“Wipro Limited Q4FY10 Earnings Conference Call”

April 23, 2010
6:45 pm

Operator: Good morning. My name is Melissa and I will be your conference operator today. At this time I would like to welcome everyone to Wipro's Quarter Four Results and Earnings Call for period ended March 31, 2010. 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 this time simply press star then the number one 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: Thank you, Melissa. Good day to all of you. This is Sridhar and I'm joined by the IR team in Bangalore in extending a very warm welcome to all the participants to Wipro's Q4 results and earnings call. We have with us today Azim Premji, Chairman, Suresh Senapaty, CFO, who will comment on the IFRS results and on key takeaways for the quarter and year ended March 31, 2010. They are joined by Joint CEOs of IT business, Suresh Vaswani, Girish Paranjpe, and other senior members of the Wipro management team, who'll be happy to answer questions.

During the call, we might make certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act 1995. These statements are based on management's current expectations and are associated with uncertainty and risks, which could cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with Securities and Exchange Commission in the U.S. We do 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 an hour. The presentation of the Q4 FY '10 results will be followed by Q&A. The operator will walk you through the Q&A process. The entire earnings call proceedings are being archived and transcripts will be made available after the call at our company's website. Replay of today's earnings call proceedings will also be available via telephone post the call. During this call I'm also available on e-mail and through mobile as well to take any questions and table it to the Wipro team, in case you're unable to ask questions for any technical reasons. Ladies and gentlemen, over to Mr. Azim Premji, Chairman, Wipro.

Ladies and gentlemen, over to Mr. Azim Premji, Chairman Wipro.

Azim Premji: Good day to all of you. Let me give you an overall picture before I get on to the specifics of the business units. Wipro Limited had another strong quarter with an 8% year-on-year growth in revenue and a 21% year-on-year growth in profits. For the full year we grew 5% in revenue and 18% in profits. Overall, macro environment is getting better each quarter and we seem to be returning to a more normal business environment. Conversations with multiple Fortune 100, 500 CEOs confirm that they are significantly more confident and optimistic of the future than before.

I'd like to now talk about the IT business. We've had another good quarter following a strong performance in Q3. Our IT Services business grew this year at the top end of our guidance of 4.7% on a constant currency basis. Billable head count has been among the strongest that we have seen since the slowdown started.

Strong broad based growth continues despite the impact of cross-currency. Growth has been volume led with uptick in volumes of 4.1%. This follows volume growth of 4.7% in Q3. We have seen strong growth in Healthcare, BFSI and Energy and Utilities, and in the service lines in BPO, TIS, consulting and testing. Challenged verticals, like Telecom and Technology have had a strong quarter following through a strong quarter in Q3.

We expect budgets to be marginally up this year, but more importantly we expect budgets to be spent this year. We've already seen some initial pickup in discretionary spend. We've done an excellent job of improving margins this quarter by 60 basis points to 24.2% despite giving salary increases in February and challenges with a stronger rupee and weaker cross-currency. Operating margins for the year have expanded by 243 basis points to 23.4%. We will continue to build on the operational excellence achieved in financial year '10 with improved revenue and operating leverage, which is key to our strategy.

Non-linearity is a huge movement within the organization and we're driving these across the organization within delivery as well as on the revenue side. We continue to work on new commercial models, which are win-win for the customer as well as for us. We continue to invest in industry-led solutions and on driving offerings around our technology teams, like green and cloud.

We are strongly committed to driving globalization. Our aim is to increase the percentage of locals in our workforce overseas to 50% in the next two years. As of quarter four, 39% of our overseas people are local versus 29% a year ago, a significant increase of 10%.

We expanded our delivery presence overseas with inauguration of the center in Curitiba, Brazil and a new development center in Melbourne, Australia. We continue to invest in the frontend and moving up the value chain with customers. Our consulting business continues to grow and capture slight mind share. We have hired 38 partner-level people in financial year '10 and plan to continue aggressively build from this in financial year '11.

A few words about our Consumer Care and Lighting business. Our India household business continues to grow on the back of our flagship brand Santoor, which is the number three brand in India. In our International business, the second half of the year has been much better for us, but some of the smaller developing markets, like Vietnam, Indonesia and China – we're small in China – have seen strong growth throughout the year. Our bigger markets, like Malaysia, Hong Kong and Singapore have also bounced back in half year too.

