Wipro Limited Q1 FY 2013 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to the Wipro Limited Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '*' followed by '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Manoj Jaiswal. Thank you and over to you sir.

Manoj Jaiswal: Thank you Melissa. A very warm welcome to all of you to our Earnings Call for Q1 of fiscal 2012-13. My name is Manoj Jaiswal and I head the Investor Relations for Wipro, along with Aravind in Bangalore and Sridhar in the U.S. We manage the investor interface.

We will begin with a short address by our Chairman, Mr. Azim Premji, followed by IT business highlights by Mr. T. K. Kurien – CEO of IT Business; and Mr. Suresh Senapaty – CFO, Wipro Limited, who will present financial highlights. The operator will then open the bridge for question and answers with the management team. We have the entire senior management here to take Q&A from the analysts and the investors.

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 management's current expectations and are associated with uncertainties and risks, which would cause actual results to differ materially from those expected. These uncertainties and risk factors have been explained in a detailed filing with the SEC of USA. Wipro does not undertake any obligations to update forward-looking statements to reflect events or circumstances after the date of filing thereof. This conference call will be archived and a transcript will be available at our website, www.wipro.com.

Ladies and gentlemen, let me now handover the call to our Chairman, Mr. Azim Premji.

Azim Premji: Good day to all of you. I just want to very **briefly** cover 2 areas: One is trends in the macro environment and IT and the second one is the Wipro strategy.

Overall, macroeconomic environment continues to be volatile. There is a lot of uncertainty due to high levels of sovereign debt and unemployment levels. While clients are cautious, they are sitting on stronger balance sheets and better prepared to face the uncertain environment. Clients are driving towards a dual objective of growth and differentiation as they transform themselves. Technology is going to be the key enabler for this transformation. Wipro's investments in key technology themes coupled with our domain specific solutions and global footprint positions us to be their trusted partners. I continue to be optimistic about the structural growth story of the IT business. Within this, Wipro's strategy has been fuelled by 3 directives, 1) A focused business strategy. 2) Higher customer satisfaction. 3) Greater employee engagement.

Our strategy of creating a higher degree of differentiation at the frontend and standardization at the backend is critical for us to win. We are seeing higher levels of customer satisfaction in the fiscal year gone by and in Quarter 1, with customers reacting positively to our efforts in building a simpler, nimbler, and leaner Wipro. We continue to be significantly focused on employee engagement. We have seen the employees settle down into the new structure as reflected by a sharp drop in attrition rates and positive employee perceptions focus. We continue to drive our strategy while maintaining the highest levels of corporate governance. Just to repeat we are recognized by the Ethisphere Institute, a leading business ethics think-tank, as one of 2012 World's Most Ethical Companies. We continue to be focused on sustainability. Our sustainability initiative has resulted in Wipro being amongst the only 2 Indian companies in the Dow Jones sustainability Index for 2011.

Thank you very much. I'll now hand the mic over to Suresh Senapaty.

Suresh Senapaty: Good day, ladies and gentlemen. 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 rates in New York City on June 29, 2012, of cable transfers in Indian rupees as certified by the Federal Reserve Board of New York, which was $1 equal to Rs. 55.57. Accordingly, revenue for our IT Services segment that was $1.515 billion or in rupee terms Rs. 83 billion, appears in our earnings release as $ 1,496 million based on the convenience translation.

Moving onto the quarter performance – Our IT Services revenue for the quarter ending June 30, 2012, was $1,540 million on constant currency, a sequential growth of 0.3% within our guidance range of $1,520-$1,550 million. From a vertical perspective, we continue to see strong growth in Energy and Utilities. Financial Services was impacted by weakness in investment banking in the current quarter. From a service line perspective, we saw a strong growth in analytics with 3.3% sequential growth. We are seeing some stabilization in our BPO business which saw a sequential growth of 1.5%.

We moved the needle further on our focus area of client engagement. In the current quarter on a trailing 12 months basis, we have 8 accounts which are more than $100 million in revenues, up from 4 last year. We saw growth in our top 10 accounts of 3.2%. We are happy with our progress and we will continue to make investments in this area.

From a revenue productivity perspective – Offshore realizations dropped by 1% and onsite realizations improved by 0.2% sequentially on a constant currency basis. We see pricing pressure in pockets but we are driving realizations through productivity improvements.

Sequential volume growth in the quarter was 0.8%.

