engineering which tend to be more cyclical than others and that have had a good pick-up, especially in the semiconductor space. So a lot of the growth is coming from there. But your point is valid in that we are consciously diversifying capabilities beyond the tech verticals. Today we are doing engineering work in the automobile space, healthcare as well as in energy.
- Srivathsan Ramachandran Okay. Also, what is the situation, especially in the telecom OEM and related markets? Are there any signs of improvement in demand at all or is it too early to call for a demand environment improvement?
- T. K. Kurien I think I kind of answered that question. The demand environment is primarily driven by two factors. One is supplier rationalization, and the second thing is that instead of going after pure engineering services, we have diversified our customer base. So we are now going after far more IT and BPO work, as also managed services work. The breadth of what we can offer is primarily playing to our advantage here.



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Srivathsan Ramachandran Okay. My next question is relating to margins. Assuming we can maintain the kind of growth rate we have seen this quarter, i.e. a 4.5-5% kind of growth, do you think it will provide a decent buffer for us to maintain margins in a narrow band, despite factors like wage hikes?

Manish Dugar Srivathsan, hi, this is Manish. I think in spite of what we are expecting on the salaries front, we are quite confident that we will be able to maintain margins in a narrow range.

Srivathsan Ramachandran Okay sure, thanks a lot.

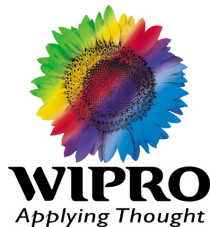
Moderator Thank you, Mr. Ramachandran. The next question is from the line of Nitin Padmanabhan of Centrum Broking. Please go ahead.

Nitin Padmanabhan Yeah, hi, thank you for taking my questions. With reference to the overall growth and the nature of spend that are happening today, do you think there is pent-up demand and it could loosen up a bit, or do you think that this is something that could last a year now, in terms of the trajectory?

Suresh Vaswani Firstly, I think your observation is right that the growth is overall, across all verticals and across all service lines. Two is I do not think budgets are going to move up, or have gone up, drastically, but what customers are certainly doing is spending the budgets that they have. Three is customers are looking for more transformation out of the budgets that they have. Therefore, that plays into some of our strengths, be it services or be it a vertical or be it BPO strength. So basically it is that you spend the money that you have for programs that can drive transformation, whether it is process or business transformation.

Nitin Padmanabhan Another thing would be with regard to margins. When do you see the non-linearity initiative really kicking in and getting into the pricing, so that we see the average realizations improve?

Manish Dugar Non-linearity is something that we have been driving since almost eight quarters now, and if you were to compare our realizations eight quarters back to today there has been a significant uptick. It continues to be a focus area and we will see it deliver as we go forward. Some of the benefits that we are seeing here also get reported in the form of increased contribution from fixed price projects and increased ability to absorb freshers. Moreover, we have seen benefits in realizations and we expect it to continue.



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- Nitin Padmanabhan Okay. On the Financial Services front, could you throw some light on the number of deals we have won this quarter, what percentage of that is M&A spends and is that sustainable? Secondly, Retail saw very good growth last year but post that the trajectory seems to have come off a bit. So, I was just wondering what is happening there?
- Girish Paranjpe Hi, Girish here. In financial services, whilst some of the growth is because of M&A related work, it is important to note that it cannot be a quarter phenomenon. Typically, it involves large integration projects that run for 18 months to two years. Secondly, we are doing work in a lot of projects which have nothing to do with M&A. So it is more regular work for the sake of helping them launch projects or comply with regulations or enter new markets. Also, we have signed up five important deals which will help us to drive revenues in the future. In retail, actually the pipeline is good. We have signed some good deals and Suresh will speak more about it.
- Suresh Vaswani Retail becomes a part of what we call as the RCTG SBU. So, Retail, CPG, Transportation and Government, that SBU has done modestly well in terms of sequential growth, scoring close to 3% QoQ. Though the growth in the past has been more there, one has to look at a more YTD sort of picture and here, it is one of the SBUs that has driven growth for us. So that is one. But it is in CPG where we are seeing, I would say, relatively more growth than what we are seeing in retail, and out of the 6 wins that we have announced, some wins are from this space. Lastly, if one looks at the pipeline of things going forward, one the pipeline is across the board, and two, it is significant on the retail and CPG side.
- Nitin Padmanabhan Thank you.
- Moderator Thank you Mr. Padmanabhan. Our next question is from the line of Anthony Miller of Tech Market View. Please go ahead.
- Anthony Miller Hello, gentlemen. I wonder if you could give a little more color on movements on the European scene please. You said that the sequential growth there is 5%, could you give us an idea about what it was in constant currency? Also, perhaps you could give some highlights on the major country markets in Europe?
- Suresh Vaswani The constant currency growth in Europe was 4.6% quarter-on-quarter. Secondly, Europe has done well for us, and it has done well for us consistently over the last couple of



