



Wipro Limited Earnings Conference Call

6:45 P.M. IST
April 27, 2011



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Moderator

Ladies and gentlemen, good day, this is Rochelle and I will be the moderator for your conference call. Welcome everyone to the Wipro Fourth Quarter Earnings Conference Call for the period ending March 31st, 2011. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. And this conference is being recorded. After the presentation there will be an opportunity for participants to ask questions. Should anyone need assistance during this conference call, they may signal an operator by pressing '*' and then '0' on their touchtone phone. At this time I would like to turn the conference over to Mr. Sridhar Ramasubbu thank you and over to you.

Sridhar Ramasubbu

Thanks Rochelle, good day! On behalf of the Wipro team a very warm welcome to all of you. This is Sridhar and I am joined by Rajendra and Aravind from the IR team in India. Regarding the materials for this call, we issued the press release yesterday late night EST and we will have time for Q&A at the end.

We have with us today Mr. Azim Premji, Chairman; Mr. Suresh Senapaty, CFO who will comment on the IFRS results and key takeaways for the quarter and year ended March 31st, 2011. They are joined by our CEO for IT business T.K. Kurien and other senior members of Wipro management team who will be happy to answer your questions.

As always, elements of this call and the management's view may be characterized as forward-looking under the Private Securities Litigation Reform Act, 1995, and are based on management's current expectations and are associated with uncertainty and risks which could cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with the Securities Exchange Commission in the US.

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 and FY '11 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 am also available on email and through mobile as well to take any questions and table it to the Wipro team, in case you are unable to ask questions for any technical reasons. Ladies and gentlemen, over to Mr. Azim Premji, Chairman, Wipro

Azim Premji

Good day to all of you, let me quickly cover some of the highlights of Wipro Corporation results before I get into some of the qualitative. Wipro recorded revenues in financial year



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2011 of Rs. 311 billion a year-on-year growth of 15%. Net income crossed Rs. 5,000 crores in financial year '11 which is a year-on-year growth of again 15%.

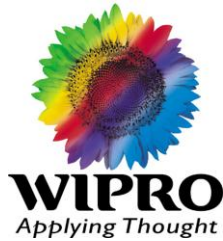
IT services business crossed revenues of \$5 billion in financial year '11. Let me talk a little bit about the IT business.

We have made several organizational changes this quarter with a clear objective to simplify the organization and make us leaner, more agile and more customer-centric. We have moved to a single P&L axis which is the industry vertical. For our mature markets we have reorganized our sales team around the business units. To create impact with the customers the sales team needs to combine our domain skills and solution sets with the client's needs in an effective ongoing manner. The alignment of the sales team with the business unit would enable better account penetrations.

As we continue to play in an increasingly complex world and an increasingly more competitive world, where macro economic cycles are shorter and more volatile we experience this firsthand with the speed with which recession hit us in 2008, and equally quickly on the environment improvement in June '09. We believe we are significantly better positioned today with the changes we have made to react faster to this dynamic environment and more importantly to offer solutions to our clients to enable them to be more adaptive enterprises.

As we look out into financial year '12, the demand environment seems more stable and predictable and discretionary spend has picked up. CIO budgets are realigning with the business influencing more and more of the spend. This presents more opportunities of an integrated solution of IT, BPO and TIS as customers are investing not only in improving operational efficiencies, but also in revenue enhancement and new product introductions.

Our key areas of strategic focus are, customer satisfaction through excellence in delivery, two, deeper client mining with full services capability, we continue to invest on a prioritized basis in our growth accounts through our MEGA/GAMA account strategy. Three, investment priority in our momentum verticals namely BFSI, healthcare, energy and utilities and RCTG, as well as key emerging geographies particularly India, APAC, Australia and Latam. Four, six SBUs and six service lines are in place, sales engines are being ramped up. Next, superior employee satisfaction through monetary and non-monetary interventions. To prepare ourselves for the next wave of customer spend we are investing heavily in three key areas which include analytics; we have recently announced this as a separate and dedicated service line. Mobility, we have created a dedicated practice and Cloud particularly on the process and software layer with a focus on platform BPO.



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We have announced the acquisition of SAIC's oil and gas business, which is very strategic to us and significantly enhances our domain capabilities in the upstream area making us a strong end to end player in the oil and gas space. The acquisition is highly complementary to the Wipro skill sets and gives us access to some of the top customers in this space. Six out of the top ten customers of the acquired entity are Fortune 500 or Global 500 customers.