Operating margins improved by 30 basis points to 21% with the impact of increased employee costs and investment in sales and marketing offset by the benefit of rupee depreciation.

As on June 30, 2012, our DSO (days of sales outstanding) was at **69** days, same as in the previous quarter.

As we anticipated, our IT Products business was sluggish due to push out of decisions on capital spend and declined by 5% on a year-on-year basis. Profitability drop was due to volatile currency in the quarter.

Consumer Care and Lighting business continues to see a good momentum with a revenue growth of 30% year-on-year and an EBIT growth of 27%. We acquired the Yardley business in the UK and rest of Europe, excluding Germany and Austria, along with the "Woods of Windsor" business which is another heritage brand in the United Kingdom.

On the exchange front our realized rate for the quarter was Rs. 54.89 versus the rate Rs. 49.43 realized for the last quarter. On a quarter-on-quarter basis, Forex net of cross currency impact gave us a positive of 310 basis points to operating margin. At the period end we had about $1.6 billion of Forex contract. The effective tax rate for the quarter is 20.2%. We generated free cash flows of Rs. 9 billion in Quarter 1, which was 57% of our net income. Operating cash flow was Rs. 12 **billion** in Quarter 1 which was 74% of our net income. Our net cash balance in the balance sheet was Rs. 75 billion, an increase of Rs. 6 billion sequentially. I will now hand over to Kurien for an overview of the IT business.

T. K. Kurien: Good afternoon everyone. Against the backdrop of mixed macroeconomic trends, our business in the first quarter played out largely as we expected. While the external environment continues to be volatile, I believe we are well-positioned as we constantly strive to drive innovation and refocus our organization to **address the** shift in customers approach to technology. Our investments are showing results and here is an update on our key parameters:

Our top 10 accounts contributed to our revenue growth. We now have 8 of these relationships crossing a $100 million revenue mark compared to 4 in the same quarter last year.

Our top 5 accounts grew around 5% at constant currency. Our customer satisfaction of mega/gama accounts continues to improve quarter-on-quarter. Overall score for this quarter improved by 3 percentage points.

In our business building great talent is absolutely critical for long-term sustained value creation. Employees like the culture of winning, the openness in engagement and simplicity of process. This is exactly what we are driving **within**. This is reflected in some way in the stabilization of our attrition rate.

We need to go after logos that are going to be insulated from the economic vagaries that may hit economies across the world. We have kept **a separate** hunting team, which today consists over 130 professionals to handle this particular activity.

We are also working closely with our clients to enable their transformation journey. We signed a large multi-year contract with Royal Philips Electronics as a Global Prime Partner in their transformational program. This will enable Philips to manage their twin objectives of an enhanced business growth and profitability. Wipro as the strategic and Global Prime Partner will help transform and standardize six business platforms such as Idea to Market and Market to Order.

Another example, for a leading pharmaceutical company Wipro is providing a solution leveraging analytics, advanced visualization and mobile technologies to provide a 360 degree view of its customer (physician) over a mobile device. This solution will enable client's 5,000 field representatives to have an accurate view of physician's medical relations on the move and make faster decisions.

Technology is today an enabler for differentiation for any business .At Wipro we saw this change early and invested in enhancing our capability in this area.

We continue to remain invested in our momentum verticals. We continue to see strong traction in Energy and Utilitiesas it continues to grow in Q1 with a constant currency year-on-year growth of 34.5%. E&U, BFSI and HLS are growth segments for us.

As discussed earlier, technology is the core of our business and we believe that the next technology disruption will be the intersection of Cloud, Analytics and Mobility.

On the Analytics side, our analytics business continues its winning momentum, with a 3.3% sequential growth and added 21 customers last quarter. Wipro has been selected as a "Partner of Choice" by a leading retailer in North America, for its Analytics and business intelligence capabilities for delivering multiple strategic programs.

We have also been engaged by a leading bank to improve efficiencies of its finance function and strengthen its compliance to local and global regulations.

We acquired Promax Applications Group, a leading provider of trade promotion planning, management and optimization solutions, to strengthen our capabilities in trade promotion, management and optimization space.

Wipro's cloud business continues to see significant growth in the last quarter. Wipro had 51 wins in Q1 across IT and process transformation themes. We are also seeing strong momentum in the areas of cloud ERP and private cloud.

On mobility, we have bagged a B2C solution engagement on mobile payments with a leading global bank and a Mobility transformation deal with a leading Insurance company in North America.

