Wipro Limited Q4 2013 Earnings Conference Call

6.45 P.M. IST, April 19, 2013

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. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sridhar Ramasubbu. Thank you and over to you, sir.

Sridhar Ramasubbu: Thanks, Marina. This is Sridhar, and I am joined by Manoj and Aravind from the IR team in Bangalore. And on behalf of the entire Wipro team, we extend a very warm welcome to all of you. We are pleased to host Wipro's 4Q FY13 earnings call. Hope you have received and seen the press release we issued yesterday late night EST, and we will have time for Q&A at the end.

On November 2, 2012, we announced our strategic intent regarding the Scheme of Arrangement for the demerger of the Diversified Business of Wipro. We are happy to inform you that the necessary court and regulatory approvals have been obtained, and the demerger process is now complete. The financials from April 1, 2013 for fiscal FY14 for the listed company will be a pure play IT business organization.

The format for today's earnings call is as follows: We have Suresh Senapaty – Corporate CFO; and T.K. Kurien -- CEO of Wipro IT business with us. They are joined by BU heads, and other senior members of the 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 Securities and 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 entire earnings call proceedings are being archived and transcripts will be made available after the call at our company's website. A replay of today's earnings call proceedings will also be available via telephone post the call.

During this call, I am also available on e-mail and through mobile as well to take any questions and table it the Wipro team in case you are unable to ask questions for any technical reasons. Ladies and gentlemen, over to Bangalore for management commentary.

Suresh Senapaty: Very good day to ladies and gentlemen .Before I delve into our financials, please 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 31st March 2013 for cable transfers in Indian rupee as certified by the Federal Reserve Board of New York, which was $1 equal to Rs.54.52. Accordingly, revenues of our IT Services segment was $1,585 million or in rupee terms Rs.86 billion appears in our earnings release as $1,569 million based on the convenience translation. The Scheme of Arrangement for the demerger of Diversified Business is effective from 31st March 2013 with an appointed date of 1st April 2012. Therefore, under IFRS, the Diversified Business will be shown as discontinued operation till 31st March 2013, while it is not considered under the Indian GAAP.

Total revenues for the quarter were Rs.110 billion, an increase of 12% year-on-year. Total revenues for the year were Rs.434 billion, an increase of 16% year-on-year. Total net income for the quarter was Rs.17.3 billion, an increase of 17% year-on-year. Total net income for this year was Rs.66.4 billion, an increase of 19% year-on-year. In IT Services, our revenue for the quarter ending 31st, March 2013 was $1,599 million on constant currency, a sequential growth of 1.4% within our guidance range of $1,585 million to $1,625 million. For the full year, we delivered a year-on-year growth at constant currency of 7.4%.

From a vertical perspective, we had a strong performance sequentially on constant currency terms in energy, natural resources and utilities, manufacturing and hi-tech, healthcare and life sciences.

From a service line perspective, Infrastructure Services continued to perform well, growing 4% on a sequential basis. Volume growth in the quarter was 2.5% on the back of ramp-ups from new deal wins. Our realization declined, impacted by cross currency, lower working days and change in business mix. The disconnect between the traditional way of looking at revenue growth both in terms of person month and rate is increasingly becoming obsolete in the current environment. Hence, going forward, from next quarter, we will discontinue providing rates and volume growth data. Margin declined by 60 basis points, primarily on account of FOREX, which had a negative impact of 70 basis points. Our realized rate for the quarter was Rs.53.96 versus a rate of Rs.54.54 realized for the last quarter. As of period end, we had about $2.1 billion of FOREX contracts.

Our IT Products business grew by 15% on a year-on-year basis. Consumer Care and Lighting business as a part of our discontinued operations continues to see a good momentum with revenue growth of 15% year-on-year and operating profit growth of 18% for the quarter. The effective tax rate for the quarter is 20.2% and 21.5% for the year. For the quarter, we generated an operating cash flow of Rs.18 billion, which was 105% of the net income. And for the year, we generated Rs.70 billion of operating cash flow, which is 106% of the net income for the year. I now hand over to Kurien for the highlights on the IT business.