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quarters. The third point is that we are seeing this coming not only from our traditional UK market but also from continental Europe. I would again say that it is Europe where we have got most of our business from, in fact out of the 6 deal announcements that we have made, I think 3 are from Europe.

Anthony Miller Of the major continental European markets, which ones seem to be coming out of the depression the fastest?

Suresh Vaswani It might be difficult to pin-point markets but I think overall markets in continental Europe have recovered. So it is Germany, France, Switzerland, and really the whole of continental Europe. Most of the countries, or organizations within countries, are beginning to look very actively at outsourcing to players like us who have fairly strong global delivery models.

Anthony Miller Okay, thanks very much.

Moderator Thank you Mr. Miller. Our next question is from the line of Subhashini Gurumurthy of Ambit Capital. Please go ahead.

Subhashini Gurumurthy Hi, congrats to the management on the good numbers. My question actually relates to what Mr. Premji mentioned in his opening remarks. I wanted to understand the partner led sales model more, if you could throw more light on that please. Also wanted to know whether it means increased S&M spends going forward, and if so, what could be the target we could look at?

Girish Paranjpe This is Girish Paranjpe. What we are referring to is that, in large, there are two parts. One is that, typically, large change programs require significant advisory capabilities and also deeper client relationships. So what we have done on a client-to-client basis is to upgrade a level of client engagement managers that we have in some of our bigger and longer relationships. Secondly, we are also inducting high level consulting people who we have hired as client partners into those accounts, either on a full time basis or on a semi full time basis. The idea is to help shape deals in those accounts so that we not only help clients on an advisory basis, but hopefully when that advice leads to a decision, we can help them in executing those projects as well.



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- Suresh Vaswani Just to add, what we are clearly doing here is strengthening our client engagement structure even further. Our client managers are really the eyes and ears of Wipro into the accounts, so they are virtually the CEOs of the accounts that they manage. And we have completely aligned our pre-sales structure, our service lines and all the various business units of Wipro behind these client engagement managers in terms of growing our business there.
- Subhashini Gurumurthy Sure. So this would mean increase in S&M spends going forward, right?
- Suresh Vaswani Yes, it would mean increase in S&M spends and we will invest more on the S&M side as we go forward.
- Subhashini Gurumurthy Is there a level we can look at over the next two years which we intend to take it too?
- Suresh Vaswani We cannot give you a number off the hand, but clearly, if there is one place we are going to focus on in terms of investment, it will be on customers, and therefore consequently, on S&M.
- Manish Dugar Just wanted to add to what Suresh said, if you look at the financials, our S&M expense has already gone up this quarter.
- Subhashini Gurumurthy Yeah, that is right. My next question is on manufacturing. Wipro was the first one to sound off improving environment in the manufacturing vertical, and you were probably more positive than your peers. So what is our outlook there now?
- Suresh Vaswani We continue to be positive on manufacturing. In the last couple of quarters, manufacturing has been ahead of some of our SBUs in terms of growth. The difference is that maybe due to some pent-up growth in some of the other SBUs, everybody has grown this quarter. However, if one were to just look at manufacturing on a standalone basis, it has done reasonably well. Though it has grown around 2.5% sequentially, which is below what Wipro has grown, if you look at it on a YTD basis it has been one of our leading SBUs. If you peel the onion within manufacturing, I think the pharma sector and the industrial automation sector are doing well, and a lot of the European strength over the last couple of quarters has been from the manufacturing sector.



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Subhashini Gurumurthy Sure sir, just one last question, you mentioned that attrition on an LTM basis was 9.9%, how has it moved sequentially?

Pratik Kumar The last quarter was 9.7%, Subhashini.

Subhashini Gurumurthy Sure thanks a lot.

Moderator Thank you Ms. Gurumurthy. Our next question is from the line of Pinku Pappan of Nomura. Please go ahead.