While the organization changes have been completed, the journey had just begun, but we are happy with the progress made so far. As these changes take effect in the organization and as we stabilize, we believe we are in a much better position to take advantage of the growth and opportunities going forward. Let me now hand it over to Suresh Senapaty to give the financial highlights.

Suresh Senapaty

Good day ladies and gentlemen, and good evening to those in Asia. Before I delve into our financials, please also note that for the convenience of readers our IFRS financial statements have been translated into dollars at the noon buying rate in New York City on March 31st, 2011, for cable transfers in Indian Rupee as certified by the Federal Reserve Board of New York which was \$1 is equal to Rs. 44.54.

Accordingly revenue of our IT services segment that was \$1,400 million or in Rupee terms Rs. 62.89 billion appears in our earnings release as \$1,412 million based on the convenient translation.

Let me start with some good news for our investors, the board has recommended the final dividend of Rs. 4 per share, which along with interim dividend of Rs. 2 per share results in a total dividend payout of Rs. 6 a share and a dividend payout of 32%.

Now, moving to our results for the quarter, we are happy with our performance in the quarter. Our IT services revenue for the quarter ending March 31st was \$1,400 million on a reported basis, a sequential growth of 4.2% and year on year growth of 20.1%. On a constant currency basis our IT Services revenue was \$1,391 million.

As we look into the future we believe that our revenue will be driven by the momentum verticals - Financial Services, Energy and Utilities, Retail and Transportation and Healthcare and Life Sciences.

In the current quarter growth were driven by Telecom, Energy and Utilities and Retail, which grew at 10%, 8% and 6% respectively. From a service line perspective Technology Infrastructure Service is continuing to see good traction with 5% sequential growth. BPO had a good quarter with sequential growth of 10% but there still is some softness in this space.



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Our investments into consulting continue to pay off with year on year growth of 39% in the current quarter. Among the geographies we see strong growth in India and Middle East and APAC and Other Emerging Markets. Europe grew 28% year on year basis in the current quarter. We have seen our investments in client engagement starting to show indications that we are moving in the right direction. We are still early in the journey and it continues to be our top priority.

In the current quarter on a trailing 12 months we have three accounts which are more than \$100 million in revenue. On a quarter analyzed basis we have five. Our top 10 accounts grew sequentially by 7% in the current quarter. The largest customer is now on a run rate of \$170 million and has seen good ramp up over the last year.

In addition to farming our customers, we have also opened 155 new logos in the year. This positioned us well for growth going forward. Volume growth in the current quarter were 1.9%. Our drive on fixed price project productivity and non-linearity tends to benefit revenue productivity but shows volume growth as softer. Our revenues in fixed price project increased by 1.5 percentage point to 47.8%.

We saw a strong improvement in revenue productivity with on-site realization increasing by 1.8% and offshore realization increasing by 1.2%. Voluntary attrition on a quarter annualized basis went down by 80 basis points to 20.9%. We have announced our annual cycle of wage revision effective June 1st, 2011, offshore salary increase would be around 12% to 15% and on-site increase would be around 3% to 4%. We ended the year with 122,385 Wiproites, adding 14,314 during the year in our IT services business.

Operating margin for IT services was marginally down at 22.1% with improvements in revenue productivity and benefits from forex offsetting the impact of increasing benefits cost in on-site and dilution in profitability due to acquired entities.

As on 31st March our DSO was at 70 days, up from 69 in the previous quarter.

Our IT products business showed a 2% year-on-year growth in revenues in the current quarter and EBIT growth of 28% year-on-year in the current quarter.

Consumer Care and Lighting business continued to see good momentum with revenue growth of 19% year-on-year and EBIT growth of 5% on a year-on-year basis in the current quarter.

On the forex front our realized rate for the quarter was 44.91 versus a rate of 44.27 realized for the quarter ended 31st December. On a quarter-on-quarter basis forex gave us a positive impact to margins including the benefit of cross currency of 0.9%. As at period end, we had about



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\$1.6 billion of forex contracts. Our OCI losses further reduced by Rs. 969 million in the current quarter to Rs. 1,226 million or \$28 million.

The effective tax rate for the quarter is 16% and a normalized effective tax rates for FY '11 was 16.5%. Our net cash balance on the balance sheet was \$1.4 billion; we generated a free cash flow of \$284 million within the quarter.

In the current year we crossed the landmark of \$5 billion revenue in IT services and our net income crossed Rs 50 billion in FY '11. We are confident that we are well positioned to cross many more such landmarks in the future. We would be glad to take questions from here.

Moderator

Our first question is from the line of Joseph Foresi of Janney Montgomery Scott. Please go ahead.