T.K. Kurien: Good morning, everyone. Our results for the fourth quarter and for the full year have been with you for some time. We have delivered our dollar revenue sequential growth of 1.4% in constant currency for the quarter, which is in line with our guidance. Let me give you a sense of the demand environment as we see it. On one hand, we continue to see an opportunity in the market and there is more positive commentary on IT spends, particularly in the US. On the other hand, we have seen certain areas in our portfolio that have been impacted by delays in discretionary spend. These factors coupled with seasonal weakness in our Q1 of our India and Middle East business has resulted in our current outlook for Q1. However, we see the demand environment picking up from the next quarter.

On the backdrop of this demand environment, we continue to focus on building differentiation and value creation at the customer end and driving operational efficiencies in the core delivery functions. All our current initiatives on customer growth and execution are driven by this long-term approach. On the customer front, we have done well in driving customer value and revenue growth through effective account management. Our $100 million customer count has increased from 7 to 10. Our top 10 accounts have grown at 17% for the year, much higher than the company average.

As mentioned earlier, while we see delays in the discretionary spend in Banking and Financial Services, we have seen a good momentum in Energy and Utilities, Healthcare and Manufacturing. From a service line perspective, we saw growth in Infrastructure Services and Consulting. Infrastructure Services continues to be the biggest driver of growth in the marketplace, and we are focused on increasing our footprint, ensuring winnability of these deals.

We have added 192 new customers in fiscal '13 as against 173 in fiscal '12. We have added 52 new logos in the last quarter, a reflection of our increased investments in hunting. Our customers are also seeing an increased value that we are delivering. We have seen significant improvement in Net Promoter Score, up 13.6% and overall customer satisfaction score is up 7% over the year.

On the execution front, the focus is in delinking in revenue growth from headcount, via non-linear initiatives and leveraging processes and tools in order to raise productivity, quality and flexibility. Our initiatives from automation and standardization are allowing us to deliver greater customer value through faster execution cycles, increased productivity and more creditable cost takes out. Revenue productivity for the year increased 4.2% onshore and 2.7% offshore, driven primarily by productivity.

We are focused in emerging areas and new technology paradigms to address the customer needs to optimize the technology spend which is driving better business outcome.

On the Cloud space, Wipro has won multiple deals, including a multi-country cloud-based CRM rollout, covering 15,000 users in 50 countries, and a cloud-based human capital management solution touching close to about 10,000 employees. We have also won an end-to-end cloud operations management deal from energy majors to be delivered from our Cloud Command Center.

In the Big Data space, key engagements include buildup of a machine learning-based recommendation engine to drive personalized recommendations and an architectural blueprint to drive real time analytics and prevent fraud. We continue to score wins with significant work executed in customer analytics and asset pricing validation.

Finally, we recognize that we are the people's business, and our strategies will work only as well as the quality of the people, the training that we give them and the level of engagement. Voluntary attrition stood 13.7% for the year, 3.7% drop from the last year and the annualized attrition of 12.5% for Q4 which is the lowest rate in the last two years. Our wage hikes based upon our annual compensation review are conducted every June, and we will stick to it. The quantum of the increase will be determined closer to the date. We have shifted our hiring focus in niche skills, both in domain and technology areas. On sales transformation, we have followed up on the structured assessment process that I have mentioned last quarter with the creation of individual development plan and focused training.

I want to conclude by saying that we continue to focus on our execution, and we are confident that we are on the right track. Thank you. Over to questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from Joseph Foresi from Janney Montgomery Scott. Please go ahead.

Joseph Foresi: I wonder if you could talk a little bit about the June guidance or outlook, where are the puts and takes? I know you discussed discretionary spending and some of the other areas that are positive or negative. But it seems like we haven't hit an inflection point yet from an acceleration standpoint. So I am just trying to understand what is causing that guidance from a macro perspective and a company specific perspective?

T.K. Kurien: So this is what we see in the market, just to give you what is driving this quarter guidance. Typically, what happens is that in Q4 of our fiscal year, which is Q1 of the calendar year, we clearly see our India business kind of peak, and India is a fairly substantial part of the overall Wipro services revenue, and then, there is a very sharp drop off in Q1. Last year, our Q1, we had a negative 1.4% in terms of our reporting numbers. This year, we expect that the fall off in the numbers that we get from India would be compensated to some extent by our traditional outsourcing revenue that we get. But when we do our guidance, fundamentally, what we do is we take all the risks that we see, all the upside that we see, and we come to a considered judgment on what we should be guiding. The downside fundamentally reflects number one, the downturn that we see in the India business, to some extent, uncertainties around discretionary spend that may kick in, and third and the most important would be our ability based upon both these risks to assume what number we finally come up with. So that is the basis of the whole guidance.