Pinku Pappan Hi and thanks for taking my question. On the infrastructure services front, what kind of demand trends are you seeing there and what kind of services are clients really asking for?

Suresh Vaswani We see fairly healthy demand trends there. So let me answer your question from different angles. One is that last quarter, infrastructure services business has grown 9.1% for us sequentially, which is significantly ahead of the overall Wipro growth. Secondly, we have won quite a few deals there over the last couple of quarters, particularly in the US, and in fact, one of the deals that we have spoken about in our press release is really infrastructure combined with our Infocrossing proposition. So, the investment that we made in that space in the Infocrossing acquisition is clearly beginning to yield results. The third perspective is that this business has a fair amount of presence for us in the emerging markets of India & the Middle East, and the business is gaining more traction in these markets. Lastly, if you look at the funnel, a significant part of it is on the infrastructure services side. So clearly, customers are looking at what their current infrastructure set-up is like and how they can transform the cost structure that relates to infrastructure. They are therefore beginning to look at players like us who have a fairly optimal reach of onsite business, as in Infocrossing, as well as offshore presence, and offshore not only as it relates to India but all our global centers.

Pinku Pappan Could you talk about the utilization at your data centers, and also, as you said there is demand in the emerging markets, do you plan to invest in data centers in India again or do you think this is sufficient for the time being?

Suresh Vaswani So I will come back to the utilization part, but yes, Infocrossing has data centers in the US and we will continue to invest in that business, so if the demand picks up and it means we



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have to invest more in capacity, we will do it. The next country or region where we are investing quite strongly in data centers is India. We already have two facilities set up here and we are planning to invest in that business further because it fits in very well with our overall end-to-end infrastructure and system integration strategy in India. On the utilization bit, I am going to request Manish to speak about it.

Manish Dugar

Also, there is a gestation period involved in setting up a data center. As we look at the pipeline, we see that while the utilization may not yet be 100% but most of the capacity that we currently have is already sold out, and as we see demand picking up further, keeping the gestation period in mind, we will start investing so that we have the capacity ready when it is required.

Pinku Pappan

Another question is on virtualization. Do you see that as being the primary demand from clients or is it more just managing networks?

Suresh Vaswani

There is huge demand from clients in virtualization. Clearly customers are looking to make sure that they sweat their assets completely and virtualization really helps them do that, so virtualization is a very big key.

Pinku Pappan

Okay, the final question is regarding IT products business, could you tell us how you have achieved the improvement in the operating margins in that business?

Suresh Vaswani

Our IT products business is largely focused on the domestic market, so when we do IT products, increasingly we are doing IT products more as a part of our overall system integration projects as against just standalone IT products. And consequently, when you are doing it as a part of a system integration sort of offering, you tend to make more margins, so that is one. Secondly, when you are doing it as a part of system integration, you are doing a lot more higher-end product sales rather than just commodity sales, and that itself has higher margins. So when I am doing a networking project or a data center project vis-a-vis selling a PC, margins tend to be higher. In addition to this, we are obviously driving more operating efficiency in the PC business and even those margins have gone up.

Pinku Pappan

Alright, thank you very much.



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- Moderator Thank you Mr. Pappan. Our next question is from the line of Rahul Jain of Angel Broking. Please go ahead.
- Rahul Jain Good afternoon, Sir. A lot of growth seems to be coming from the emerging markets, so I just need to understand more on which verticals it is coming from and what is the normal ticket size we are seeing in this market?
- Suresh Vaswani Okay, this is Suresh Vaswani here. So when we look at the emerging markets, let us just split it into two, one is the India & Middle East business and the other is the APAC & Rest of the World business. We have spoken much about the India & Middle East business in the past, a very major investment and focus area for us, a place where we have continued to invest given the fact that it is our home turf and we have done well here. Last quarter the growth in India and Middle East was 15.9% sequential, and one would say year-on-year it was roughly 21% and the business in India and Middle East came pretty much from across the sectors. If one were to single out some sectors in this geo, it would be the telecom sector, the BFSI sector, the government sector, the defence sector, and last quarter we had also announced a significant joint venture in the airport sector in India. This is the story on India and Middle East - system integration and large transformation projects - a very differentiated proposition here which is driving our growth. Stepping to the Rest of the World and the Asia PAC markets, this excludes Japan. The growth rates there have been even more, roughly 20% sequentially, and a lot of that growth has come from our relatively newer markets of Australia where we are building strong traction, and of course Singapore and Malaysia. But Australia really has been the rich head of our growth in the emerging markets.
- Rahul Jain Okay, yeah thanks.
- Moderator Thank you Mr. Jain. Our next question is from the line of Sandeep Shah of ICICI Securities. Please go ahead.
- Sandeep Shah Yeah, congrats on good numbers Sir. Looking at the utilization in the BPO business in the India and Middle East versus the overall growth utilization rate, is it fair to assume that most of the 5000 odd net additions have happened in the BPO in the India and Middle East business?