Joseph Foresi

I was wondering if you could provide may be a little bit more color, on the guidance for next quarter which may be just obviously a little bit lower than what people were expecting. Could you just talk a little bit about the demand environment for the quarter, and then for the full year and what you are seeing on the deal pipeline

T.K. Kurien

This is T.K. Kurien, Joe. So here is what we are seeing. If you look at our momentum verticals, clearly we are seeing demand from those verticals for the whole year even though I must admit that when I say the whole year I am doing it based upon the economic scenario that I see right here in front of us, and who knows which way it may go later into the year, but right now this is what we are seeing. I think what had hurt quarter one specifically; we have seen a shift in demand because primarily what we are doing is that we are really shaping demand in Q1 and through consulting, through technical architecture to make sure that we create enough proactive demand in quarter two and the quarters after. To that extent we are seeing a little bit of softness primarily because the mix of revenues change more towards front-end consulting kind of revenue.

Joseph Foresi

Okay. And then what is the contribution that you are expecting from the acquisition next quarter?

T.K. Kurien

Nothing from that. We have not factored anything from the acquisition for the next quarter

Suresh Senapaty

And also Joe if I may supplement what T.K. has just now stated, if we look traditionally Wipro has generally a weaker first quarter in relation to the other quarters, because we have a business coming from India and APAC-Middle East which tends to be a little more higher in quarter four and quarter two, as opposed to quarter one and three. Therefore, you see a drop that takes place because of the government purchasing etc. Also in quarter four we have done



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exceptionally well in terms of what we guided and also some of the transition revenue, some of the onetime transition revenue that we got in, some of that is not expected to repeat. But like Kurien said, we are sort of re-orchestrating the engine looking at shaping and therefore as we go forward you will see the growth bouncing back.

Joseph Foresi

Okay. And just sticking with that theme, I mean what are you seeing on the pipeline front? How does this pipeline look this year versus last year? Are there larger deal sizes? Obviously you made some comments on it earlier and then maybe if could talk a little bit about pricing?

T.K. Kurien

The pricing environment as of now is steady. We have a fair number of customers with whom we have kind of negotiated a price increase last quarter. On the pipeline side basically again what we are seeing is strength in some verticals, yet weakness in the others. For example, telecom does not seem very strong, energy and utility business seems extremely strong, retail and consumer product seem strong and BFSI continues to be pretty strong. So those will be the verticals that I would say are exhibiting strength year on year.

Joseph Foresi

Okay. And then just lastly, maybe you can just give me some comments around Europe and what your expectations are from Europe this year, thanks?

T.K. Kurien

So, Europe is a difficult call at this moment. Because in some countries like Germany and France we continue to see strength and we are continuing to see more cost rationalization still happening. And more importantly, I think that is mostly in France and Germany. I think what we are seeing is significant capacity max out and we are also seeing people coming in and asking us for more developmental projects in Germany. In other parts of Europe frankly outside of the U.K. demand is not very strong; we do not expect it to be strong going forward, so we have not factored great growth in some other parts of Europe this year. As far as UK is concerned, I guess, from a pipeline perspective we are expecting a decent growth from UK and the pipeline it clearly reflects almost an equal position that we had at the same point of time last year.

Joseph Foresi

Okay. Thank you.

Moderator

Thank you Mr. Foresi. Our next question is from the line of Trip Chowdhry of Global Equities Research, please go ahead.

Trip Chowdhry

Thank you. And again good execution in a very challenging environment, I was wondering if you could give us an update on few regions in the world which are undergoing some crisis? Japan and definitely any updates you may have in the Middle East with Syria, Egypt, Libya and some unrest also in Saudi Arabia. And I know that Saudi Arabia is a good revenue



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generating country for you guys. So, an update on its pipeline issues, discussions, anything you can discuss that would be helpful and I have some more questions.

T.K. Kurien

Thanks Trip, this is T.K., maybe I will take that question. So here is what it is. From a pipeline perspective here is what we see- if you look at Japan, I think, you know, Japan has gone through a fairly tough time. Our exposure to Japan is 1.5% of our top line and to that extent we are not really too affected. What we expect to see after this is that with spending coming into the economy we would expect to see significant outsourcing beginning but it is a little too early to call because we have gone through this in the past with Japan. I guess, every three years we expect to see a huge hike in spending and off-shoring and finally at the end of three years we are fairly bit disappointed. So, right now in the current year's plan we have not factored in anything very significant as far as Japan is concerned. But if opportunities do come up I am pretty sure that given our presence in Japan we will be well positioned to grab it.

