"Wipro Limited Q4 FY19 Results Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the Wipro Limited Q4 FY19 Results 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 after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Aparna Iyer – Vice President and Corporate Treasurer, Wipro Limited. Thank you and over to you, ma'am.

Aparna Iyer: Thank you, Zaid. A Very Warm Welcome to our Q4 Earnings Call. We will begin this call with the Business Highlights and Overview by Abid – our Chief Executive Officer and Executive Director followed by Financial Overview by our CFO – Jain Dalal, afterwards, the operator will open the bridge for Q&A with our management team.

Before Abid starts, let me draw your attention to the fact that during this call, we may make certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act 1995. These statements are based on management's current expectations and are associated with uncertainties and risks, which may cause the actual results to differ materially from those expected. The uncertainties and risk factors are explained in our detailed filings with the SEC. Wipro does not undertake any obligation to update the forward-looking statements to reflect events and circumstances after the date of filing. The conference call will be archived and a transcript will be made available on our Website. Over to you, Abid.

Abidali Z. Neemuchwala: Thank you, Aparna. Good evening and good morning, ladies and gentlemen. I am joined here by my leadership team and it is a pleasure to speak with you all and share the results of the fourth quarter and the full year performance of FY'2019.

Let me first quickly provide you an update on Q4: Our revenues grew by 1.4% in reported terms and 1% in constant currency terms which is the midpoint of our guidance range. On a full year basis, we grew 5.4% in constant currency terms. Through the year, we have built on the momentum with the year-on-year growth improving consistently each quarter. We are also pleased with the rigor in execution and focus on improved quality of revenues which I have talked about earlier which has resulted in operating margin expansion of 1.8% for the full year. Our operating metrics have shown consistent improvement across the board including utilization, higher offshoring, higher percentage of work done by Bots and moderation in our attrition rates.

On our outlook, Q1 is a seasonally weak quarter for us which is reflected in the guidance. The outlook also factors completion of certain large programs and in some spaces that we have seen some delayed start of fresh projects in spite of having a very strong order book coming out of Q4. That said, we are confident that our growth trajectory will improve from Q2 on the back of the strong order book as well as the healthy pipeline that we have. We see continued momentum in Banking and Financial Services and Insurance in the Consumer business unit, in the energy and utilities unit on a year-on-year basis in FY'20. We will see an uptick in growth rates in Communications and Tech BU this year while Health and Manufacturing are likely to remain a bit choppy especially in the first half of the year

The demand environment in the global market is stable and we see abundant opportunities in newer areas of digital and cloud and all the big bet areas that we have talked about and we are winning our fair share of the business.

Now, let me quickly update you on the strategy themes that I do on a quarterly basis: Our Digital revenue growth continues to be strong; it grew 6.4% sequentially and now about 35% of our overall revenue. During the year, Digital grew by 32.2% YoY. Wipro Digital has helped clients redesign their business to be future-ready and move beyond implementing Agile into a truly achieving enterprise agility. We are helping our clients fundamentally transform their IT operating model across the different dimensions of digital which is team, talent, method, engineering and architecture. As an example, large global oil & gas company has chosen Wipro as a partner in an engagement that will be executed in a no shore delivery model. Wipro Digital will help set up high performance software engineering center that will transform the clients applications design, build and delivery which will bring about greater agility, reduce cost of ownership and enhance quality for the oil & gas major.

On Mining, in Q4, our top-10 customers continue to post a strong performance, and we added three new customers in the $75 million bucket in Q4. On a full year basis, our top-10 clients grew by 9.6% in reported terms on YoY. Our NPS continues to improve and this year our NPS was 510 basis points higher compared to last year and we continue to win both business and renewals from our customers as well as participate in their digital transformation and enterprise modernization

We continue to focus on automation and Wipro HOLMES is now deployed in over 350 clients. The work done by Bots which was 6.7% last quarter of our fixed price projects is now 11.3% in Q4, and our fixed price mix has improved to 60%.

In a multi-year contract from consumer goods company to automate and manage their cloud and data center landscape, we have been able to win the engagement on back of Wipro HOLMES to be able to enable faster turnaround times and lower operating cost for the client.