Joseph Foresi: On the discretionary spending side of things, it seems like as we go further through the quarter that there seems to be different views and different performances within, particularly Banking and Financial Services. Maybe you could just talk a little bit about what is going on from a discretionary spending side in that vertical? And are these customer-specific issues or do you think it is still broad-based and it remains muted?

T.K. Kurien: On the retail banking side, we see discretionary spending happening. But unfortunately, for us, from our portfolio, we do not have very many large retail banks. Our portfolio is all weighted towards investment banking. And investment banking, we still see and continue to see cuts in terms of discretionary spending which happen sporadically. I think that has been one of the biggest reasons why we cannot really estimate as to how much discretionary spending would come in. On Insurance, if you look at our business, our businesses is heavily overweighed towards discretionary spend and a large program which runs over a longer period of time, typically does not get cut, but smaller projects, especially on the digital side tend to come on and off depending upon quarters,that is really what we are seeing. So from our perspective, you just look at Banking and Financial Services, net-net, investment banking weak, retail banking discretionary spending is strong, but our client base is weak. Investment on Insurance, we see discretionary spend happening, but fundamentally in our customer base it tends to be spotty. I think that is the real reason.

Joseph Foresi: As I understand it, the pricing declined for a variety of reasons, but it does not sound like it is related to the demand environment. Maybe if you can walk us through a decision to stop giving volume and pricing numbers going forward and talk about what the pricing environments are like out there and how we should think about that in relation to what happened this quarter?

Jatin Dalal: Let me talk through the current year numbers on pricing. While there is of course a quarterly volatility, but if you take out the lower number of billing days and the impact of euro and pound depreciation, then the pricing volatility from Q3 to Q4 is approximately 1% both onsite and onshore, and effectively that is the nature of the business, 1% plus or minus every quarter you would get depending upon the project. So this quarter, while the headline number looks large, it is largely driven by the cross-currency movement and a number of days there were available to bill on overseas. Now coming to the second point on discontinuing to show volumes and pricing, going forward, really, this is driven by the fact that earlier our model was really about adding more and more volume and in a stable pricing, that would be a great indicator of what the revenue is likely to be. But we are now in a stage of industry where we are deploying a lot more automation tools and driving productivity in existing businesses as well as pricing the new businesses which are not linked with the number of people that we deploy, but really linked with the outcomes that the customer wants us to drive. Now in that environment, volume and pricing are very tightly integrated. On a quarterly basis you will see the volume up and pricing down or vice versa, that does not really tell the momentum or the quality of the revenue, and therefore, going forward, we would give you our overall revenue number, which would be a good reflection of what we are working on how we look at it internally as against breaking in volumes and realization.

T.K. Kurien: Joe, very quickly, what happened was in the last quarter in the call, we got a lot of request from analysts saying that we are confusing them with these two numbers. And really it was in response to that that we decided that we would go ahead and stop this. But we did not want to stop it at the end of the year, we wanted to make sure that we gave everyone enough notice before we did it.

Moderator: Thank you. The next question is from Moshe Katri from Cowen & Co. Please go ahead.

Moshe Katri What is embedded in your June quarter guidance in terms of assumption from volume growth and pricing?

Jatin Dalal: Moshe, as we just spoke and as we have disclosed, we won't be sharing volume and pricing going forward. But from an assumption standpoint, it is a reflection of typically volume with a narrow range movement in pricing.

Moshe Katri: And then can you comment on the discrepancy in terms of the sequential growth rates that you have between your top one client, I think about 13%, and I believe your top 10 clients and top 5 clients declined sequentially. Is there anymore detail on those clients?

Jatin Dalal: Moshe, if you see our top clients, as we mentioned have grown handsomely between Q3 and Q4. However, there are a number of customers in top 10 which have been impacted by the cross currency movements which happened in pound and euro. And to that extent, our top 10 customers' growth is muted compared to what we have seen over previous quarters. But I must point out that for the whole year, the top 10 customers in fiscal '12-13 have grown at 17% which is roughly 4x overall the company growth rate. So we see it as a very positive indication of what we have been able to do with our account management structure, especially in the Mega and Gama accounts.