As far as Saudi Arabia is concerned, I think it's a completely different matter. In Saudi Arabia we have a fairly large presence and really as far as Saudi is concerned we have not been affected in any form or shape, we have not seen softness in demand, and we have seen demand in the same level as last year. And to that extent it is business as usual.

I guess, the bigger concern would be parts of Europe, Italy, Greece, not that we have great business in those two countries, but Portugal, Spain, Ireland and the impact of this in the Euro, that would really be something that we would be worried about. But right now we are not seeing that. In fact we are seeing in Germany and in France, especially Germany, production capacities have completely maxed out. For example, if you want to buy a Porsche today maybe you will have to wait for three months to buy it. That is the kind of level of demand that they are seeing in some markets and especially in Germany.

Trip Chowdhry

Interesting, a question on the vertical, you mentioned in the prepared remarks regarding analytics, should we think it like a knowledge process outsourcing or is it the product implementations that is the way we should be thinking about it?

T.K. Kurien

Neither Trip, in fact maybe what I should do is I should ask Bhanu who runs our retail vertical to come and give you a flavor of what we do in the retail space.

Bhanumurthy B. M.

Hi Trip, this is Bhanu I manage the consumers and the digital side of the business for Wipro. We are seeing a significant amount of traction on the analytics. I think as T.K. mentioned, most of these analytics activity are around applying the business domain knowledge that we have to the various phenomena that we see and coming out with insights that help the business. For example, if you look at the consumer side, understanding consumers, categorizing them and ensuring that you serve the various segments of the consumers, to the extent where you



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possibly want to be able to provide promotions that are very relevant for an individual consumer rather than to a group of consumers. So, that is the level of insight that we are looking at, understanding their buying behavior, shopping behaviors and the kind of products and the kind of services which they would like to consume. So, while the mechanics of all the analytics is there in terms of infrastructure required, data collation, and data analysis and so on, what is different is in terms of applying the business knowledge to the insight that you get, to give a capability for our customers to win in their marketplace.

T.K. Kurien

Thank you Bhanu.

Trip Chowdhry

The last question is regarding data centers. In US there is some industry consolidation that is happening and probably there are a few data centers that you picked up and I think Infocrossing and SAIC recently. I was wondering, how you see the data center space evolving and the role that Wipro may be doing in light of two things. Number one, what different expertise do you think Wipro will need to be effective in data center outsourcing or data center operations? Second, there are issues, I would say, there are some emerging trends, which the companies are buying bulk computing capacity from Amazon.com's EC2 platform, and then providing services through EC2. For example, the whole Zynga and FourSquare and even Netflix are totally running out of Amazon EC2. So my question is do you think buying data center is a good strategy or buying bulk computing capacity from EC2 would be an interesting strategy and that is all from me.

T.K. Kurien

So, two parts to the question. I will get Martha to kind of answer the data center question. And what I will do is that just to clarify, with the SAIC acquisition and by the way we have not acquired SAIC, we just acquired the oil and gas assets. On that acquisition we have not acquired any data center, that is an upstream E&P play and fundamentally what is happening today is that 5% of our revenue comes from upstream and in every oil company almost 80% of the IT budget is getting refocus towards E&P and we believe that by having SAIC's oil and gas assets along with us we can create a significant differentiator in the market place. I think that is the rationale and the strategy behind that acquisition. On the datacenter space Martha is the best person to kind of answer. So Martha over to you.

Martha Bejar

Thank you. hi, Trip, briefly on the datacenter, we feel that our datacenter have a competitive advantage when we provide total solution to our customers when we are looking at ITO, and that is just an integrated solution, when we do a combination of general managed services or part of that. And so, it fits into overall ITO strategy, we will expand as our business continues to grow, we provide high quality of service through our datacenters and we find that our discussions with our customers are very strong and they become a lot more intimate when they outsource their services to us. So, we are very bullish about it and we will continue to grow that centered as the business growth.



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Trip Chowdhry

Thank you.

Moderator

Thank you Mr. Chowdhry. Our next question is from the line of Nabil Elsheshai of Pacific Crest Securities. Please go ahead.

Nabil Elsheshai

Okay. You guys have mentioned retail and CPG being strong and there has been some concern with some of the gas prices going so high that you had started to see those verticals pull back on spending from the higher gas price on retail spending. So, I was wondering if you look forward and you look at your pipelines, what are you hearing from those verticals in particular on spending plans for the rest of the year?

T.K. Kurien

So Nabil what I will do is Bhanu who runs our retail vertical will answer that question.

Bhanumurthy B. M.