On localization, we continue to significantly invest in localization across all our major markets. In US, we reached 64% localization and we have now a very well established campus hiring program from universities across US and some of the key markets in which we have taken our talent development program that we perfected in India.

We continue to do well in innovation ecosystem. In Q4, we completed a new investment in B Capital, an enterprise focus VC fund based out of Los Angeles, taking the total number of our investments to 18.

One of our portfolio companies Demisto, was acquired at 5.5x the investment value, making it the first exit for Wipro Ventures. The reason I mention this is that this is the testament to our selection process and investment framework which has been working out well for us and we have now over 90 production deployments of the start-up technologies that we have invested through Wipro Ventures in our customer engagements.

Through the Horizon Program, we have invested in 16 themes through FY'19 in areas such Software-Defined Infrastructure, Analytics, Cloud, Security, Integrated Threat Management, Open Banking, Additive Manufacturing, Autonomous Vehicle, etc.,

Top Coder continues to see strong traction which we believe is the way of working of the future. A global medical devices company has chosen Top Coder to develop real-time analytics capabilities and sentiment analysis which will enhance its customer service experience.

Our internal Crowdsourcing platform Top Gear has on boarded 7,600 employees this quarter, taking the total number of Wipro-ites being prepared for the way of working of the future to 98,000. This quarter 3,053 project challenges were executed successfully, taking the total number of projects to 7,800 in this financial year, that were delivered on the Top Coder platform.

In conclusion, I would say that we have built a strong foundation for growth and believe that the growth in revenues this year will be better than the last year.

I will now request Jatin to give Highlights on the Financials.

Jatin Dalal: Thank you, Abid. I think one of the most fundamental things about this year was the margin expansion of 1.8%, that almost entirely converted itself in the EPS growth which was 18.6% for this fiscal. Finally, that also converted completely in cash because our net income to free cash flow was 100%. We are going to give that back in form of the share buyback of 10,500 crores at the share price of 325. These are the key highlights.

We have had a very stable ETR. Our hedge has remained almost at the same level; 2.65 billion in Q4 and as in Q3 and our exchange rate has slightly come down from 71.66 to 70.28 in Q4 and that has given us (-0.4%) in operating margin.

I also want to bring to your notice that there is a line called 'Other Operating Income' which is the gain on sale of Workday business which is sitting in the P&L. And then there is another hit that we have taken on amortization acceleration of our platform in HPS business which is of Rs.148 crores which is sitting on cost of goods sold.

These were my opening remarks, and we will be very happy to take questions from here.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Sandeep Agarwal from Edelweiss. Please go ahead.

Sandeep Agarwal: A couple of questions from me, Abid; one, you have been mentioning that we have been gaining lot of momentum in last three quarters in terms of deal signing and our pipeline and all, and I understand the fact that we have a little weak first quarter seasonally. But even keeping that in mind does not the guidance look very weak and it kind of reflect more pessimism than seasonality alone would have, point #1? Point #2, on the digital front, what is your sense, means, are we seeing the same phenomenal growth which competition is seeing or are we doing something differently there or our clients sets are different means because we are not able to get that sense that digital is able to compensation our losses from other piece of business?

Abidali Z. Neemuchwala: So, I will let Rajan answer the second part of your question, but let me address the first. So, we do see a strong momentum. As you know that we have been restructuring and transforming our business and there is a part of the business that we are divesting out of and that has had a slightly larger impact on the legacy deterioration for us. If you look at it on a net basis, the guidance does look slower but if you look at the digital and cloud and our big bet areas, we are seeing quite good growth, we are winning our fair share of deals in this area and we do think that we have a superior offering in that space. I will let Rajan elaborate on your question on digital.

Rajan Kohli: Thanks, Abid. Sandeep, thanks for your question. If you see this financial year we have had very strong growth in our digital business; we have grown 32.8% YoY, of course, we cannot guide for future growth but I can tell you that we continue to have strong momentum. We are seeing two types of deals. We are seeing lot of what we call outside in innovation deals which are largely design-led with rapid prototyping and we make those programs successful and scale those. We are also seeing over the last 18-months, lot of inside out renovation deals. These include Modernization, Cloud, Agile and when we put both the inside out and the outside in together, we are able to take our enterprises and clients to what we call enterprise agility which is beyond Agile. So, I continue to see momentum and we feel that with Wipro we have very strong digital capability. So I do not see a reason for us to be wary of digital growth.