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- Girish Paranjpe No, not so, both of have had almost even growth, there has been a large growth on the IT side as well as on the BPO side.
- Sandeep Shah Okay, it seems like 3000 employees have been hired in BPO out of the 5000 net additions which we have done?
- Girish Paranjpe 3000 was a gross number, Sandeep.
- Sandeep Shah Okay, and if you look at the overall reported growth on the global IT excluding Infocrossing, it is coming to roughly around 3.2%. So it seems like the Infocrossing revenues growth has been in the high double digits, is that a right assumption?
- Manish Dugar Not really. I mean, Sandeep if you could point out where you are getting that number from because our reported numbers do not give that breakup.
- Sandeep Shah Because you gave us the volume number and you gave us the billing rate so if we do the math, the reported IT services revenue growth number is \$830 million so...?
- Manish Dugar Okay, so that number is also because of the India business and the BPO business that we have, so it is a combination of all of them, so it is not just Infocrossing.
- Sandeep Shah If you look at the India business it has grown sequentially 16% and BPO has also shown very good growth.
- Manish Dugar So just let me rearticulate that Sandeep, in case you have got confused, numbers that you are calculating are for Wipro Technologies with the volume and rate, it does not factor in the numbers that we report for India, Middle East, BPO, and Infocrossing.
- Sandeep Shah Correct.
- Manish Dugar So it is not just Infocrossing but a combination of these three and if you see we have reported 15% sequential growth so far as India-Middle East business is concerned and that is a significant contributory to that incremental revenue.
- Sandeep Shah So Sir, the global IT does not include the India & Middle East business, right?
- Manish Dugar That is right.



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- Sandeep Shah And it does not include even the Infocrossing and BPO, because you gave a separate calculation for BPO and India & Middle East, so my question was if the balance part was only Infocrossing?
- Rajendra Shreemal So you know Sandeep, the way it works is that if you look at rates as well as utilization and all these parameters, they are given for global IT business. Apart from this, we also share the utilization numbers for India & Middle East, Global IT Business and the BPO business separately.
- Sandeep Shah So revenue includes everything?
- Suresh Vaswani So let me just sort of clarify, global IT services includes revenues from India IT services, but some of the operating parameters we share are reflected separately for global IT services, the India business and the BPO business. So revenue is all integrated but operating parameters have been shown separately.
- Sandeep Shah Okay and just, if I heard correctly, after the February wage inflation have you all again said that in the month of April the wage inflation maybe reconsidered in line with the market?
- Suresh Senapaty No, I did not say that.
- Sandeep Shah Okay, so in that sense, will the next FY11 wage inflation cycle come on a seasonal basis, i.e. as it generally comes in Q3 or Q4?
- Suresh Senapaty We have not even given it a thought so far, Sandeep.
- Sandeep Shah Okay, thanks.
- Moderator Thank you Mr. Shah. Our next question is from the line of Dipesh Mehta of Khandwala Securities. Please go ahead.
- Dipesh Mehta Our employee expense in absolute terms has declined for the last four quarters. So the 4800 odd employees that we have added, is it largely at the end of the quarter, or when have we added them?
- Pratik Kumar Right through the quarter.