Moshe Katri: Now since your June quarterly guidance seems a bit conservative, typically just June quarter is strong for the industry, and I know you do not provide guidance for the year, are you feeling better for the rest of the year, what are your thoughts about your company growth rates vis-à-vis NASSCOM's expectation in terms of the industry? And then do you think that fiscal year 2014 will be stronger in terms of growth rates versus the year that you just closed?

T.K. Kurien: Where we are sitting this year, I think we are sitting in a better position than the same time last year. I think that is a positive. We do not guide on a full year basis. I am sure you know about this. So any comment about the NASSCOM guidance would not be an appropriate comment given the circumstances. But all I can tell you is that from a sentiment perspective, we are certainly feeling better right now than we were in the same period last year.

Moderator: Thank you. The next question is from Trip Chowdhry from Global Equities Research. Please go ahead.

Trip Chowdhry: First, in terms of new capabilities, of course, the market is changing, the new technologies are getting deployed. What is your sense, like what new capabilities does Wipro need to have in place? And what capabilities they need to de-emphasize?

T.K. Kurien: Broadly, if you look at our strategy, our strategy calls for differentiation in the front and a significant level of standardization and automation in the back. So the person who is driving our differentiation in the front from a technology perspective is Shaji, who is sitting next to me, and he can kind of give you a quick view of what is happening out there. On the standardization side, in terms of making sure that what we are doing in autonomics and everything else, Bhanu, who is the head of delivery, can talk through that. And if you want a vertical color on what is happening in the industry we can have N.S. Bala, who runs our Manufacturing business to talk through it.

Shaji Farooq: Just to comment on the work we are doing in terms of differentiation, the role of advanced technologies and cloud mobile and analytics and social, actually, there are really a couple of plays, one is around technology transformation, which is optimizing our clients IT investments, and then there is the second set of opportunities, which is really around disrupting and changing the way they do business. Combined, these technologies can create a significant disruption, which is a positive for our clients. And we will continue to focus in these areas, and we will continue to focus in driving deals that would leverage, not just each of these areas or silos but bring them altogether.

B. M. Bhanumurthy: I can talk to you through about what we are doing in terms of standardizing the core of our operations. Two big elements; one is, as much as these technologies are revolutionizing the businesses of our customers, we are also using the same technologies to ensure that our delivery and operations become standardized. So for example, in very mature services such as both Application Management and Infrastructure, we are adding significant amount of technology in eliminating the work for manual intervention there. We are also adding lots of analytics so that you can gain significant insights about customers' application and infrastructure environment and hence, build upon those insights to ensure a standardization of service. So that is the one big element that we are doing. The second area is in terms of building additional competencies required for the organization. Again, they are using technology to ensure that we impart the right level of training and the right amount of exposure to our teams, especially in the emerging technologies that Shaji talked about. So one is putting technology to use in the way we deliver service; two, putting technology to use in the way we get our people trained for getting ready for the marketplace. So both of the activities fit in.

N.S. Bala: Just to give you an example of the differentiation to your question on how we are driving the change in the front. I will take one example of aftermarket services. We see a fair amount of interest in customers to drive a different level of engagement in the aftermarket post sale, warranty support as well as connecting the customers. So for example, we have launched a platform wherein we are collecting data from products in the field and machines on the shop floor and combining that with transactional data to provide very different analytics to the enterprise. So there is a lot of interest in customers therefore to use the platform for improved plant efficiency as well as an improved connect with customers post sale. So that is an example of what we are trying to do.

Trip Chowdhry: Something that we have observed in our research and this is more of a comment, but I would like to see how you as a company would like to react to it. Like the new-generation companies coming up like VoltDB, which is providing in-memory database and the business model is all about pretty much giving the database free, but making money on the applications that can be created on top of it which they themselves are creating, whereas their partners are also creating. The value migration is literally moving up to the application layer more as self-contained applications. And this is not just VoltDB, it is across the industry, where the lower level of stack, even like OpenStack is going to be given free, whereas the value is going to be created at the application level. For example, companies like Pivotal which has just forked out or spun out from EMC and VMware. The business model is changing. And I was thinking, like from a Wipro perspective, do you think it makes sense for you to create your own app store on various platforms like OpenStack, VoltDB, and Pivotal and market it as a product versus as a service? And of course, when I say service here the business model is more like an amazon.com's model where it is a machine or a technology service, which is based on utility pricing rather than human time spent. Any thoughts on that?