Hi Nabil, this is Bhanu, I manage the retail consumer goods part of the business. What you said is true Nabil, definitely there is a bit of uncertainty in the consumer spending. At the same time I think it is a perfect storm in the sense that as the commodity prices go up and the prices of the goods are likely to go up, and the oil prices going up, and the proliferation of various devices, smart devices, I think is the perfect time for the online channels to become much stronger and you are seeing that sense already in the marketplace. If you could look at some of the online data for various retailers, their online numbers are going up very strong. It is also giving them an opportunity to experiment with different kinds of things online, as you can easily imagine you do not have to necessarily do lot of store changes to do online. So, while there is a bit of uncertainty in terms of what the future could look like in the consumer confidence side of it I do believe that it is a great time for the only channel competencies of the retailers to be tested.

Nabil Elsheshai

Okay, great. And then if I could ask a little bit about the service lines, we have seen some other vendors, in particular the strength in package implementation, what are you guys seeing there in terms of ERP and application refresh, application modernization?

Anand Padmanabhan

This is Anand, I manage the energy and utility verticals for Wipro. So from an E&U perspective I think you are looking at package implementation. If you are looking at most of the utility customer there is a whole lot of transformation which we believe would happen in terms of setting up new processes, new packages implementation, and the transformation in that complete retail outlook. So, we are seeing a lot of momentum there and we have been picking up a lot of deals around package implementation in the utility segment. If you look at oil majors, I think most of the package implementation part on the retail front and the core part has already been done. Right, now we are primarily focusing on the domain specific applications and petro technical application, wherein we are trying to figure out how to optimize and better the yield on the upstream. So there we do not really see too much of a



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package implementation, we are seeing niche specific packages for oil and gas being implemented but not so much on the core ERP. I suppose that answers your question.

Nabil Elsheshai

Yeah. And then I guess on the re-org, I have a few questions here. One, you guys have been investing for a little while in building out on the front-end and building out your sales and marketing presence particularly locally. So, where are you on the process and do you attribute that process to the very strong new customer addition this quarter that you saw.

T.K. Kurien

I think there are a couple of things Nabil, which I would like to kind of clarify. Fundamentally, what we are doing is, as far as the new customer acquisition is concerned a significant portion of that, I think 31 of them have come from the India-Middle East market. So, while that is something that the numbers look great, I guess the key for us is to make sure that going forward we are able to do mining of our accounts, and mine our account as deeply as we would like to. I think that is really where the investment is going. On the front end really what we are doing is we have created what we call is a Client Engagement Manager Model, and Client Engagement Manager is supported by a solution architect as well as a delivery guy. And it is his job to go out there and see what they can do in selling new solutions back into customers, and also to widen and broaden the base of access. Those are the two areas that we are really working on, and that is what we are trying to do to make the Client Engagement Manager Model effective.

Nabil Elsheshai

So, could you help me understand the timeline there? So, when do you think that will have an impact or have you seen evidence of that being successful so far? I did notice in some of the larger customer numbers move up as well.

T.K. Kurien

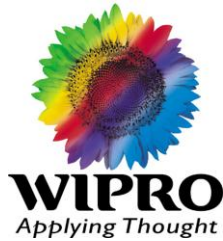
Some of it has been effective. Our performance there on a scale one to ten, I would say probably about three or four is where I put it. I think we have ways to go there. But what we have done is, wherever we have done it well we have seen extensive client growth. A good example would be that today we have three \$100 million accounts and one account which has got a run rate as of now of \$170 billion. So that is a reflection of how well it is done, but enough headspace to do better.

Nabil Elsheshai

Okay. And then, looking at the verticals, just so I understand, you talked about more mature, where you still see the growth opportunities for you guys from a vertical perspective. So is BFSI mature and then is it going to be oil and gas and some of the newer ones or is it the larger more mature ones where the larger growth opportunity is?

T.K. Kurien

Here is what happens. If I could look at vertical that will go through hyper growth, verticals that would go through normal growth, and verticals that would go through lower growth, I would say very clearly anything around natural resources is going to be clearly a stretch, is



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going to be a hyper growth vertical. And the reason behind that is pretty simple it is commodity prices. And the amount of investment that is going in both O&G and natural resources which is metals is massive and we see that being an area of growth. We clearly also see the utilities business being an area of growth especially with newer solutions like smart grid coming in. But these are more driven by regulatory changes not necessarily by basic demand. Other verticals, for example, retail and CPG again we see growth there. We see growth in the pharma side of healthcare and we see growth clearly coming to us from banking and financial services. So, those are four segments.