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- Dipesh Mehta Then why is the employee expense declining, we see around 100 crores lower than previous quarter?
- Rajendra Shreemal It is primarily driven by the Rupee appreciation , so you had a Dollar expense at onsite which if you really convert it, when the Rupee appreciates, the absolute number shows a lower amount.
- Dipesh Mehta Okay and this is normalized, nothing like we have added only in the December month?
- Rajendra Shreemal No, I think the additions in the quarter have been spread out.
- Dipesh Mehta Okay, thanks.
- Moderator Thank you Mr. Mehta. Our next question is from the line of Rohit Anand of PINC Research. Please go ahead.
- Rohit Anand Yeah, hi sir, thanks for taking my questions. Your revenue contribution from FPP projects has increased almost 220 basis points, so is there any impact of this increase on the pricing? Also, what do we expect from FPP projects going forward, do you see contributions from the same increasing?
- Manish Dugar Rohit, hi this is Manish here. As I mentioned sometime back, non-linearity also has a lot to do with fixed price and we do believe that fixed priced project s give us the leverage to improve realizations. Slight drop in realizations that you have seen in this quarter is primarily due to either the impact of cross currency or due to a lower number of working days, which is also in some form because of the shutdowns that we have had . However, if your question is whether fixed price projects led to a drop in realizations, it is actually the converse.
- Rohit Anand No, not a drop in it, I meant has it actually impacted positively? Since FPP grew around 220 basis points this quarter, I assume it must also have contributed something to the pricing. And secondly, do we expect the contribution from FPP to grow further?
- Manish Dugar Ok, so we have not kept a number target for ourselves , but given the focus on system integration, transformation and non-linearity, the assumption that one can make is it certainly will go up.



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- Rohit Anand Secondly, the client count has actually declined in this quarter, whereas we have seen either a stable number or an increase for competitors. Did anything specific happen in this quarter?
- Suresh Senapaty These numbers are on the basis of the last 12 months, but if you look at the annualized number for the current quarter, it is essentially high. So it is just an aberration, not to be read too much into.
- Rohit Anand Sure. Lastly, any color on the campus hiring for next year?
- Pratik Kumar We have indeed started going to campuses and our plan right now is to go to a select number of campuses in this round. Unlike previous years, we would not be go to the 250 campuses we used to traditionally visit, but rather keep our focus on the top 100 campuses, which according to us are the best colleges. There we will target the best students and get them onboard, and the remaining we would try to bring in as close to the demand needs as possible, instead of building a huge inventory in anticipation.
- Rohit Anand Okay sir, thank you and good set of numbers, all the best.
- Moderator Thank you Mr. Anand. Our next question is a follow-up from the line of Nitin Padmanabhan of Centrum Broking. Please go ahead.
- Nitin Padmanabhan Hi, thank you. This is just a follow-up from where I think Sandeep left off. If you look at technology infrastructure services as a whole, it has contributed 33% of the incremental revenues of around 62 million. And even if I look at the total IT services revenue numbers and add up the revenue numbers of the rest, which is BPO and India & Middle East, there is a number which is left out from the total revenue number, so is that Infocrossing because that shows a 22% growth there?
- Lakshminarayana Lan Hi, Nitin this is Lan here. As you are aware, the total revenues comprise of the various components that Manish has talked about. It also has a certain amount of pass through revenues which are part of where we use external consultants. So that is a constant number and has been there in our financials for the past many quarters. So to that extent, you will never be able to get a 100% reconciliation by multiplying headcount with man months with the rates. Also, there might be minor variations there from quarter to quarter, something that has again happened for many quarters now.



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- Suresh Vaswani For example, the infrastructure services number that you see as a part of our release includes our global infrastructure services, Wipro Infotech as well as Infocrossing numbers. So, it is an integrated infrastructure services play that we have of 21.3% in Q3 which has consistently grown over the last couple of quarters.
- Nitin Padmanabhan Okay so this includes Wipro Infotech as well?
- Suresh Vaswani Wipro Infotech Infrastructure services business, but not the products business, and not the software business, just pure infrastructure services business of Infotech.
- Nitin Padmanabhan Ok, so do you see any specific trend within the infrastructure services business abroad?
- Suresh Vaswani It is one of our better differentiated services, one of our business units that has done extremely well, particularly in the last quarter. We are having wins across the board there, in the US, in Europe as well as in India & Middle East. The Infocrossing business which is a part of our US infrastructure services business is really helping us win larger and larger, end to end outsourcing deals. So whilst in the past we would win deals largely because of managed services on global delivery models, now we are winning deals that include data center footprints in the US, as also managed datacenter services that we deliver to the customer. So our offering has become much fuller.
- Nitin Padmanabhan Could you throw some light on the total deal wins this quarter and also, the number of deals won for each of the verticals?
- Suresh Vaswani Okay, so a couple of points here. One is in terms of new customer wins and the other in terms of deal wins. So out of the 31 odd new customers that we won, a lot of the growth is broad based. The number of wins in Retail, CPG, Transportation and Government is high at 10 out of those 31, but we have had wins in BFSI, CMSP, E&U, and Manufacturing too, so this has been broad based. Now if you look at the six deal wins that we have announced, these are again across service lines, so there are infrastructure wins, package implementation wins and BPO wins, and they are reasonably well spread across verticals too.
- Nitin Padmanabhan Thank you.