Moderator: Thank you. The next question is from the line of Sandeep Shah from CGS-CIMB. Please go ahead.

Sandeep Shah: Abid, just wanted to understand the 1Q seasonality for us because every year we say that there are some productivity gains which we need to pass on in the 1Q which also impacts the seasonality versus the earlier weightage being higher in terms of the R&D or OEM related work which has gone down. On the productivity side, just want to understand that by what time you believe that the impact of the same will reduce in terms of the 1Q growth because we could be in third or fourth year where there is a possibility that most of the productivity gains might have been transferred to the client and the seasonality may come down going forward?

Abidali Z. Neemuchwala: Yes, I think we are continuously working on it but lot of the deals that get renewed because primarily these deals are in the infrastructure and the run space. They get renewed and the year-on-year productivity aspect continues. Having said that, we are consciously making sure that we kind of make ourselves immune to this seasonality so that we can have more robust growth in Q1.

Sandeep Shah: But in terms of renewal, you believe that if these deals maybe in the fourth year or fifth year of renewal starting from FY'21 the seasonality impact may be lower because you might have transferred almost 90-100% of your portfolio in terms of the productivity gains on renewal?

Abidali Z. Neemuchwala: Yes, but we renew a lot of those deals. As we renew the deals, it is an ongoing cycle. We are just trying to stagger it across the year. And also as we mine our accounts, some of these accounts have been single service line account on infrastructure. As we mine our accounts more we are able to cross-sell into these accounts just as an example, we did a renewal for an auto company this year and we have been providing infrastructure services to the auto company and now when we did the renewal, we have been able to do another deal with them which is around developing solution platform for their autonomous vehicles and an advanced driver assistance system. This kind of project involves platform design and development, automation, artificial intelligence and those kinds of things. Even on an account level, we are able to avoid the seasonality because we are cross-selling and up-selling better through higher farming mine site. So we are doing both -- Staggering those renewals and deals as well as reducing our dependence on single service line in that account so that when the annual productivity comes in, we see a dip in revenues from the account.

Sandeep Shah: Just in terms of order book, you mentioned that there is a strong order book in fourth quarter. Can you give some color in terms of any YoY growth number or QoQ growth number? And you also alluded that there would be some delay in the projects in the 1Q. So what is causing this delay and is it in one or two segments or one or two clients or it is more widespread?

Jatin Dalal: Sandeep, order booking momentum has remained robust and we have had closer to double-digit growth. But at the same time we have seen few instances where deals that would have got signed in Q4 have now got pushed to Q1. So it is a little mixed environment but we remain on large component of our business, the order booking does give comfort and that is what we have highlighted in Abid's opening remark.

Sandeep Shah: What is causing this delay in start-off projects – is it more macro related or is it maybe aberration which may…?

Abidali Z. Neemuchwala: It is a mix. There were a couple of deals in the banking space where given some of the volatility that happened towards end of the year and early beginning of this calendar year, the customer wanted to take a little more time. Some of this is just a timing issue because lot of our digital work comes as projects and sometimes while the first phase of the project gets over, the customer does not immediately sign the next phase which in a very stable macro environment could have happened immediately, sometimes system has delayed a little more. In one of the cases where we were supposed to start a deal after winning the CIO change over there and there is a little time till the new executive gets comfortable and we can start. So there is no pattern but there are just a few such areas in different parts of the business which have had little impact to keep the Q1 guidance softer as we see it right now.

Sandeep Shah: Just last question, Jatin, just wanted to understand, if I look at the recurring margin or excluding some of the one-offs, the margin looks close to around 19.2 for the IT Services. So how are we looking in terms of the margin band going forward because you might have juiced out many of the levers on the margins or you believe still there is upside potential entering FY'20?

Jatin Dalal: As always our endeavor is to get revenue momentum. Revenue in our business drives the impact on the margin is a very good byproduct that all of us are aware. So we will remain focused on getting revenue momentum. Having said that there are two prospects specifically on margins that I would like to talk about -- One is that in Q1 we do have the salary increase for the whole company and that will be a headwind as we enter into Q1. At the same time what I would like to say that we have shown the execution in form of superior operating levers management over the course of last four quarters and our endeavor is to clearly remain very focused on automation, on superior bulge management, superior fixed price project management and hence pricing in line with our digital growth. Some of these levers will continue to remain very focused on as we get into the year.