Nabil Elsheshai

Okay. And then last question from me, I am searching a little bit on the wage side I think you had mentioned 12% to 15% for this year on offshore wage increases. Do you see any risks that that ending up being higher with everybody hiring pretty aggressively with a lot of offshore vendors seeing significant growth opportunities. Could you see wage inflation getting a little bit out of control and then getting above the high end of that range?

T.K. Kurien

So our wage inflation if you really look at is the way it is being distributed, it is not completely equal. So, if you have to breakout the skill sets that we need for the future and the skill sets that we are going to be hiring for the future, really what would happen is that it is the architecting layer, the business architecture and the technical architecture layer that really would take a bulk of the compensation increase. Because that is where I guess the future of industry would lie, as demand moves more towards changing the business rather than just run the business, the kind of people that you require at the front end are also going to change, and the vast majority of the compensation increase would be taken up by that particular category. As far as the balance is concerned, we do not expect to see significant growth in terms of compensation because the idea is really to reward people with a higher compensation who can bring you higher revenue both in terms of billability as well as in terms of charge out rates.

Nabil Elsheshai

Okay. All right, thank you for taking my questions.

Moderator

Thank you. Our next question is from the line of Mark Zgutowicz of Piper Jaffray. Please go ahead.

John Crowther

Hi, yes this is John Crowther on for Mark, a quick question here. You have obviously put an emphasis on increasing fixed price contracts as a share of the overall business. Wondering if you could kind of talk about, now that you are at a level at or above most of your peers, the impact that it has had on margins over the last couple of quarters and where you see fixed price going as a percent of revenue and how that can help margins over the next year or so.

T.K. Kurien

So I think my colleague Manish Dugar who is CFO of the IT business will respond to it.



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Manish Dugar

John, hi, Manish here, the fixed price project is merely a reflection or an outcome of the bigger initiative we are trying to drive which is around non-linearity, value based pricing and outcome based pricing. And our intent is to move away from doing T&M projects and deliver an outcome to the customer for which we can charge a value based price. And obviously, once we are able to do that it leads to a disconnect or rather a dissociation of input cost with the value that we deliver to the client and it gives us an ability to charge a price where we do not compete only on price but on the value delivered. So, it poses two challenges. One is obviously it means we need to have a better understanding of the domain, a better understanding of what outcome we are committing to and how confident we are. And hence our investment in the whole consulting, solutions and the understanding of the domain and having done that, our experience has been that while fixed price projects do bring in a little bit of lumpiness in terms of revenue, like we experienced in quarter four and it is not going to recur in quarter one. But in general, on the profitability, our experience has been that fixed price projects do deliver a better profitability. What it also does is it gives us a lot of operational flexibility for the same deal that we would have delivered on a T&M project. In an FPP we have a flexibility of doing more offshore, we have a flexibility of deciding what resources we will put, and it is a win-win because the customer gets a better price and value, and we get to deliver it at a lower cost and better margin.

John Crowther

Okay. Thanks very much.

Moderator

Thank you. Our next question is from the line of Rick Eskelsen of Wells Fargo. Please go ahead.

Rick Eskelsen

Thanks a lot. Just a few questions following up first on the pricing, I wanted to make sure that the pricing was up on a like-for-like basis or did it reflect a mix shift into sort of the higher price services like consulting, package implementation?

Manish Dugar

Rick, Manish here. What we report is a realization number and realization does have an implication on the mix of business, geography from where it is served, currency in which it is served. And on a constant currency basis really we had an expansion in our rate realization in Q4 over quarter three. As far as a mix of business is concerned, if you see the growth momentum from a service line perspective has partly been consulting and partly TIS which is infrastructure outsourcing. They have a kind of compensatory effect. So while we have not done a detailed mathematics to kind of analyze whether it is an impact of mix, the fact is that the realizations have moved up. And in many cases it can be to do with the geography from where it is served and the customer mix also may actually have an impact. So, to answer your question in short, on a constant currency basis there has been an expansion in rate realization. We have not done our math to check whether it is a mix impact, but I would assume it will not be significant.