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Moderator Thank you Mr. Padmanabhan. Our next question is from the line of Shraddha Agarwal of B&K Securities. Please go ahead.

Shraddha Agarwal Thanks, my questions have been answered.

Moderator Thank you Ms. Agarwal. Our next question is a follow-up from the line of Dipesh Mehta of Khandwala Securities. Please go ahead.

Dipesh Mehta Can you give me the constant currency pricing changes - offshore, onsite and blended?

Manish Dugar It is 1.1% for onsite and 2.9% for offshore.

Dipesh Mehta Okay, thank you.

Moderator Thank you Mr. Mehta. Our next question is from the line of Divya Nagarajan of UBS Securities. Please go ahead.

Divya Nagarajan Hi, congrats on a good quarter. My first question is for Pratik. Pratik, do we have any pending fresher offers that we are likely to bring onboard in the next quarter?

Pratik Kumar Divya, last time we had talked about the freshers who had passed out in the year 2008 and there were a few who were still left to be brought on board, so we are through with that lot now. So from that batch we now have onboard everyone who needed to be brought onboard. Next, for the batch which has passed out in 2009, and that was about 7500 in number, we have begun to bring them onboard from this quarter onwards, and we hope to complete a significant chunk of it during the course of the current quarter, though there maybe a spillover to Q1 of the next fiscal or so.

Divya Nagarajan Right. Just to follow-up on the utilization question, one thing that we have seen is that our ex-trainees utilization has spiked this quarter. Do you think this kind of utilization levels are sustainable?

Sambuddha Deb This is Deb. Yes, I think this kind of utilizations are sustainable, we have been able to hold it for the last two or three quarters and I think we are pretty much where we want to be right now.



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Divya Nagarajan

Right. Lastly, again on Infocrossing you mentioned that all the capacities are almost sold out, so does that mean we are looking at incremental capex there? In addition to that, what are your thoughts on how infrastructure margins could play out, if we go ahead with this more onsite-centric approach for this sector?

Manish Dugar

Divya, hi, this is Manish here. I had said that the capacity that we have is almost sold out and as you know there is a gestation period for setting up a center, and at the same time ramping up and starting to execute a new deal that we have won. So there will always be a lag between when we win an order and when it gets converted into capacity and then, when we need to start ordering for new capacity. And given that we have reached a certain scale, beyond this point additional capacity will not necessarily bring down utilization at an overall level significantly. On the margin question that you had, we are pretty confident that they can be maintained if not improved, and I am assuming here that you are talking about our infrastructure services margins which is a combination of what we provide from Infocrossing, system integration capability and managed services capability, because it is sold as a package, and we have seen that our ability to get margins have actually improved with the overall package of services rather than being selling only either managed services or hosting capabilities.

Suresh Vaswani

This is Suresh Vaswani. The only point I would like to add to what Manish has said is, yes, while the demand for Infocrossing service is building up and the capacity utilization is going up because of more customers, we are also clearly looking at how to drive more productivity there, or how to sweat our assets even more productively by utilizing techniques like virtualization, by optimizing energy consumption, by utilizing space more effectively, and so on and so forth. So a lot of work is going on in that direction. So it is not necessary that we will add capacity, but we may create more capacity within the same capacity.

Divya Nagarajan

Right, thanks that was very helpful, all the best.

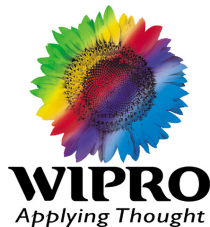
Moderator

Thank you Ms. Nagarajan. Our next question is a follow-up from the line of Mr. Anthony Miller of Tech Market View. Please go ahead.