Moderator: Thank you. The next question is from the line of Vimal Goel from Union Mutual Fund. Please go ahead.

Vimal Goel: I just had a question on the balance sheet. We are seeing some sort of an improvement in your unbilled receivables and your payables have gone up quite sharply. So this improvement in working capital, is it sustainable, is it something which is one-time in nature or can we see the sustained improvement in working capital going forward?

Jatin Dalal: Vimal, thanks for your question. I think it reflects the quality of revenue that I would say business has been very focused on over last eight quarters and in some form finally starts reflecting in the percentage unbilled and as you know percentage unbilled was much higher earlier, now we are at 11.6% which I would think is very-very competitive, very-very good vis-à-vis the rest. Our endeavor would be to build on this, but there would always be one or two large projects and fixed price engagement where milestones may not be exactly reflective of the cost that we are incurring and therefore I think we will remain in 12% to 15% range and that would be our endeavor as we go forward.

Vimal Goel: How much of this improvement has come from some of the businesses that you divested during the year?

Jatin Dalal: Both businesses that we divested were capital intensive, but certainly DCS was the capital-intensive business, high capital employed, but its working capital cycles were quite regular. So I do not think either of them contributed any meaningful way for improvement of unbilled. This was really the core of our business which has shown the improvement.

Moderator: Thank you. The next question is from the line of Sudheer Guntupalli from Ambit Capital. Please go ahead.

Sudheer Guntupalli: Firstly, can you please help us understand the thought process behind the sale of Workday and Cornerstone on demand practices, both seem to be in the new age and high growth areas and both of these practices were acquired fairly recently and at the time of acquisition these areas were expected to augment that capability significantly, so what has changed in our thought process in terms of how we look at these businesses and their strategic fit with our portfolio?

Abidali Z. Neemuchwala: As we did the Appirio acquisition, both our Workday and Salesforce practices have done very well, as you rightly said, they are new age practices, and we had the opportunity to create a strategic partnership with the Elite, which got reflected in the $1.5 billion deal that we signed with them. And as part of that there is larger opportunity in the market that we could go together with them in the enterprise age transformation kind of situation. And in the interest of that partnership we decided to divest our Workday business which cater to small enterprises inherently to Appirio and then to Elite and then that gives us the opportunity to partner with them more holistically in the overall HR area.

Sudheer Guntupalli: Secondly, certain media reports actually indicate that security of some IT systems of the company were compromised and used to launch cyber-attack seconds more than dozen clients and that Wipro is actually investigating the matter. Any further context setting here will be helpful because we are seeing varied reports in media and what are the risks we are foreseeing at this point in time because of this incident be it in the form of financial, regulatory or even reputational risk especially because it appears to be a matter involving clients?

B.M. Bhanumurthy: We came to know about potentially abnormal activity within our network and that involved a few of our employee accounts and these people were subjected to an advanced phishing campaign and persistent phishing campaign. and as you know like any large enterprise, we investigate large number of alerts every year; we investigate about 4.8 million alerts every year. And on knowing about this alert, we promptly kicked off our standard processes that we used to address such incidents and we began investigating the incident, they were identified and isolated employee accounts which were impacted as part of this incident. We have taken remedial steps to contain the incident and mitigate any potential effects of this incident. We have used our own industry-leading cyber security practices and our partner ecosystem for these steps. This being a zero day malware attack, we have shed the intelligence with our partners to develop and upgrade the antivirus signatures and the same we have applied to our enterprise systems as well. We have informed the handful of customers where the affected employees are engaged with. This is our standard protocol and we have done that right now. And we continue to collaborate the partner ecosystem both to collect and monitor advanced threat intelligence and this will help us to further enhance our security posture, and as you know we continue to monitor our enterprise infrastructure at very heightened levels of alertness right now.

Sudheer Guntupalli: Anything on the potential reputational risk here?