T.K. Kurien: We have a very simple approach to this, especially around the VoltDB space. Today, with the way technology is coming into us we can have only limited levels of innovation to the extent it relates specifically to our customers and our customer issues. Today, given the environment that we sit in, we have a hard time kind of running our own business. And the minute you are getting to newer areas like this, it tends to kind of defocus us. So we have not experimented that in the past in terms of creating an app store, and all we have done is create an app store around mobile application. That is all that we have done. We have not taken it down one level below. And frankly, I think for us it is going to be hard to do it.

Trip Chowdhry: Last question on a strategic front. I was wondering, like the traditional IT Services model is going through a major overhaul. And I was thinking like when industry goes through these shifts, many companies make a mistake and they think that the only way to grow is through acquisitions. One thing you guys are doing good is you are doing some divestitures, which is good. But I was also thinking in terms of your IT Services business, if we have a mother ship whichever name you can give, which is just going and capturing deals, whether it makes economic sense or not, but go for market share, and then spin off the companies who's interest could be just profitability and go for a segment of the deals that the mother ship gives you. Have you thought more on those lines also?

T.K. Kurien: No, we have not. And what we should probably do is that I will have our head of business strategy come and talk to you. And it might be a worthwhile exercise and we should take this offline.

Moderator: Thank you. The next question is from Jesse Hulsing from Pacific Crest. Please go ahead.

Jesse Hulsing: T.K., when you came onboard, one of your goals was to mine your top accounts and have more success mining your top accounts. And in this year, you have done a pretty good job of that. By my assessments, you have been above mid-teens within your top 10 customers. But given the growth and expansion that you have seen, which is unusual amongst your peers within the large customer base, what gives you confidence that the pace of expansion can continue in '14 and '15?

T.K. Kurien: Jesse, very quickly, what we are seeing is, if you look at what we have done around our Mega Gamma account, it is a pretty well-thought out strategy except that it took a little more time than we expected for it to work. So initially, what we did was we took our top 15 accounts and we said let us drive growth in those accounts, and let us prove the model. And that has paid off this year, because if you look at our top 10 accounts, the top 10 accounts have actually grown 17%. What we have done is that we have focused on the next set of 25 accounts, which we started focusing on last year, and we expect to see some of that growth plateauing out on our top accounts and that growth moving to the next set of accounts, that's what we see. And as we go through it we have identified a total of 125 accounts where we are putting structures in place, whereby we expect to see growth happening, across the next two years in various times, whereby we can get that hyper growth in specific segments, segments that we have decided to kind of focus on. The only problem that we have seen is that we originally estimated that it will take about 6 months to do this. Now it seems like before the account actually started producing results, it takes between 12 to 18 months.

Jesse Hulsing: You are recoupling pricing and volume, and then not going to disclose that, and you mentioned partly because of outcome-based pricing and fixed-based pricing kind of distort those numbers. When you look at your portfolio, I know 48% is fixed price, what percent is the outcome-based within your portfolio right now?

Jatin Dalal: We do not break out that number right now, so I am unable to share, but I can share that within 48%, especially in the area of our technology infrastructure services and some of the applications, directionally, we are moving towards more and more outcome-based projects as well as the BPO.

T.K. Kurien: We do not measure it out separately in terms of what is outcome-based and what is not. But we do measure internally what is a nonlinear opportunity and what is not, and that number we typically do not share.

Jesse Hulsing: And industrywide, looking at the deal flow that you saw, what was your sense on pace of activity in the quarter? Did you feel like there is more or less activity that you saw, both the wins and losses on the Wipro side? And when you look forward, how does your pipeline look? And what percent of those deals that are in your pipeline would you say are RFP-based type pickups and what percent would you say are sole sourced?