This quarter, we launched the m-eXecute solution on a mobile platform. This solution would enable manufacturing companies reduce response time to crisis, real time access to mission critical quality data and improve productivity on the shop floor.

I wish to conclude by saying that Wipro has laid the foundation to be a new generation IT Services company. We hope to take advantage of the continuous demand for business-led technology coming from across the world, and help our customers leverage technology to Do Business Better. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We have the first question from the line of Ankur Rudra from Ambit Capital. Please go ahead.

Ankur Rudra: Could you maybe begin with characterizing how you are seeing the demand environment now? From your guidance for the second quarter, it looks like it has possibly worsened because we struggle to see a strong growth for the full year FY13.

T. K. Kurien: Let me just give you a quick little bit of color on that one. What we are seeing today is that growths have to come from existing segments that we have. The customer's response to growth is driven partly by the industry segment that they are in, and their own competitive position in the industry. That I think is the primary driver to growth. When we rolled up our estimate for Q2, fundamentally, what happened was if we look at across customers, geographies, service lines, one thing was pretty clear to us that as far as India was concerned, in Q1 we had a decline in reported currency of roughly about 9.9% and in constant currency of about 1.6%. We do not see this situation changing in a hurry in Q2 primarily because capital spends are not going to be there. We do not see capital spending in India coming back in Q2. As most of our India business is highly SI oriented, which fundamentally means that we depend upon the capital budget and we are not seeing that. In all quarters in the past, typically, what happened is 0.8% to 1% of our sequential growth has come from India, and that is missed in this quarter. That to some extent gives you some color on the guidance. If you look at verticals, E&U continues to be strong. In BFSI, we should get growth back. In HLS, we should get growth back. Besides that, with regard to Retail and Telecom, Retail will be stressed in this quarter; Telecom will also be stressed primarily because of client issues and the fact that we are overweighted on our equipment vendor piece. Manufacturing would show a growth again this quarter. So overall, our growth estimates are based upon what we see as numbers today.

Ankur Rudra: From a service line perspective, I noticed Infrastructure was relatively disappointing, was it primarily India or was it otherwise also?

T. K. Kurien: I think on the Infrastructure side, we are the biggest in India in Infrastructure. From our own perspective, I think that this is the segment where there are large deals, and fundamentally, I think our approach should be going forward to see how we can go up to the large deals markets. In the past couple of quarters, we have not gone after too many large deals.

Ankur Rudra: Just finally on the margins, the margin expansion seemed a bit light given that you only had one month of wage hikes, rise in utilizations and fall in subcontracting costs. Maybe you can help us understand what happened?

T. K. Kurien: I will pass it on to Jatin, but fundamentally, the approach that we have taken is this because as far as we are concerned, we are not going to hold back what we believe are long-term investments. The long-term investments that we believe we have to make today are in the areas of sales and marketing and we also gave a wage hike. But Jatin can take you through the margin walk.

Jatin Dalal: Ankur, if you see we have got approximately 300 basis points from USD:INR foreign currency benefit in the P&L and our margins have expanded by 30 basis points. So approximately 270 basis points is what we have invested in the current quarter, and this is where it has broadly been allocated - We gave salary increase in the current quarter, effective 1st June and that has impacted our margin by approximately 120 basis points. If you see our S&M spend has gone up versus last quarter by 70 basis points, so that takes a tally to 190 basis points. We did have certain adverse impact on offshore rates in constant currency terms in the current quarter, and that has impacted margin by roughly 20 basis points. So that takes us to 210 basis points and remaining is on account of certain operational investments we made and that takes it to 270 basis points. We also had certain margin challenges in our India business predominantly because of a revenue outflow. And that has also impacted in the other categories that I just mentioned.

Ankur Rudra: Was there any upfront nature of investments, particularly on the sales and marketing side because the increase seemed quite high?

T. K. Kurien: Absolutely, Ankur. What we have done is that we have ramped up our hunting team, a dedicated hunting team, and that is the one big investment. Second big investment that we have made is in all our large accounts, we have built a structure on large accounts which includes our consulting partners and our client engagement partners all working together in a solution group in a particular account. We believe the nature of investments will help us move to calling out of the CIOs office to other areas, and we hope to see this paying off in the next couple of quarters. So the answer is yes, we have made upfront investments and we will continue to make more.

Moderator: Thank you. The next question is from the line of Omkar Hadkar from Edelweiss Securities. Please go ahead.