Abidali Z. Neemuchwala: When you look at everything that Bhanu said, we were able to detect this and respond to this quite reasonably fast and we had some customers appreciate it. I can understand a lot of customers are anxious about it because what came in the blog as you would expect not entirely accurate, but we are responding to customers. Once where we felt there was a reason we proactively had contacted. Now, since it is out in the media, we are talking to all the customers to avoid anxiety on that. Most customers who understand the whole process that Bhanu explained do see it as an industry standard process that one would undergo whenever there is an alert and they appreciate what we have done.

Sudheer Guntupalli: Sure sir. One last question if I may. In Health BU we have a new leadership in place and we seem to have relooked at our value proposition in this segment. Even excluding the weakness in HPS part still there seems to be no respite in this vertical and we are saying next year also we don't expect this vertical to do very well. So any qualitative color on the developments here will be helpful?

Abidali Z. Neemuchwala: Sure. I will let the new leader Bill Stith himself give you an update on that.

Bill Stith: So we are seeing sharp uptake in our pipeline with increased demand. We continue to see ability to leverage our assets both HPS assets as well as we will have our Medicare and government plans, renew offerings to our clients. That has been received well. So we have a positive outlook that is especially coming into the second half will continue to see growth.

Abidali Z. Neemuchwala: And just to add to that as I have said the core of our Healthcare business has been doing relatively well. When you add it up along with the decline in HPS that has kind of given a relatively slow and bumpy ride to our Health BU, as we bottom out on the HPS and as we do things that Bill just mentioned in terms of re-platforming and providing new services on that platform, I feel quite good about our Health business in the latter half of this year.

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

Dipesh Mehta: I have a couple of questions. First is about, if we look FY19, revenue growth is largely driven by BFSI and Consumer vertical. Rest of the verticals are still not firing. So if you can provide some color, when you expect broad business would be quite evident considering the pipeline and robustness which we are referring to? Second question was about geography also. I think Europe and Rest of World is still seems to be relatively softer. So if you can provide some colors about how you expect that geography to play out over next year or so? And what led to this kind of weakness if you can provide some more color? And third question is about, if you look one million plus, three million plus, we are seeing some kind of lower number in terms of number of clients. So it is by design kind of thing or one should read that number? Thank you.

Abidali Z. Neemuchwala: Thank you. As you rightly said, we have had a great run in BFSI and I also want to take this opportunity to recognize Shaji Farooq who has led this growth and introduce Angan as Shaji because of health problems is going to take some time off and take care of his health and Angan will be leading our Banking and Financial Services and Insurance as BU. But as you see consumer has been doing very well. Bala who has taken responsibility for energy and utilities we have had almost double digit growth in ENU, while BFSI and Consumer have been having double digit growth north of 13%-14% and Banking and Financial Services 15%. So 3 of the units I feel quite good about. We talked about Healthcare already. Communications has started doing well. This quarter was a little choppy primarily because of India, but I do see, I have great confidence that Communications especially with our investment in 5G and the new leadership which as you know Milan has taken over, we are seeing some great traction over there and we will see growth. So as part of our transformation by vertical I think each one of these verticals has been gradually improving in performance and more importantly has been executing on the strategy that we have outlined. Sometimes it takes a quarter or two more or less but I feel quite good on that. North America, especially US, we have had near double digit growth which is our largest market. In Europe, AP, Anand Padmanabhan is now leading that market with Chris and we are making investments in that market especially on the intersection of manufacturing and Europe is where we have some work to do and I would give it a couple of quarters. We have historically had a relatively lower penetration in Europe. We have invested in a team there. We have restructured it a few quarters back. That restructuring has now stabilized.

Historically we had been present only in the capital markets in Banking and Financial Services. Now with the new leadership in BFSI in Europe we are seeing a very good pipeline in the BFSI market, especially both Banking and Financial services and manufacturing which would be the two largest verticals in Europe with our new teams over there, I feel good about the pipeline that will take some time to translate into revenue growth. So that is kind of been summary overall, you know our Asia Pacific has been doing very well. We have grown very well over there. I have talked about our India markets restructuring where we have new leadership for both state run enterprises which Sanjeev Singh now runs and the private enterprises which Anand Padmanabhan runs which both we are seeing the right traction in what I call as the services of the future which is the Digital Transformation and Consulting led business compared to the historic infrastructure kind of business that we were doing primarily on feet-on-street. So overall I wanted to give a color across markets and across BUs. All of our services have done well. Our digital operations and platform services which enable automated operations has done well. Our Cloud infrastructure services transforming well from a historic data center on-trend business to Cloud. This year Cloud business would have grown about 25% to close about $1.4 billion in revenue. So I feel quite comfortable about that. Data Analytics and Artificial Intelligence Practice has done very well, our offering, both the platform offering that we have over there as well as overall AI offering has been seen very well with the customers. And the Digital, of course we have spoken about already. Digital grew by about 32% year-on-year for us. So I feel quite good about overall across services and of course when some of these verticals and services and geographies intersect we have some work to do in some of the areas which we will continue to do.