Wipro Infrastructure Engineering, positive news is that we have gained market share during the downturn and further cemented our relationship with our key class lines. This bodes well for the future. We are today the world's largest third-party hydraulics player in each cylinder field. India market is strong and has returned to peak levels. Europe has bottomed out and we're starting to see the first signs of recovery.

On our Eco Energy business, which we started exactly a year back, has got off to a good start. We've had some stellar wins of orders and our order pipeline is strong going into the current year. We operate there on three axes. On one axis we give green solutions to customers, commercial customers, industrial customers and home customers. On the other hand, because of a new very innovative and very progressive policy by the government of India through the solar mission, we are in the process of supplying solar utility plants.

As for the global customers as well as for the Indian customers, we're offering managed services, which are end-to-end management energy infrastructure and usage for our clients. We leverage upon our major distribution and direct selling network of our IT services business globally to leverage this. Our confidence in our Eco Energy business model has increased significantly validated by the market success.

In terms of other achievements, we won the 2010 Global Impact Award from Metro Atlanta Chamber of Commerce under the category of Economic Development Foreign Direct Investment, for success in job creation and positive impact on Atlanta's economy in 2009.

Wipro also released its second sustainability report. The report is prepared in line with the Global Reporting Initiative framework, and has been rated A+ by GRI. Highlights include a 19% improvement in energy efficiency over the past five years and 32% of the water requirements of Wipro are met through water recycling and harvesting.

I now request Suresh Senapaty, our CFO, to make some opening statements.

Suresh Senapaty: Good day, ladies and gentlemen. Before I delve into our financials please note that as of this quarter, we will report our financials in IFRS based on fully revised guidance.

For convenience we have also shared our Indian GAAP results this quarter. Starting next quarter, we will only share IFRS results. Please also note that for the convenience of readers, our IFRS financial statements have been translated into dollars at the noon buying rates in New York City on March 31, 2010 for cable transfers in Indian rupee, as certified by the Federal Reserve Board of New York, which was $1 equal to Rs.44.95. Accordingly, revenues of our IT Services segment that was $1,166 million, or in rupee terms 52.6 billion, appears in our earnings release as 1,170 million based on the convenience translation.

Our IT Services revenue for the quarter ending March 31 was $1,166 million on a reported basis, a sequential growth of 3.5% and year-on-year growth of 11.5%. On a constant currency basis, our IT Services revenue was 1,180 million, a sequential growth of 4.7% and a year-on-year growth of 7.8%. As we have projected last quarter, we're seeing broad based growth across verticals and service lines. We saw the challenged verticals of Telecom and Technology posting strong growth at 6.6% and 6.5% respectively. BFSI posted another strong quarter of 4.6% sequential growth rate.

Energy and Utilities, and Healthcare and Services, both posted a sequential growth rate of 4.7% and 9.8% respectively. Our differentiated service lines perspective CIS, BPO grew up more than 5% sequentially in the current quarter. With development strength starting to stabilize, Product Engineering Service delivered 5.7% sequentially.

Europe continues to be an exciting market for us, illustrated by 8.6% sequential growth on constant currency terms in the quarter. Our investments in emerging markets continue to pay good dividend. Our India and Middle East business grew 26% on a year-on-year basis, while other emerging markets grew 13% sequentially. We continue to see particularly strong traction in Australia.

We saw volumes continue to be strong in the current quarter with 4.1% sequential growth. We continue to drive productivity and non-linearity, as proportion of fixed-price projects increased by 1.8% to 34.3%. Price realizations in constant currency increased by 1.3% offshore and 0.9% onshore. On a reported basis, our offshore realization increased by 0.2%, while onsite realization dropped by 0.4%. Our focus on operations helped us expand margins in the current quarter by 60 basis points, despite headwinds of salary increase and rupee appreciation. As of March 31, 2010 our DSO was at 61 days.

Our IT Product business showed year-on-year growth of 2% in revenues in the current quarter. Wipro Consumer Care and Lighting business continued to see good moment with revenue growth of 27% year-on-year and EBIT growth of 16% on a year-on-year basis.

On the Forex front, our realized rate for the quarter was 45.11 versus a rate of 45.84 realized for the quarter ended December 31, 2009. On a quarter-on-quarter basis, Forex gave us a negative impact for margins, including the impact of cross-currency of 0.7%. As at period end, we had about $1.7 billion of Forex contracts at rates between 40 to 50. Our net cash balance on the balance sheet was Rs.44 billion. We generated free cash flow of 8 billion during the quarter.