Sandip: This is Sandip from Edelweiss. The first question is on the client concentration part. If you see the client concentration number, the 100 million clients have gone up by 1 quarter-on-quarter, but 75 million has gone down by 2, and we are not seeing a corresponding increase in the 50 million. So can you tell us one of the clients is known to us probably, but the other miss we are not getting, because we have seen in the media that one new client has been added in the 100 million category. So is it a shift from 75 million to 100 million or what it is?

T. K. Kurien: Sandeep, it is very simple. One customer has migrated from 75 million category to 100 million. Unfortunately, with the Euro going down, what has happened is that one particular customer has slipped from 75 million to 73. 88 million. That is really the change. And similarly, in the 50 million category also we have got one slipping back into less than 50 million category. So the Euro billing for customers has impacted towards a little bit of change across the categories.

Sandip: And a second follow-on question on that, we have seen the least number of active customers in last four to five quarters timeframe. Can you throw some light on that part?

T. K. Kurien: Jatin will talk through the numbers, but fundamentally we have segmented our portfolio into broadly four categories. The last category is what we call **tail accounts**. These are accounts where fundamentally we have been doing work, but never scaled. And when you look at the efforts and the time and the resources behind them, you find that the cost of doing business is far, far more than the payoff. So fundamentally, what have done is that we have gone to all these customers and asked them if we were strategic as a vendor to them. If we were not, we will disengage. And the total number, Jatin can give you the exact numbers.

Jatin Dalal: So we have disengaged roughly 36 customers not in the current quarter, but over last few quarters. In addition to the fact that we have been moving away from very small global customers which we categorize as Tail customers, there is also an impact this quarter because of translation of Wipro Infotech India-based customers, where we have a particular threshold as an absolute number for which we consider the customer as an active customer. For example, if somebody had rupee revenue of X, and that number would be divided by 49 last quarter, and he would have classified as an active customer, the same rupee number today is divided by 54 or 55 and could fall below the threshold of an active customer. So I do not think you should read too much into this movement of 22 customers, this is more on conversion translation, and some of our efforts of going away from very small customers in the global market.

Sandip: And a follow-on question if I can. Why are you still seeing softness in the Telecom vertical? Because if I remember correctly the last quarter commentary, I heard that service providers will be able to compensate for a majority of decline. So I am not seeing that this quarter also, and also if you can throw some light on the financial solution part?

Jatin Dalal: To clarify the numbers on on the Telecom segment and then I maybe request TK to talk about it. If you see our constant currency number in the current quarter actually if you see, you will see that on constant currency basis global media and telecom has grown by 2%. So the negative growth that you are seeing is predominantly because of an impact of cross currency and they have large exposure to Europe. So in the current quarter, actually, there is a positive movement. And with that I will request TK who can talk about overall demand scenario in the Telecom segment.

Ayan Mukerji: We continue to see demand which is fairly broad-based. It is across transformation, it is across BPO, and it is across our equipment vendors. As Jatin explained that we have a large exposure to euro billing, hence our reported numbers were lower. Also, we have a lot of our work based on large transformation projects. As and when these projects come to an end, there is a certain amount of burst of relatively good and lumpiness of revenues. But overall, we continue to see a lot of optimism as far as Telecom vertical is concerned.

Soumitro Ghosh: So overall in terms of BFSI as we have talked about in the earlier quarter, the Investment Banking segment of the market was challenged and it continues to be challenged. On an overall basis, if we look at our performance for the quarter, we had a very fairly strong quarter from the Retail Banking and Financial Services side. It grew to the extent of almost 6% to 7% sequentially. So it is really the Investment Banking piece which pulled overall BFSI portion down. That is understandable because if you see across all the investment banks, or universal banks, all of them have posted poor results on the IB side, which is directly linked to the trading revenue which they do, and that has impacted the growth as well as it has impacted the bottom-line On an overall perspective, I see three to four trends and this is across BFSI., not specific to IB.

There is a fair amount of demand in terms of cost takeout and on cost takeout, I will really bifurcate into 1) on the app side it is driven more now by a lot of activity on the shared services side and on app rationalization. 2) On the Infrastructure and on the BPO side, we are seeing a fair amount of traction. So that is overall in terms of cost takeout.

Second is regulatory and compliance. We are seeing a whole lot of initiatives being taken on this still. Regulatory is more in Europe than in US, but compliance is all across. And we are seeing some pretty good wins in that particular area.