Dipesh Mehta: One question was on about 1 million – 3 million bucket. It is by design we are reducing some of the tail account or if you can provide some color there and the last one, on manufacturing what would be your outlook? How you see that sector playing out for us? Thank you.

Abidali Z. Neemuchwala: Yeah. So effectively it is combination of two things. We do have a minimum threshold for us to recognize a customer as active customers and that plays out on the total number of active customers line that you will see. On $1 million to $3 million the impact would be largely on account of the divestment that we have done because those businesses would have small sized customers which have gone up.

Dipesh Mehta: On manufacturing if you can provide some color?

Milan Rao: Hi. This is Milan here. Yes, so the manufacturing business has been under some pressure because of closure of some programs and deal renewals particularly in some of the legacy areas where the renewals have been at lower rates. But what we are trying to do now is a significant shift towards modern applications and towards engineering services portfolios which we believe are the growth areas for the future. Abid talked a little bit about the intersection of Europe and manufacturing. We have undertaken restructuring there and as he mentioned and we expect to see the results of that coming in a couple of quarters. So we feel that the pipeline is going to get better and we see recovery in manufacturing in the second half of the year.

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

Viju George: Did you say Abid that you are confident of better growth in FY20 versus FY19 on the IT Services side?

Abidali Z Neemuchwala: Yes, Viju. I think I see that given the momentum with which we are entering FY20 both from a deal as well as the order booking that we have done in the last couple of quarters, I believe we will be better in FY20 compared to FY19.

Viju George: Sure, thanks. And is there anything to call as an attrition because Infosys clearly seeing a lot more attrition. So I want to try and understand if there is anything in the environment, is the environment hottening up which makes it difficult for you to hold on to people? Anything that is causing you worry on that front?

Saurabh Govil: Hi, this is Saurabh here. So first on attrition per se, if you look at Q4 numbers, attrition has improved by a percentage from Q3 and over the last 6 quarters if you look at it, we have been in a narrow band of between 1%-1.5%. So from that perspective it is stable. Whilst I say this for the people with 5 years and less experience, we see much more mobility and much more turnover for such people and we are taking measures to make sure that we ring-fenced the right people. We have our merit salary increase coming up in June and that is the time when we will differentiate then take care of these people.

Viju George: But it is not something that is worrying you where you need to do out of turn promotions, handout greater and expected either wage hikes or retention bonuses and nothing of that sort, is it?

Saurabh Govil: So we had done something regarding this for people who are below 5 years' experience. Effective 1st January we had given them a ring-fenced critical people especially people who have joined us from our campuses this year. But that was more to make sure to bridge the gap between from the market and where they work and we continue to look at these people. And we never said that it is not a worry. It is always making sure the attrition will continue to be a worry for everybody and we make sure we retain our best people. So that will always continue. But from our numbers if you see, it has been a very stable across for the last 6 quarters.

Viju George: Sure. And last question, when you look at the virtues of doing this buyback via a tender versus open market, what made you go for a tender? Is there any particular reason? Is it just easier to do, very quicker to do versus an open market kind of a mechanism?

Saurabh Govil: So Viju, you know in our specific case that the promoter group holds a very large percentage of the stock and if we were to go through the market route, then our hedge space would be very less. So for us to return large quantum of cash back to shareholders, it is imperative that we go with the tender route That is how we can build a size that we have built which is 10,500.

Moderator: Thank you very much. The next question is from the line of Sumeet Jain from Goldman Sachs. Please go ahead.