We'll be glad to take questions from here

Sridhar Ramasubbu: Melissa, you can start the Q&A.

Operator: At this time I'd like to remind everyone in order to ask a question press the star then the number one on your telephone keypad. We'll pause for just a moment to compile a Q&A

roster. Your first question comes from Trip Chowdry from Global Equity Research. Your line is open.

Trip Chowdry: Two questions, first regarding the European market. About a couple of years, there were a lot of deals which were supposed to be up for renewal, but the economic downturn probably put a dampen on it. I was wondering have those deals conversation started to occur again. And if so, do you think increasing part of those deals will be both offshoring and outsourcing? And then I have a follow-up question.

Girish Paranjpe: Hi, Trip. Girish here. I think what we've seen change from the past few years is a genuine movement within Europe to do global deliver – to embrace global delivery, but it has to be adapted to the European context. So there is a significant amount of planning, and I would say, organizing that has to be done to be able to handle the legislative protection that exists in Europe relating to people. So we have to find some innovative solutions around that, but clearly the key is large European enterprises which want to be globally competitive, are more than willing to embrace global delivery.

Trip Chowdry: Perfect. Second question I had was regarding your cloud initiative, and I was wondering can you give an update like which sectors are you think early adopters of cloud and any other commentary in terms of any new capabilities you're building to address the potential need that may come down the road. Thank you very much.

Suresh Vaswani: Actually the question was now that what we see as an adoption of cloud is what Wipro's strategies are. So clearly cloud is there in every CIO's mind. In the – in basically the customer user segment. We do see that large enterprises bookings seriously are understanding cloud and understanding cloud technology and what it could mean for them in terms of their IT transformation. We do see that customers will – especially the mass customers will look – and I'm talking for the medium term here. In terms of a combination of leveraging on private cloud technologies, leveraging on public clouds, and of course, limit the applications, the traditional IT applications and these three will form the pillars of their overall IT strategy and overall IT operations.

And so far as we are concerned, Wipro has cloud merger one of the big areas of investment going forward, and we are positioning ourselves as a service provider that understands the cloud, is able to implement and is able to integrate cloud solutions for customers, and do exactly what I said earlier, that use private cloud technology, use certain public clouds as it may relate to large enterprises and integrate it with the – seamlessly with the IT applications and the terrestrial IT systems so that you get the best of all the world so to speak. That is our process. We are the playing the cloud – we are playing the cloud opportunity as a system integrator and kick-in in certain specific markets globally, and particularly in some of the emerging markets we have launched and we will continue to assess launching of our own cloud based services. So, for example, in India we have launched our – we launched a fairly comprehensive healthcare ERP solution so to speak on the cloud that is being offered to mid-sized hospitals in India.

Sridhar Ramasubbu: Okay. Trip, is that good enough? Okay, Melissa, you can go with the next question.

Operator: Your next question is from the line of Swami Shanmugasundaram of the Morningstar. Your line is open.

S. Shanmugasundaram: Hey, guys, congrats on a good quarter. My first question is related to fixed pricing. I think it's been trending up in the last few quarters. So what do you think is a comfortable level? And second thing is what kind of impact would that have on the margins? Would you be able to quantify say if FPP goes up by 1%?

Girish Paranjpe: There is an underlying assumption that fixed-price is inherently risky because traditionally it has been used for the system integration work. And in many system integration contracts, there will be some fixed-price that is 41%, there is a feeling that there is inherent risk in fixing on this number. Alternatively, fixed-price. has been used in kind of total outsourcing deals, but again the outcome is entered. I think what we have done is to do a lot of our outcome based deals, which are relatively lower growth, but are outcome based and fixed-price based, which is why we are comfortable even managing fixed-price at 22% of our revenue or even keeping it a bit higher. And well, the nature of underlying was that we're doing on fixed price basis is multiyear outcome gain and is something that we can assess going forward. So frankly we are comfortable with the percentage of fixed-price that we have.

Based on the analysis that we have done, yes, in most cases the fixed-price what that we have done is higher margin than comparable work done on time and materials basis. But we hesitate to share the exact percentage of margin accretion that we have in the result of that, because the nature of underlying work and change that we run through creates our own expectation.

S. Shanmugasundaram: The question is then so, in the future we could expect this to go up further?

Girish Paranjpe: Certainly it will go up further, absolutely.