On the development side, in insurance, we are seeing a fair amount of activity in terms of modernization of policy admin systems, and on the retail bank side, we are seeing a lot of investment happening in areas like payment systems and channel.

On large deals, we were fairly focused on, and as you see in the current environment, the deal cycle times have become challenging. But the good news is that we have progressed in quite a few of the large deals, in terms of moving ahead in terms of down selection. So in terms of the future, it is really going to be dependent on how those deals close.

Moderator: Thank you. The next question is from the line of Nitin Mohta from Macquarie. Please go ahead.

Nitin Mohta: In a television commentary, you said that the commodity piece of all you and your peers offering similar service offerings packaged differently is undergoing a transition right now, and that is what you are preparing the business for from a longer-term perspective. So I wanted to understand, in the interim when this transition is happening, which service offerings or which verticals you think can have a little bit of a trouble in the time in between?

T. K. Kurien: Here is very simply put what is happening. If you look at the industry in terms of how we evolved, in the initial stages what happened really was a lot of the work that came to India was augmentation work which really meant that when you had an offshore development center in India, fundamentally clients gave you work because they could get work done faster in India at a lower cost and better quality, that was fundamentally the rationale. Then they moved to customers giving you control of roughly like for example, your technology, helping you run their data center, helping you run their networks. That was the second step when the entire responsibility for managing something got handed down to us. I think now what we are seeing is that if you had a value scale Y and if you had another scale which is X which is pure volume, fundamentally for us as a portfolio, we have to draw the line between value and volume and figure out for each company what is the mix. But you have to gravitate towards value because value is fundamentally what is going to give you the ability to work with business and to craft solutions. Our belief is that if you look at analytics, mobility and cloud, these three things are going to come together in terms of technology to solve use cases in front of a customer. And the ability to solve that use case is going to be the differentiator long-term, at least on the value side. On the scale side, we believe there will be more and more large deals this quarter, but until and unless you have big productivity levers which are driven by technology, long-term profitability in that segment will get hit. So one is you have to build an intellectual property around how you do work. The other one you have to build an intellectual property around customers businesses and understanding what technology components you are going to really pull together to create a solution. I think those are the two we are looking at.

Nitin Mohta: Just in terms of follow-up, what I was trying to understand was does that mean that services like ADM, etc., are going to feel pricing pressures from a medium-term perspective? If that is what the industry is changing towards, can we actually see that kind of a pressure come through?

T. K. Kurien: It is difficult to say how the market will play out. Any market that is trending towards commoditization, the first thing that you see in any commoditization cycle is denial. The second you see actual decline. And the third, you see huge efficiencies coming in but price fundamentally comes down. So for us it is difficult to say when it will happen, but some of the services that we have will get replaced by technology. For example, if we look at technology and the infrastructure services, if you break that up into end use computing, network, server and storage, these four components, we believe that the end use computing components will get significantly disintermediated by technology. So you have to take every process and disaggregate and figure out what it means for your business.

Moderator: Thank you. The next question is from the line of Viju George from JP Morgan. Please go ahead.

Viju George: I am just trying to get a sense of where the story is playing out in terms of recovery for the last two or three quarters, your revenues have been virtually stagnant and your guidance also suggests that things are not really moving. Now it has been over 17 to 18 months since a new management has taken over. The question really is that when do you think that, A), you will be able to get back in line with the industry growth because there seems to be a gap there and B), when you can catch up with peers because it seems that the growth story is slipping behind target? Particularly in light of the statement that the management made earlier that we intend to get back on track by the fourth quarter of fiscal '12. So clearly, you have done well for a couple of quarters and you have fallen back again perhaps in that respect.

T. K. Kurien: Viju, here is what it is. If you look at what we are trying to do with our business, fundamentally, there are three stages in business in which the full game is playing on. The first stage is to focus on the existing customers and mine the customers better because that will give us short-term sustainable revenue. The next stage in parallel is to see what we can do to make investments and to broaden our base of customers The third stage is what we can do in terms of looking at our real estate and see how we can change the real estate, so that we are not caught by the vagaries of being in customers who are disintermediated rather than being customers who are not being disintermediated. Those are the three shifts that we wanted to make. Fundamentally, in the first shift, I think we have shown progress. Progress may not have been as great as we expect it to be, but we have shown progress. On the second phase, we expect the progress will probably take about 3 to 12 months. On the third, we believe it is a year out. That is broadly what we see in terms of timeframe. Could it be have been faster? My own sense is absolutely, yes it could have been . But frankly, we are where we are and this is the timeframe that we see.