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- Rick Eskelsen** Okay. Thanks. And then also on the wage increases, as of June 1st this year, is there a change from how it has been in the past and sort of what kind of impact are you expecting as a result of that?
- T.K. Kurien** So let me ask my colleague Saurabh to respond to that, Saurabh is our head of HR.
- Saurabh Govil** Hi, Saurabh here. So from a wage increase perspective we have announced it will effective 1st June, and the plan for increase for offshore employees will be in the range of 12% to 15% and for our overseas employees it would be from 3% to 4%. This would also include a promotion cycle, which will also be effective 1st of June. So the entire cost would be inclusive of these two. From a process point of view the change is that we have announced the dates, we have made sure these are going to be the dates as we move forward. Firstly, the process has not changed, it is more in terms of the clarity and predictability of the dates as we move forward and that is what is happening.
- Rick Eskelsen** Okay. So that is going to be the new timing for wage increase.
- Saurabh Govil** That's correct.
- Suresh Senapaty** And that will be for both onsite and off-shore and including so-called across the board promotions that gets handled.
- T.K. Kurien** Yeah, it is, it is. So now onwards it will be consistent 1st of June.
- Rick Eskelsen** Okay. And what was the reason for changing the cycle?
- T.K. Kurien** I think really it is about predictability. We just did not want to be in a position where we kind of keep changing it every year. We just like to have predictability both externally as well as internally for our employees, I think what happens is without that over a period of time you end up kind of moving the number on a fairly frequent basis, and it just creates business uncertainty for us.
- Suresh Senapaty** Also first time when we finish our appraisal, appraisal cycle is out just around that time.
- Rick Eskelsen** Okay, thanks. And then last question is, could you give us what your tax rate assumptions are for this fiscal year?
- Suresh Senapaty** Yes, we do not give any specific guidance with respect to that, but there are two or three impacts that have happened vis-à-vis the budget: a) software technology park, tax holiday, which has been getting renewed every year for a year, has not happened this year. And b) MAT tax exemption on the special economic zones has disappeared from this year. So it is a



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combination of some of these two-three things that will impact about 300 basis points plus to the normalized rate that we had for the financial year FY '11.

Rick Eskelsen

Okay. You said 200 basis points above the rate.

Suresh Senapaty

I said 300 basis points.

Rick Eskelsen

Okay. Thank you very much.

Moderator

Our next question is from the line of Swamy Sundaram of Morningstar, please go ahead.

Swamy Sundaram

Sure, my first question is related to BFSI, historically you guys have been lagging your competitors, and I think one of the initiatives was to increase your focus on BFSI. So could you talk about the different measures that you have taken to increase your revenue contribution?

T.K. Kurien

So, let me ask my colleague Soumitro who runs our BFSI business respond to that. The question Soumitro is that we are lagging behind in BFSI and what are the initiatives we have taken for differential growth in this sector?

Soumitro Ghosh

Okay. So, I just wanted to give you some data points in terms of the perception of lagging behind. So, first of all, over the last eight quarters, we have grown 6% to 8% sequential basis for the IT services space, which has been either equal to, barring two quarters, or higher than competition. It was only in two quarters where we were lagging behind others. And the principal reasons for that were some large integration projects, which our peers had picked up, and the M&A transactions in their customer base, right. But as of, say, quarter three, we were at par or higher compared to our peers. Going forward, right, we intend to have a growth, which is fairly robust and the four or five things, which we are really doing in terms of getting that growth is, a) in the market today there is a whole lot of discretionary spend, which has opened up. So, we are en-cashing all the opportunities, which has come up because of that. So just to give you some specific examples that in the insurance space, a lot of the insurance companies are looking at revenue growth initiatives so for many of the insurance companies the policy administration engine, which is not a very flexible system they have, there is an opportunity in terms of replacing those by more flexible systems either in the form of package or in terms of legacy modernization. So that is one clear area in terms of the discretionary spend. b) The area of the regulatory changes and compliance reporting. We are coming out with a whole new offering to address that particular opportunity. For example, one of the news items in today's press release is a project which we won on a new account around Solvency-II, which is typically because of the new offering which we have in the regulatory space. c) In the emerging markets, that is a big space where people are playing in, and with many of our



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customers who are either global or domestic BFSI customers in the emerging market space, say whether it is ASEAN or ANZ, we are en-cashing the opportunities by offering specific solutions, which will enable our global customers to expand the footprint in the emerging markets. The cost play anyway remains. So we have specific solutions around that, and take for example, the buy side market, which is still fairly challenged in terms of the bottom line. So we are helping them in infrastructure outsourcing and BPO outsourcing, something that they would have otherwise not done. So, revenue initiatives, regulatory compliance initiatives, emerging market initiatives, and the initiatives around cost, these are the four or five things, which we are doing.

Swamy Sundaram

Thanks for the color. My next question is related to attrition and wage inflation. Attrition has been trending down, but it is still above the 20% mark. My first question is do you have any kind of time frame; I know it depends on the macros, but when do you expect that to trend down. My second is, in addition to wage increase, what are the other initiatives or structural changes that you guys have been doing to keep it under control because at some point in time if the wage inflation continues at this level, the growth would come at the cost of margin.