T.K. Kurien: Again, we do not break out the sole sourced and the RFP based separately. But just to give you a little bit of color, between 31st of March, 2012, and 31st, of March 2013, our pipeline has remained more or less stable. Fundamentally, what we are doing is, the pipeline churn is pretty high, we have been trying to make sure that our win rates improve significantly from where we are. We have seen an interesting trend in that. In existing accounts, we have seen significant win rates in terms of percentages. But in our hunting account, typically what we have seen is that we have seen fairly low win rates, especially around commoditized services. So, wherever the customer is looking for value, there we seem to do better. Where the customer is looking for a commoditized approach to a certain problem that gets a little tougher for us to kind of go there and sell.

Moderator: Thank you. The next question is from Edward Caso from Wells Fargo. Please go ahead.

Rick Eskelsen: It is Rick Eskelsen on for Ed. The first question here is on visas. I am just curious to see what Wipro and the industry are doing to respond to the proposed visa legislation both to change the law potentially and how do we respond if it goes into effect?

Suresh Senapaty: As you know the bill has got presented only yesterday, which is something like 800 pages. So, at this point in time, all we are looking at is trying to analyze the understanding. So I think it will be too premature to be able to respond to this, but at this point in time, it looks like there are some good features, and there are some features which perhaps are not so good from a point of view of some of the restrictions or some of the economics that is involved. But I am sure the overall purpose of this particular bill is expected to achieve is quite key so far as US is concerned. And if there are any issues which have economic or restrictiveness in our ability to serve the US clients, I am sure bringing that to the notice of the legislators will bring out appropriate changes to be able to deal with it and we can only talk about so much because the analysis is incomplete and work is in progress.

Rick Eskelsen: My next question is on the hiring. I wonder if you can give some hiring expectations for this year. And also, on potential wage increases, did you indicate or could you indicate the size of the wage increase that you are currently looking at?

Saurabh Govil: As T.K. had mentioned, we are looking at our wage increase effective 1st of June. We have not decided on the exact quantum of the increase, both onsite and offshore, but it will be in the single digit is what we expect in line with what is happening in the market. From a hiring perspective, we do not give a full year guidance, but we have absorbed all our freshers on campus for the last fiscal, and we have gone on campus for this fiscal. That is on plan. And we will continue to hire people, technical, lateral hiring based on demand, both onsite and offshore, and build an inventory of high end skilled people like consultants and business architects and solutions architects.

Rick Eskelsen: Is your hiring right now more skewed to the campus hiring or to laterals, any sense on that?

Saurabh Govil: I think our hiring is two-thirds on campus and one-third from laterals, I think that is the ratio.

Rick Eskelsen: Curious if you could give some comments on like-for-like pricing so not impacted by cross currency or any billing days, but what you are seeing on a like-for-like basis?

Suresh Senapaty: So these are the three impacts: number of days, cross currency and business mix. Other than these three the impact is very marginal.

Moderator: Thank you. The next question is from Swami Shanmugasundaram from Morningstar. Please go ahead

S Shanmugasundaram: How much of a revenue visibility do you have when you get into the quarter? And what determines the sensing between the lower and upper end of the guidance?

Jatin Dalal: As we take a decision on our guidance, we look at all the risks that could potentially crop up and also look at all the opportunities that we would be able to convert during the quarter. Then there are certain specific factors such as the current quarter, which is Q1, seasonality of our India and Middle East business, where we know for sure that the revenues would be lower compared to Q4, which typically is a bumper quarter for that business, and then we make a judgment on the lower end and the higher end of the guidance. For the quarter, as we walk in, we have a fair visibility of the numbers that we go in, but of course the last mile of uncertainty on specific pieces of revenue that we work through as we progress the quarter.

S. Shanmugasundaram: The reason for the question is, does deal closure anyway play a part in determining whether it is going to be on the upper end or the lower end, because when we entered the fourth quarter, the guidance was between 0.5% and 3%, but I think you guys came in at the lower end. Kurien mentioned that there were some delays in the deal closures. So did that have any impact and because if I look at the next quarter guidance, it is again flat. Does that mean that those deals get pushed out again?

Jatin Dalal: So if you see our guidance for the last quarter, I just said the currency was between $1,572 million and $1,612 million, and we came at $1,585 million. So we came between the two sorts of markers and I would not say exactly at a lower end. The next quarter guidance is what we see today as a fair band of expectations that we should have. And of course, there are deal wins during the quarter, which impacts the quarter revenues, because if you win a deal in the first month of the quarter, you do have an ability to start transitioning in the second month and book a bit of revenue as you work through the quarter. So it is not a very large impact, but it does matter in the last mile as we look at the large number.