Moderator: Thank you. The next question is from the line of Vishal Desai from Violet Arch Securities. Please go ahead.

Vishal Desai: Just wanted to get a sense in terms of the offshore hike which is available. I believe that is 8%. What would be the same in terms of onsite if it has been given yet?

Saurabh Govil: Our offshore hikes have been around 8%, and onsite is around 3%.

Vishal Desai: Both are effective June?

Saurabh Govil: Both are effective 1st June.

Moderator: Thank you. The next question is from the line of Pankaj Kapoor from Standard Chartered Securities. Please go ahead.

Pankaj Kapoor: Just want to refer to the comment that you made in the opening statement about seeing pricing pressure in pockets. If you can give some more color on that. Is it more of client-driven or is it something on account of vendor competition which is catching up?

Jatin Dalal: Pankaj, basically it is in select set of customers in an industry where there is a significant pressure on cost side. And we also see that the new deals in the market remain competitive given the volatile environment that we are in. So I would put it in two areas. I do not think it is broad based across all industries and existing customers, in an existing customer base it is select customers in an industry. And new deals, yes, it continues to be competitive with respect to price.

Pankaj Kapoor: Just a couple of follow-ups, are we seeing the other vendors passing on their rupee depreciation impact during the pricing renegotiations in verticals or in newer deals?

Suresh Senapaty: On Constant currency basis we have dropped about 1% on offshore rates, and on onsite it has gone up by 0.2%. So it is a reflection of that. At the end of the day, there will be pressures on the commodity side and we have to match it with the productivity improvements, and that is our endeavor on the ground so far.

Pankaj Kapoor: Of course, this will probably have reflected in the numbers only with a lag as these newer deals or any such gains which have been transferred start reflecting in, so we may not see it immediately, but I just wanted to get some color on that. And one final follow-up, how are we approaching the scenario? Are we participating selectively in these kind of discussions?

Suresh Senapaty: So when you look at the types of engagement which are more outcome based, you need to work on the backend to drive productivity to keep your realization on track. And also provide savings to the customer to make it as a business case. So, that is a constant endeavor that we will continue to have and at some stage if you do not make a business case you do not get that business. If you make the business case but do not do the productivity drive internally you will not hold the realization, so that is a constant game that you have to keep playing.

Moderator: Thank you. The next question is from the line of Nitin Padmanabhan from Espirito Santo. Please go ahead.

Nitin Padmanabhan: Three questions basically. One was, with regards to the ramp downs on the IB side of BFSI, how do we see it going forward? How much of that is already done? Is there visibility into growth coming back there? The second was with regard to retail because we are seeing quite a drop there. So just wanted to understand the declines, is it broad-based, is there any specific thing there? And finally, T.K., I just wanted to understand considering that the second quarter is relatively weaker than historic, how should one, maybe even from an industry perspective, does it look like that seasonality may not necessarily play out or does it look like incrementally things are getting tougher?

T. K. Kurien: I will answer the last question first and then hand it over to Srini for Retail and Soumitro for banking. Number one, from a year perspective, we do not give year guidance. But from a market perspective, here is what we are seeing. If I look at our pipeline, our pipeline continues to be quite robust. The level of proactive deals that are lying in the pipeline are significantly higher than they were a year ago. Time to closure is clearly on the up, it is not something that people are willing to take decision very quickly. And even if people are willing to take decision, sometimes what happens is that we get driven towards the RFP process. We maybe in the pole position for that but ultimately what happens is it goes into the RFPs, that becomes another game. So that is what is happening as far as demand is concerned. So demand to me is really dependant upon the customers that you play. If the customers are growing and he has got growth on his mind or he has got an idea that he needs to reduce cost significantly, then there is an opportunity in both these cases. If the customer who does not want to do anything that really is a concern., because for them, long-term, if we do not do something they will be out of business and ours being there does not help us and that is really the issue that we are kind of contending right now.

Suresh Senapaty: But the seasonality aspect that you have talked about. Given the kind of changes that you are seeing, I do not think you can compare it with the seasonality that you saw two years before. A new kind of trend is going to set up. So from that point of view, not that we can forecast what it is going to be, but you have to live through these quarters, you have to see what are the new trends.