S. Shanmugasundaram: Okay. My next question is related to the application development management. I think the last few quarters it is trending down, but this quarter there was a good bump. So I was just wondering how do we interpret this going forward.

Girish Paranjpe: Since the market is quiet and since there is a pickup in demand after a relatively long period of slowdown, there is time for people to find out what else is available in the market, so there will be uptick in turnover. We think this hopefully will quieten down in maybe a quarter or two. From our side, we are taking many steps, including a round of realization which we did in [inaudible] to respond to market situation. And we take other steps that are necessary, but in the short term it looks like we have to live with higher level of inventories.

S. Shanmugasundaram: Okay. Thank you, guys.

Operator: Your next question is from the line of Nabil Elsheshai of Pacific Crest Securities. Your line is open

Nabil Elsheshai: Yes, thanks for taking my question. First just follow-up on the earlier question on the cloud, since we've talked about it. When you mention the hosted healthcare application, I was wondering if that's something that is contributing to the growth – the strong growth in healthcare. Is that still pretty small segment of that business?

Suresh Vaswani: It is there. Currently we launched it recently, so it is not significant in terms of – in fact, on the volume and on the revenue. It is significant in terms of pilots and succeeding and the potential scale it offers us in both India and some of the emerging markets.

Nabil Elsheshai: Okay. So if I could step back a bit, I mean, I was wondering if you could comment – and I know you're not giving annual guidance, but we saw some pretty aggressive growth numbers out of some of your competitors at the top line. I was wondering if you could give me your thoughts on at least industry growth rates or if you think a high-teen growth rate is something that's achievable this year.

Suresh Vaswani: That is on – industry growth rates, as indicated by Nasscom-McKenzie, is expected to be between 15 and 16% for the current financial year, so that will be industry growth rate. You're right, we do not give – we do not give guidance for the year. We've guided for the quarter between – we've guided between 2.1 to 4.2% sequential growth for the next quarter, but broadly speaking we certainly, as a company, will grow ourselves in terms of driving our own growth ahead of industrial growth rates.

Nabil Elsheshai: Okay, great. And then when you do look at either next quarter or going forward, what are your expectations that are built into the pricing environment? Do you expect it to continue to be flat? I have heard some things about the potential for maybe some price increases going forward, is that something that's feasible?

Suresh Vaswani: I think in the immediate future, speaking about the next couple of quarters, we certainly believe that we can hold on to our price realization that we've achieved in quarter four. And the price realization that we've achieved in quarter four on a constant currency basis has been – has been up – has been an increase. So we've achieved increasing pricing leverage. We do believe that we can sustain our current price realization for the next couple of quarters. I think the discussions with most customers today is more in terms of what strategic value we can deliver to them, and not necessarily on coupon rates and pricing so much. We're really looking at how we can come in, how we can enable them to transform their business and how we can deliver more value. But long story short, yes, I think our price realization is sustainable.

Nabil Elsheshai: Okay, great. And then maybe you could provide an update on some of the efforts you guys have made in terms of public sector? I think you guys have focused a little bit on state and local. What kind of traction have you guys seen there and what kind of pushbacks, if any, are you getting?

Suresh Vaswani: Well, we have – last – of late we've started addressing the public sector and government sector globally. We do address the government sector in the India markets pretty aggressively and they are a fairly large presence there. We have launched the government vertical as a part of one of our SBUs that focuses exclusively on government.

In the U.S., Europe and as we said the Australian markets, we may be coming closer in Australia. We are bidding for fairly reasonable size contracts in Europe in the government sector. And in the U.S. we have a – we do Medicaid back-office work for the state of Missouri. And we would like to sort of replicate that and bid for some more opportunities that will come in as the states go in for the next level of Medicaid requirements.

Nabil Elsheshai: Okay, great. Lastly there was a trend that people talk about in terms of provider consolidation and maybe potential share loss for the Tier 2s going to Tier 1, such as yourself. A, is that continuing? And B, maybe if you could tie that to – if it is tied to kind of growth in larger accounts and what you're seeing in the activity for large deal or installed base upgrade or add-on type of business?

Girish Paranjpe I think some of consolidation has already happened because as clients have looked at their portfolio and they have thought that they are going to spend net. In the last 18 months itself they have gotten some order consolidation. Also these things are more outcome based outsourcing. We offer them to consolidated the suppliers and not have multiple people doing that. So, I think there is a certain natural rhythm by which these changes have taken place, and will continue to play out over the next couple of years and being a Tier 1 player I think we do tend to be consistent locally.