Suresh Senapaty: Also, we are talking about the India business, which will be declining between Q4 and Q1. So, that has been also factored into this -0.6)%to +1.6%.

S Shanmugasundaram: My next question is related to your ADM business. My assumption is that, that typically it includes your bread-and-butter outsourcing. But if I look at the recent trend, that has not been doing well, the revenue contribution from ADM has come down and as well as the growth. So I just wanted to understand, could you throw some light on what is going on over there, whether there is any shift in the profile of the projects that you are looking at?

Jatin Dalal: What is included in our ADM makes it also our classic R&D work that we do for our telecom OEM customers. And unfortunately, that piece has seen industry challenges and that has been steadily declining, and that has had an impact on the ADM piece. Also, ADM is the service line which we started the entire outsourcing business with. So that is to that extent, one of the oldest service lines. And the growth rates there are compared to the rest of the newer service lines are muted. And to that extent, it continues to lose its share among the overall pipe. So there are both factors which contribute for a reduction in revenue contribution from ADM.

S Shanmugasundaram: My next question is on your client mining efforts. You guys have done a good job but if I look at the recent trend or say, over the last three, four quarters, you kind of hit a plateau as such, I do not see too much improvements, whether it is a number of $100 million accounts or the $75 million, all the way to $10 million. So does that mean you need to change your strategy again or what is it exactly?

Jatin Dalal: If you see, we have been steadily increasing our greater than $100 million customer. In fact, between Q1 and Q2 we added 1, and Q2 and Q3 we added 1. This quarter we have remained stable at 10, despite we lost close to 1% in terms of the revenue on account of cross-currency impact. So I would say that we have made a substantial improvement in the top 10 customers, because revenue YoY, full year '12-13 versus '11-12 has grown at 17% in terms of total revenues. We certainly need to make more improvement in the accounts which are between less than $20 million to $50 million or $75 million and there is an ongoing focus of the organization as we start the new financial year to make a meaningful difference in the growth momentum in those accounts too.

T.K. Kurien: Very simply put, Swami, if you look at our numbers, as compared to the competition, the biggest gap that we have is $50 million to the $75 million range, and that is what we need to fixe, that is where the real focus would be. How do you bring the guys below $50 million to $50 million and above, and how do you move the guys beneath that back into the high category? That is a big question, because the pyramid is very important there too.

S Shanmugasundaram: I think my last question is on the Infrastructure Outsourcing business. Would you be able to give a split as to how much of it is the infrastructure as a service as well as legacy outsourcing, and what is driving the growth there?

Anand Sankaran: Over the last 18 months, we have seen an enhanced momentum towards customers looking at infrastructure as a service. Nevertheless, it still constitutes to a small percentage of our overall business. In Infrastructure Outsourcing, even today, we have a large percentage of the business, which is the traditional outsourcing model. But as I look ahead, I feel that the Infrastructure as a service business, as a percentage of our overall business would keep going up in the next few years. But as of now, it is still small, it is lower than 10% of our overall infrastructure management.

Moderator: Thank you. The next question is from Keith Bachman from Bank of Montréal. Please go ahead.

Keith Bachman: I was wondering if you could talk a little bit about your margin expectations over the next number of quarters at least directionally and delve into mix -- pricing, utilization and any other factors that helps or hurts as it relates to the anticipated direction of margins?

Jatin Dalal: Our medium to long term expectation on margin is definitely that of sustenance and improvement from where we are, because clearly, other players in the industry vis-à-vis the higher margin and therefore it offers us the head space to move on. However, in the short term, there will be quarter-to-quarter variation that would flow in especially in the next quarter. There would be a salary increase that we would give from 1st June, and we will put our best foot forward vis-à-vis operations improvement to mitigate as much as we can of the salary increase. So that is on the short-term margin expectation as it relates to Q1. The key drivers for our margins are definitely, one is pricing as to how much we are able to generate for every person month that we deploy to deliver to our customer. Second is the onsite/offshore mix, which is, again an indicator of the work that we are doing in a global delivery location versus from a client premises and arguably the work that we do from our global delivery location is more profitable. The third of course is the cost of the people, which is published in the financials and is also reflected in the metrics such as utilization of the resources.