Soumitro Ghosh: So in terms of the investment banks, really two, three things. One is on the discretionary side, there is a fair bit of challenge and it is reflecting in two ways: One is existing projects ramping down. The second, which I think is more important, is the new projects which we had anticipated have not come. Now, my view is, it will really depend from investment bank to investment bank, on how they are doing in terms of investing in new projects. If I look at the US banks versus the European banks, especially the Swiss investment banks, we find that the Swiss investment banks are perhaps relatively more challenged compared to the US banks.

But at the same time on the discretionary side, while that is a challenge, there are a lot of cost takeout initiatives all these companies are taking. And if you would have seen last four, five days, there are quite a few newspaper articles about some of the European banks in terms of cost takeouts. So there should be a lot of initiatives in terms of cost takeouts.

Regulatory is one space where the spend will continue. So it is a little bit of a mixed bag. Somewhere there are ramp downs and canning of existing projects and there are some projects really not picking out. My guess is this will continue at least for one to two quarters. On the retail bank side as I have said, we had a very good quarter last quarter, and the coming quarter also it should be positive and in Insurance barring some discretionary projects it is very much under control. So it is really the IB part.

Nitin Padmanabhan: So overall from BFSI perspective does it look like we are going to see similar trend as in this quarter for at least two quarters, is that what you are saying?

T. K. Kurien: Difficult for me to give any futuristic estimate but I will share with you the trend, so it is really dependent on how you can do a better job on the retail side and the insurance side compared to the IB one.

Suresh Senapaty: Overall BFSI, our expectation will be that we need to do better than what we have experienced in the past.

Srini Pallia: This is Srini Pallia here, I head the Retail, CPG and Transportation industry vertical. Going back to your question on the slowdown in the Retail, we have been talking about slower decision-making and deal pickups in Retail for the last two quarters. However, I guess, Q1 is the first quarter where we are seeing impact of the slowness of the decision-making compared to the last two quarters, where we saw the significant growth. Having said that, I think what we are seeing in terms of Retail specifically is that while they are focusing on cost optimization, they are also trying to spend on some of the discretionary spends especially around Omni-channel or multi-channel and trying to bring in consistent customer experience. In Analytics, TK talked about one of the wins there. I think we are doing very different kind of activities at the store level for the consumer at the merchandise level, and also in terms of improving store operations and store energy management. So these are the areas we are seeing traction going forward in addition to what I talked about the cost optimization. So we are cautiously optimistic. And as the strategy as far as the existing accounts, we are looking at these areas that I talked about, and we are also investing on hunting where we really want to go after and get those annuity businesses.

Moderator: Thank you. The next question is from the line of Priya Rohira from Enam Securities. Please go ahead.

Priya Rohira: My first question relates to the follow-on in terms of sales and marketing investments. Do you think you are adequately staffed now on hunting and you require more investments in farming or is the combination of both? And secondly, apart from strengthening your sales team, what are the other areas of S&M which you would be investing? And third is if you could just give us an update on your nonlinear revenues?

T. K. Kurien: We do not give the nonlinear revenue separately. But on the first one, if you look at sales by itself, there are three components that come together for effective sales. One is the sales itself. The second is the solution architect and the third is the delivery and program management. Fundamentally, in all three layers we have been investing significantly. But ultimately what happens is that the experience till the time you sell and till the time you deliver, you have to have a uniform customer experience. If you have imperfections or discontinuity as part of that, then we have a problem.

Priya Rohira: So basically you are saying that it is going to be more even on the process centric side apart from strengthening the team?

T. K. Kurien: Absolutely. The question was is our hunting investment complete, the answer is not fully.

Priya Rohira: Also if you could just update me on the nonlinear revenues. And if I could take just one follow-on question in addition to these two, on the European market side, if you could just give what is the client behavior like, more on the Continental Europe side where your presence in France, Germany is quite strong?

T. K. Kurien: On France, we see labor market imperfections being a big hindrance towards outsourcing of any sort. If you do outsourcing, it normally comes with people who currently do the job. And it is a tough one for us to kind of take over people and still establish a significant process. In Germany, I think it is driven by a very different market and I think there is plenty of opportunity in Germany today as a market. Because fundamentally, German companies are competitive and they will remain so. So from that perspective Germany is an area of opportunity. We do not see much opportunity in Southern Europe, but we see Benelux and the Nordic still being pretty strong.

Moderator: Thank you. The next question is from the line of Amar Morya from IndiaNivesh Securities. Please go ahead.

Amar Morya: If I understood rightly about the guidance, it is low because of the cross currency impact from the India business?