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- Anthony Miller Yes, thanks again gentleman, apologies if I have missed the point here . Just a couple of things, how come your margins were flat in IT services while your peers were able to expand margins sequentially?
- Manish Dugar Anthony, hi this is Manish. If you were to look at the numbers, there is an increase in our sales and marketing expense and there is also the impact of progressions and bonuses that we gave for the purpose of retention to our key employee s last quarter. Despite those headwinds, the good thing was that forex was flat this quarter, and given the utilization improvement that we drove and the cost take-outs we got from our SG&A cost lines, we were able to maintain margins at a flat level.
- Anthony Miller Okay. And just to clarify on IT budgets, you said you expected IT budgets to be flat or marginally positive, roughly what percent of your clients have actually yet to firm up their budgets?
- Lakshminarayana Lan That is a bit difficult to say, Anthony, Lan here . I think the comment we made on the view on the budgets is based on certain anecdotal discussions we have had with some of our key clients, we do not have a formal poll of all our customers to say how many of them have finalized or so.
- Anthony Miller When do you expect them to finalize their budgets?
- Lakshminarayana Lan We do expect that over the course of the next four weeks, most of our customers would have finalized their budgets.
- Suresh Vaswani Four weeks is slightly longer, but I think the bigger point here is what we said in the beginning, that budgets will be flat to mildly positive but people will spend their budgets. You have last year's budget indications and what we are clear on is that at least it will be the same next year, but they will spend the budgets.
- Anthony Miller That's it. Thank you once again.
- Moderator Thank you Mr. Miller. Our next question is from the line of Ranjit Shinde of Economic Times Intelligence Group. Please go ahead.



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- Ranjit Shinde Hi, thank you for taking my question. I want to know why the number of active clients has gone down in the December quarter, it had gone up till the September quarter but now I think it has gone down significantly?
- Suresh Vaswani I think Senapaty had answered that question earlier, it would have gone down in context of the cut off that we have, but if you really look at it on an annualized basis, the number of customers above \$1 million has gone up by 16. So what you see here is a number looking backwards.
- Ranjit Shinde Okay, thank you.
- Moderator Thank you Mr. Shinde. Our next question is from the line of Radhika Merwin of IFCI Financial Services. Please go ahead.
- Radhika Merwin Yeah, hi, good afternoon. Just a couple of things, on the products revenue front we have seen a margin improvement but in terms of revenue there has been a sequential decline, is it just because of lumpiness of the product business or is there something more to it?
- Lakshminarayana Lan Yes Radhika, I think the products business, as you are aware, does have some peaking towards quarters ending September and March. That is pretty normal in India and there is nothing more to that.
- Suresh Vaswani So it tends to peak a little in Q2, tends to dip a bit in Q3, and then tends to peak again in Q4. So there are two cycles of growth in the products business.
- Radhika Merwin So nothing more to it than the cyclical nature of the revenues?
- Suresh Vaswani Yes, absolutely.
- Rajendra Shreemal Radhika, just to add, we also did get the benefit of Rupee appreciation here which led to incremental margins.
- Radhika Merwin How much would have been the cross currency benefit on the margins front?
- Rajendra Shreemal Whatever you are seeing there is approximate, the major chunk is the Rupee appreciation only.



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- Radhika Merwin Okay great, and on the product engineering side, after a sequential decline in the last two quarters, we have seen quite a robust growth this quarter , so what does it feel like in the product engineering space?
- Suresh Vaswani Radhika, I guess Girish responded to that question sometime back , but broadly it is our strategy of diversifying, from only supporting technology business from the embedded side to getting into industrial engineering and automobile, etc. Also, of what we have seen, the worst is behind us and suddenly we expect the growth to be back.
- Radhika Merwin How has the testing and package implementation side been, there is a slight lull this particular quarter , is there something specific in those particular segments?
- Suresh Vaswani Those continue to be high growth businesses for us. This quarter they have grown relatively less sequentially, compared to some other businesses that had some pent up demand, but we see both those businesses as very high potential businesses for us.
- Radhika Merwin Okay, Sir thanks a lot.
- Moderator Thank you Ms. Merwin. Ladies and gentleman, due to time constraints, that was the last question, and now I will hand the conference over to the management for their closing comments.
- Rajendra Shreemal Hi, this is Rajendra here. Thank you all who were present in this call. Should you have missed out anything during the call, the audio archive of this call is available on our website and we would also put up the transcript of this call very soon. And if you need any clarifications with respect to the questions not answered, Rishad, Aravind or I would be happy to take your questions. Thank you.
- Moderator Thank you, gentlemen of the Wipro Management. Ladies and gentlemen that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service , you may now disconnect your lines.