Nabil Elsheshai: Okay. And you mentioned Atlanta, how is the – I guess, what should we look for in terms of the trend of onshore build out both from a sales perspective as well as a delivery perspective?

Suresh Vaswani: So we are driving – clearly we are driving this localization and we are driving the localization eventually across all geographies. Just to give a sense in terms of our workforce, which is local outside of India, it has gone up from 29% to 39% so that's a significant move up. In terms of large proportion of our sales people, are local. 40% – 40% of our sales people are local.

Nabil Elsheshai: Great.

Suresh Vaswani: Okay. So just looking at the data. Sales people, is 56%. So 56% – 56% of our sales people are local, so we've driven a fair amount of localization as it relates to sales as well.

And it is basically, localization is a big part of our drive in terms of strategic clarity going forward.

Nabil Elsheshai: Where do you think that number goes to? I was just trying to – if it's 56 today I mean, I'm assuming you are continuing your localization efforts, where does that number go to from a sales perspective?

Suresh Vaswani: Number that, I have spoke about was sales, which is 56 and the earlier number that I spoke about was 39, which is all the workforce that we have in our global geographies.

Nabil Elsheshai: Right.

Suresh Vaswani: The broad right for us is to at least make the global workforce at least 50% local.

Nabil Elsheshai: Okay. That sounds good.

Suresh Vaswani: Sales we already have 56%, so they would drive it further, but in terms of the overall workforce our goal is to move towards 50%, we're currently at 39%.

Nabil Elsheshai: And what's the impact on margins as you do that.

Suresh Vaswani: So just to answer the question and then maybe we can move on. But in terms of margins we don't see a significant impact on margins on account of localization.

Suresh Senapaty: Basically it replaces the educated people from India with the lo cal people and in fact there is a possibility of the costs saved rather than costs expenditure, because we don't have to pay for fare, we don't ever pay for booking expenses, we don't ever pay for visa et cetera, et cetera.

Nabil Elsheshai: Okay. Okay. Thank you guys for taking my questions.

Operator: Your next question is from the line of Jeff Rossetti of Janney Montgomery. Your line is open.

Jeff Rossetti: Hi, thank you for taking my question, calling on behalf of Joe Foresi. Just I was wondering if you could provide the offshore wage increases what quantify that, and how that is expected to impact attrition going forward.

Suresh Senapaty: Yes, well recently that we gave a big plus where that was in the range of eight to 9% across the board. Of course some people got more than that and some people got less than that. We have fractured back into our margins, at least two months of that has impacted the margins for this quarter and the approximate impact of that is 1.2% – 1.1% internal margin.

Jeff Rossetti: Okay. And your assumptions for attrition as it's picked up in this quarter?

Suresh Senapaty: We have reported quarterly metric of 15 to 17%. It was on a NPN basis of more like 12.1%, last 12 month basis is like 12.1%. We do expect that given the relative torpor in the demand environment that the attrition will take maybe a quarter or two to stabilize, but that's our expected at this point of time.

Jeff Rossetti: Okay. And as you'd spoken about Healthcare before, for this particular quarter was it the Healthcare growth, was that coming from India or what was the – could you elaborate on maybe what was contributing to a – to growth for the vertical?

Suresh Vaswani: So the growth was not based, it was across, it is not – it's basically India.

Girish Paranjpe: And also just to clarify in Healthcare and Services.

Jeff Rossetti: Okay.

Suresh Vaswani: From Asia.

Jeff Rossetti: Okay. And any levers that you can point to as far as to provide some – I know you've said margins are sustainable from this point. Can you point to any levers that could maybe provide some upside?

Manish Dugar: Jeff this is Manish Dugar here. Some of the things that we have done probably are yet to complete and those are in the nature of improvement in utilization and looking at change in the quality of sales, which translates to more fixed price, better realizat ion. So as Suresh mentioned earlier, net realization has been going up and if you are able to continue or drive on better quality of say non-linearity, we will continue to see a movement there. There is a – with the volume growth increasing our ability to take pressures and hence look at lower costs of delivery is also that much more so that's a big lever in itself. And there is a potential in so far as acquisitions is concerned it doesn't get normally measured in the matrices that you see which is utilizat ion, et cetera. And we have seen some improvement in our acquisition profitability in the last couple of quarters and we believe opportunity exists to make them even better. And having said all of this, our focus on automation into the processes, our focu s on continued cost take outs and our focus on ensuring that we make the internal processes more and more efficient strongly is a lever in itself. So margin sustainability certainly is something that we have clear visibility on. And unless there is a huge impact of swing because of currency we feel – we see the margins to remain in narrow range.