Saurabh Govil

Swami, two or three parts to your question and let me answer each one of them. So first I will speak on the wage increase. And, yes, we have planned a wage increase effective 1st June and we have given a wage of 12% to 15% increase and your concern about impact on margin, but I must also share the view that we are doing the increase after 16 months, the last general wage increase was in February last year. Second point from an attrition perspective, over the last three quarters sequentially we have seen a decline on attrition, however, given the changes in the balance in the market, we feel that we need to look at this area over the next few quarters before which it will settle down. Attrition will be an area which will need to require continued focus over the next two quarters before we see some stability in this area. That is on the attrition front.

Swamy Sundaram

My question was more on the long term; in addition to wages what other initiatives have you taken so far to keep your attrition under check or retaining your top talent, because if I look at the NASSCOM forecast for the next four or five years demand is definitely there but we also have supplies side constrain.

Saurabh Govil

On a long term perspective, first of all the change that has happened is currently being extremely welcomed in the organization. People are feeling that the organization has become faster, simpler, more agile and more customer-centric. From that perspective, losing talent is something which we will have to keep our eye on, but I see that there is a very positive momentum in the organization post the restructuring right now. However, as you said, T.K. had mentioned earlier in the discussion, what we are trying to do is that attrition has a lot of levers; it is not only the financial levers. The other levers there are in terms of the non-financial



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ones is something which we are again trying to work towards and one of the key things which we have tried to do from an HR process is in terms of how we are becoming more open and predictable in all our processes. Which I think has again been welcomed by all the employees. So I think the change in the organization structure, alignment of goals and objectives of the organization towards the customer, long term growth opportunities, as well as the monetary benefits which we are looking at, a combination of all these would help us in long term looking at attrition.

Suresh Senapaty

And also from me to supplement this, I thought your question is also in terms of the long term supply, availability, etcetera. If you look at today while we have so many engineers coming out of the colleges, the deploy-ability of all of them is not as good. And therefore we have programs called Mission 10X which is to enable to transform and enhance the quality of education in those colleges, to have students coming out of those colleges who are more adept to taking up work and become more deployable than what they have been thus far. In fact, after having taken these initiatives by us for about two years, I think today now even NASSCOM, which is an association of the IT services in India, has also taken it up, to take it to various other campuses which was restricted to few. And the second thing that we are doing is also in terms of augment of resources, lot of activity; lot of IT services that we offer can have non-engineering talent who can be deployed. For example, we had a Wipro Academy of Software Excellence, where we have BSc student who would go through a program while working in Wipro and at the end of four years get a BS degree. Similarly, there is lot of service in the IT infrastructure, testing, etc where you are able to deploy people who are non-IT and therefore augment the supply from varieties of sources as opposed to only engineering talent.

Swamy Sundaram

I have one last question. Could you talk about the trends in healthcare, I mean it has been coming down, but if I look at the general market or say from some of your competitors, it differs a little. So, could you give some additional color on that and what your plan to reverse the momentum there?

T.K. Kurien

Maybe I can answer that question, this is T.K. Kurien. There are a couple of things that we see as far as healthcare is concerned. I think, if you look at it last quarter there was a growth of 2.7% sequential, and the way we look at this space is they are really broken up into three categories. One would be the pharmaceutical companies and the Life Science companies, that is one category by itself. The second of the payers and third is the provider. On the provider's side, we really do not have too much of penetration as far as the market of the US goes. I think most of our penetration is in the pharma side and the Life Sciences side along with a small presence or a medium type presence in the payer space. On the payer space we find there is significant traction as people buildup infrastructure, but on the pharmaceutical side we see a lot of work coming in from a data analytics perspective, especially around Life Sciences. So, that is what we are broadly seeing in terms of trends. As far as the entire space is concerned a large



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part of the spend in the space, especially the first two is driven by regulatory changes and to that extent it is a start-stop kind of an area. Pharma I think is a secular trend in terms of outsourcing, they are pretty large in it both in terms of data analytics and as well as in terms of applications outsourcing, and we are seeing a fairly robust demand from that particular segment.

Swamy Sundaram

That is it from me. Thank you.

Sridhar Ramasubbu

Thank you for your active participation. In case you have any further questions the IR team in India and US will be happy to talk to you. Thanks once again.

Moderator

Thank you very much members of the management team. Ladies and gentlemen with that we conclude this conference call. Thank you for joining us on the Chorus Call conferencing facility and you may now disconnect your lines. Thank you.