T. K. Kurien: . We have guided based upon cross currency that we have seen in Q1 that is the first thing. In Q1, we have had a $25 million impact because of cross in our P&L. So our top-line has been reduced by $25 million. So if we had remained in constant currency as of the end of Q4, our top-line revenues will be $1540.. The second is that if you look at the India market itself, Q2, used to be bullish, pretty good for us in terms of revenue. Quarter-to-quarter if you look at it, we have typically grown between 10% to 12% in India in Q2. This quarter, we are not seeing the growth.

Amar Mourya: So what is the reason for that?

T. K. Kurien: Capital expenditure has slowed down. We were very much over weighted towards telecom if you remember, in some of the large deals that we did. The telecom sector is not doing very well. But having said that, we have been very active in the market in terms of making sure that we are able to go out there and get deals. We think we will be back in the last second half of the year as far as India is concerned.

Suresh Senapaty: If you look at India, government spend, infrastructure, telecom and financial services - these are the four typically who would drive the biggest growth. And we think cost of capital being as high as it is with capital market not being favorable, no capital raising has happened. Interest rates are high. And therefore capital investments and costs are deferred out and that is where we saw a weak quarter one, and that continues for quarter two, We generally have 0.8% to 1% sequential because of the higher growth that we get in Indian IT services, which is not happening this time. So non-India piece if you look at it the whole growth that is being talked about between 0.3 to 2.3 is largely non-India, or whole of it perhaps non-India.

Amar Mourya: The muted growth which we are seeing in India is one because of the demand environment or it is also because of the delays primarily because the rupee is weak as compared to the global currency?

Suresh Senapaty Absolutely, the second one is right. I think there are a lot of proposals around. We have a funnel sizes but the decision is not taking place because of the high cost of debt and currency depreciation.

Moderator Thank you. The next question is from the line of Dipesh Mehta from SBI Cap Securities. Please go ahead.

Dipesh Mehta: I just wanted to understand about the demand outlook. Whether we have seen any deterioration from let us say in the beginning of April t. Second is about Promax related revenues, whether we have seen any inorganic revenue growth in this quarter? And whether any Q2 guidance built any kind of revenue contribution from Promax? And third just to understand our domestic business, what component would come in from government and what will be telecom related revenues for domestic?

T. K. Kurien: The way we see demand is that there are 2 parts of the demand environment. One is the secular demand environment we are looking at, which is when the markets are great everyone does well. I guess the question really is for us is not so much the demand environment with regards to economy that matters, it is how customers where we are playing, they respond to that economic environment around them. Second is we have not seen the deterioration in terms of signing. We have seen certainly delays in terms of closure. As far as Promax is concerned, in this quarter it is relatively negligible. In the next quarter, we do not estimate a great amount of revenue, it is very, very negligible but going forward Sanjiv can give you the sense of what the opportunity is.

Sanjiv: Promax there are two streams of opportunities. One is a pure play license product sale which we will be doing that is in its existing avatar and also we will be looking at solutions which are a complete comprehensive solutions for sales promotions for CPG, we have a fairly decent pipeline

Dipesh Mehta: Just to stress about the demand side, o whether we have seen any change in the deal closure cycle or it will continuing to be where it is or it was?

Jatin Dalal We continue to see that in some of the sectors the decisions are still slow especially when we are proactively bidding for a proposal, it takes a longer cycle time to get the deals converted. So to that extent there continues to be a delayed decision making even though the pipeline remains healthy and opportunities are there in the market.

Dipesh Mehta: And last about domestic, if you can provide a government and telecom kind of split?

Suresh Senapaty **In** India I think nothing has changed, I think beginning of the quarter to today nothing has changed. But there is definitely a sentiment and perhaps a little change is expected in the next 3 to 6 months. So from that point of view, we are also in the bandwagon which is hopeful.

Dipesh Mehta: The last question was about domestic. Can you provide the split of our India business between government and telecom?

Jatin Dalal We do not split those details Dipesh.

Moderator Ladies and gentlemen, that is our last question. I would now like to hand the floor back to the management for closing comments. Please go ahead, sir.

Manoj Jaiswal: Thank you, Melissa. We thank you all for participating in this call. Should you have any other questions that we could not answer due to time constraints, please feel free to get in touch with me or Aravind. We shall be happy to answer them for you. The transcript of this call will be archived in our website as soon as possible. Thanks a lot, and have a good day.

Moderator Thank you Ladies and gentlemen, on behalf of the Wipro that concludes this conference call.