Jeff Rossetti: Okay. Thank you for taking my questions.

Manish Dugar: Thank you.

Operator: Your next question is from the line of Ed Caso of Wells Fargo Securities . Your line is open.

Christopher Wicklund: Hi. This is Chris for Ed. Girish or Suresh, could you talk about your pipeline for larger opportunities specifically which verticals are the most active and also if there has been any change in the length of sales cycles?

Suresh Vaswani: So we will have Martha, our Global Sales Head answer that question and the question is related to pipeline, which vertical?

Martha Bejar: Thank you. So one of the trend takers – this is Martha Bejar. One of the trends that we continue to see is increase in pipeline, four large deals within our company. While I will not talk about specific numbers, I will tell you that the actual uptake is very encouraging for all of us and they are going across in a very diverse way across multiple business units or multiple verticals for us. We see a lot of action within the retail business within manufacturing, within the Healthcare business. We see actions in the Telecom business so we are pretty excited about the opportunities within that, althou gh also are large deals. I think that Girish spoke to you about some consolidation in the market investments and the opportunities for us as well going forward. But the pipeline is a big discipline and focus within the organization. Quality pipeline that i s.

Christopher Wicklund: Okay. Thank you.

Suresh Vaswani: One more – one vantage point that I would like to add there. In terms of our booking of large deals in quarter four, it's about for a US$1 billion. So we did a US$1 billion of large deal order booking in PC returns last quarter.

Christopher Wicklund: Okay, that's helpful. Thank you. And Suresh, how should we think about the IT Services margin? I'm sorry I believe you mentioned that, you think it's sustainable here in a narrow range.

Suresh Vaswani: Yes, we do believe that the price realization and our operating margins are sustainable in a narrow range and I'm talking about sustainable at the levels of quarter four.

Christopher Wicklund: Okay. Thank you.

Suresh Senapaty: We specifically do not give guidance but all we are saying is when we get to the longer-term these are margins which are sustainable.

Christopher Wicklund: Sure understood. And then have you given a fresher hiring target for this year from the campus? Have you given a campus hiring target?

Suresh Senapaty: Yes. Again that's not a number we share but as we have given the revenue and the guidance most of it is expected in the form of volume growth as you are saying pricing with both stable environment that we are looking for and therefo re of course we have projects on non-linearity and adjusting for that most of the growth will be to next hiring that will happen.

Christopher Wicklund: Okay. And lastly tax rate expectations for this fiscal year and fiscal year 2012.

Suresh Senapaty: Yes. Maybe if we look at the tax for the full year of 2009 and '10 we will be within the 2% range from there on for the current year and hopefully for the next year.

Christopher Wicklund: Okay. That's helpful. Thank you.

Suresh Senapaty: Thank you

Operator: Your next question comes from the line of Ashwin Shirvaikar of Citi. Your line is open.

Ashwin Shirvaikar: Thank you for taking my question. I apologize I got on a little bit late so this may have been asked. But can you comment on Europe? It had a pretty good performance. Within Europe what's working? What's recovering faster? What's not? if you can do a sort of a geographical breakdown within Europe and any differences in the recovery vis-à-vis the U.S.?

Suresh Vaswani: We'll have Martha, answer this question please.

Martha Bejar: So in Europe overall we are seeing a very interesting struggle for us in France and in Germany. Ireland and the U.K. will continue to be excited about the growth that we're seeing there. I think in general though, Ashwin, I would say that a lot of the deals are very much transformational, which is a trend that we've also seen in the U.S. I think there is a – it's a very similar trend. Our customers are asking of us more value, more enhanced value that we can offer to their own P&L in addition to taking costs out and so we're becoming much more of trusted advisors to them. We feel that's becoming a very strong trend for us in Europe, but not just similar to what we're seen in the United States. Does that answer your question?

Suresh Vaswani: I think Martha, he was asking – yes, Martha he was asking are you seeing specific vertical wise, which vertical is doing better in Europe, sort of color.

Ashwin Shirvaikar: Right, so I did get part of the question answered. Your – the geographical piece, that is quite helpful but also on a vertical basis if you could – if you could answer that?