Keith Bachman: How about in terms if the BPO continues to grow faster than some of the other parts of the business? I assume that would negatively impact margins.

Jatin Dalal: We do not break out the margins of individual business lines or mix. It is a mix of portfolio that we run. We invest in a particular piece for higher growth, and at the same time, we have pieces of business, which generates disproportionately higher profitability. So far as BPO is concerned, definitely, I can add a color that it is definitely not a drag to the overall company margin.

Keith Bachman: Europe growth was weaker than the company average on a sequential basis. Would you anticipate that you will get a positive growth in Europe this year or to say in a different way, would you anticipate that Europe will grow at, above or below whatever the year-over-year growth would be in, say, calendar year '13 or FY '14?

Jatin Dalal: So if you see Q4 alone, while you are seeing a (-3.4%) sequential growth in Europe is largely the currency. And if I back out the currency, that number is sub-1%, which is more of a reflection of some of the projects getting over there and not being replenished by new projects. So I would not read too much into the Q4 on sequential numbers of Europe. We see Europe as clearly a destination for IT Services business. We have invested in countries like Germany and France, and we see that there is a vast amount of potential there for us to grow. So certainly, from medium-term to long-term, we expect Europe to grow and lead the company growth rate, because sheer penetration is something that has an enormous potential.

Keith Bachman: I want to go back to ADM. Are you guys losing deals in ADM that are causing that business to grow materially slower than the company average?

Jatin Dalal: Really, that is a reflection of two things as we spoke about. One is our original R&D work that we continue to do for our telecom equipment majors, that business is under structural challenge and that business is coming down. So, I think there is a reduction in an overall industry spend, which has reflected into Wipro's revenue too. And second is that it is one of the oldest service lines of the industry, and therefore, the growth rate is certainly more muted than any other newer service lines such as Analytics or Technology Infrastructure Services. And therefore, its share as part of the overall pie continues to reduce, and I would not see a wallet share or a market share gain there too much.

Moderator: Thank you. The next question is from Avishai Kantor from Cowen & Co. Please go ahead.

Avishai Kantor: Can you talk a little bit about the pipeline and more of a long-term outlook on potential large contracts that could open up for re-compete?

T.K. Kurien: So the biggest area of opportunity for us in terms of re-compete is our Global Infrastructure business, and Anand Sankaran who runs that business can talk through it.

Anand Sankaran: So we have been closely tracking all the opportunities that are coming up for renewal in the next 12 to 18 months, and have been making proactive investments, both in terms of business development, as well as having solution architects associated with the business development managers to be able to re-architect a solution for those upcoming renewal deals. So, we are closely focusing on that. We have identified the deals that are coming up in the next 12 to 18 months, and have a team that is focused on guiding us through those opportunities.

Moderator: Thank you. The next question is from Shashi Bhushan from Prabhudas Lilladher. Please go ahead.

Shashi Bhushan: So you talked about a weaker run rate with our hunting compared to farming, and we had made good investments in the hunting team. How important is macro uncertainty factor in a weaker win rate for hunting? And what are the steps we are taking to improve our win rate in hunting?

T.K. Kurien: I think by the very nature of hunting, our win rates would be lower. That is fundamentally the nature of the deals. But what we are doing is we have clearly tightened up the qualification process on the deals that we chase but on hunting when you have a strong account relationship that is much easier for you to kind of win. But fundamentally, what we have noticed in this business is that before you start hunting, you really have to be in some way or the other, at least six months into the account for you to make an impact. And so right now, before we start hunting, and as Anand kind of alluded to it, our entire focus is making sure that we are there proactively with the architects, with the sales team in building relationships and technical solutions to the customers. When the actual deal comes up, the customers are ready for that.

Shashi Bhushan: T.K., you also talked about few larger deal decisions got pushed to Q1 and that we expected to sign in Q4. How critical these deals closure would be to return back to positive growth in Q2?

T.K. Kurien: Large deals give you this nice bump-up effect quarter-on-quarter so it is important. While farming can give you a certain base rate that is extremely critical for us to get high growth.

Sridhar Ramasubbu: Marina, we will close the call. I appreciate your interest in Wipro and for your active participation. The IR Team is available offline for any follow up questions you may have. Thanks, and have a good day.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Wipro Limited, that concludes this conference call.