Martha Bejar: So, we're seeing strength in our Retail business or within the Retail business in Europe. We're seeing strength within the Finance business. Healthcare, we're seeing strength in Healthcare and Services. And E&U, which is our Energy and Utility is one that continues to grow, those guys are going through some very interesting transformation, which is presenting opportunities for us. I would say that those are the top picks.

Ashwin Shirvaikar: Okay. And when you guys talk about transformational projects and a couple of other companies have also indicated transformational projects are picking up. What is – what are say a couple examples of transformational projects? Are you – do you really mean ERP or are you talking about combination business process and IT projects or what does it mean for you?

Suresh Vaswani: Let me answer that. This is Suresh Vaswani here. Typically transformation projects are system integration projects and a good example of that in U.K. would be what we've spoken about in the past Morrisons, where we are doing a full-scale implementation of Oracle Retek. Oracle Retek for Morrisons and it completely transforms its business model and for that we need this Oracle be taken into validation.

Ashwin Shirvaikar: Okay. That's helpful and one last question, if I may. The availability of talent if sort of the early surge of wage inflation back to levels of a few years back, is any indication. Is that something that worries you today and how do you propose to deal with it going forward? I mean I understand, non-linear approaches would help but in terms of just pure availability of talent and if you could comment?

Suresh Vaswani: So, we've been – yes, the market opportunities, demand is picking up. So that does bring in a challenge and it relates to people and people attrition and so on. I think as a brand, we need a lot to – we need a lot globally. We need a lot in domestic markets and we have the ability and we are able to attract top flight talent from across various companies. We have for example built up a fairly strong consulting and business advisory team and that has been built up fairly largely from maximum consultants that we have taken into our organization. So, net-net given our brand, given our standing in the industry, given the sort of customer attraction that we have, we do believe that we can attract the right candidates.

Ashwin Shirvaikar: Okay, got it. Thank you.

Operator: Your next question is from the line of Nabil Elsheshai of Pacific Crest Securities. Your line is open.

Nabil Elsheshai: In discretionary spending, I was wondering, if there's – if that is just the same as the verticals where you're seeing strength, I think you said Healthcare, Retail, Energy or if there's other areas? And then in addition to that, does that mean new package implementation does it mean custom development, what – when you say discretionary kind of, what exactly does that mean in terms of new types of projects?

Girish Paranjpe: Hi, Girish, here. Well in the discretionary, basically that is kind of business that we use spend, vertical DAU spend. Apart from that direct is the spend, either it's to launch a new product or it's for something, trying to enter a new market or to streamline their operations. Those are the kinds of projects that are getting initiated now. We tend to be kind of fairly broad vertical, private main would be few verticals that discretionary spend is happening, but it's fairly broad based. I think the difference that we are seeing is that while discretionary projects are happening there is, certain discrepancies there in launching those projects. There has been much more work being done after seeing and defining the business here, defining the outcomes, et cetera, et cetera, and the money also being spent in a sales fashion. So I would say vigorous spending is back, it is across ATM and package implementations. It is a broad vertical but it is much more circumstance.

Nabil Elsheshai: Okay. And then I wonder if you could just give a little more color on the rebound in Telecom and how sustainable that is, that seems to have been, yes, not just for you guys but an area of kind of hit and miss then for lot of tech companies? So what are you guys seeing as far as budgets and spend in that vertical?

Girish Paranjpe: Telecom for us comes in two terms. One is telecom equipment vendors, as that industry itself has been the most challenging, because of the industry consolidation and the rise of Chinese players. And I think, broadly speaking industry consolidation is still in progress. And, but I think how we try to tackle it is to expand our services for those. Traditionally you see software and engineering services to goods industry, but in the last 24 months we've kind of enlarged the service portfolio to offer BPO and IT Services to – with respect to them and as a result of which we've seen there's more stability in that revenue. When it comes to Telecom Service providers that is, we still think is a growth industry and we've seen significant growth there in the previous year, almost 11% sequential growthon the buyer market. And some of it has come from the emerging markets but we think there is potential in Telecom even in that similar market.

Nabil Elsheshai: Okay, great. Thank you, that's very helpful.

Azim Premji: Are there any more questions, Melissa.

Operator: There are no further questions at this time. I'll turn the call back over to you.

Sridhar Ramasubbu: Okay, I think we can close the call. Thank you very much for the participation. If – I, myself and the IR team in India are available for any offline questions. Thank you.

Operator: This concludes today's conference call. You may now disconnect