Sumeet Jain: Firstly congratulations on a good execution around the margin improvement for the entire year and if I look at the margin improvement, a significant portion has come through your sales and marketing spending where if I look at the 1Q FY19 it was around 13.9% of your revenues and it stands at around 11.8 in 4Q. So can you give some color as to what is happening around that front and even if I look at your sales and service support staff that has come down over the year and that has been largely flattish over the last 3 years. So can you comment as to how will we look our sales and marketing spend going forward?

Jatin Dalal: So Sumeet, as you right identified, amongst the SG&A also we have done a lot of optimization of our G&A while we continue to invest in sales and we continue to invest in practices which is also part of the SG&A which are around both horizontal practices and industry practices. So we do see headroom for improvement of margins but we are very conscious that where we save and where we invest and I think that is what I feel quite pleased that the team has done very well in terms of taking cost out from the G&A areas and reinvesting a part of it in the sales and practices as well as passing a part of it into the margin.

Sumeet Jain: Sir, in that case shall we assume your 4Q run rate of G&A as your normalized run rate going forward?

Jatin Dalal: Sumeet, it is a fairly stable run rate. There is always little bit of up and down in quarters because once we give salary increase, the G&A staff that they will push up the number in quarter one, quarter two and it is also the PDD component which is little volatile depending upon what has been the performance in that quarter. So these are the two aspects. The third aspect is that we do have an investment plan on our IT systems which will lead to probably a larger depreciation line within G&A. So these are the 3 variables that one needs to keep in mind as we enter the year.

Sumeet Jain: Got it, Jatin. And just lastly on your guidance, I mean you said that (-1%) to 1% for 1Q is excluding the impact of divestment of Workday and Cornerstone business. So is that divestment completely done or a portion of it is yet to happen?

Jatin Dalal: There is a small component which is in Europe which is going through the process that we need to go through in Europe which is little more long tailed which will complete in quarter one. But our estimate is that it will get completed fairly soon. So it should not have any material impact vis-à-vis what we have considered in guidance with or without.

Sumeet Jain: So there won't be a one-time guidance reset downwards because of that divestment in a way?

Jatin Dalal: No. We have an expected timeline and that has been factored in what we have guided.

Moderator: Thank you very much. The next question is from the line of Brian Krebs from KrebsOnSecurity. Please go ahead.

Brian Krebs: I am the reporter who heard the story yesterday about the security incident at Wipro that was discussed earlier. Thanks for taking my question. One of the gentlemen speaking in response to a question earlier said the incident, said the original report in the news media was incorrect on several points and I was just curious if you could clarify what points in the story were an error given that you guys maybe wait 3 days for a statement which didn't address any of the points brought up by my sources. Could you just please clarify what point you are particularly wrong about the story and also how would you clarify the current situation, you know does Wipro believe that it has the situation under control? Where would you categorize the company in terms of its process of going through and finding out the extent of this incident? Thank you.

Bhanumurthy B M: Hi, this is Bhanu here. I can definitely clarify to you what we observed. We can have a separate conversation, direct you and I. I will set up the time if you want that call. At the same time, I do want to stick to the statement which I told you at the beginning of this call that we have looked at the incident and we have taken the steps that are required to be taken and we have continued to investigate to understand the mode of operandi of the attack and the motive.

Moderator: Thank you. The next question is from the line of Ankur Rudra from CLSA. Please go ahead.

Ankur Rudra: I got a couple of questions on financial services. You know you had two very good years of strong growth in this vertical. Any changes to the near to medium term growth momentum which has almost been at mid-teens consistently given the changes in the macro and the capital market is part of your business and also many large customer project completions. Second part is on the margins, the segmental margin in financial service has also been very strong indeed. You seem to have part of the trend of rest of the business. So what is working better here and what can be replicated more broadly?

Abidali Z. Neemuchwala: So Ankur, as I have always said we have been undergoing two full transformation, one is Wipro's internal transformation. We feel quite good on the journey which we have in past and how we are executing. The second is that customers transform, we help them transform and that is the new offering that we take to them. And again, we are seeing very good traction with the customers. So I do see as I said the growth momentum changing even in the last 4 quarters if you see, the year-on-year growth of the 4 quarters has consistently improved and we do think that if the macro environment remains the same, we will continue to have that improvement. There is a level of anxiety in the macro environment as you mentioned towards the end of last year early this year, in the capital market domain we saw some of that in European banking last year and US banking we saw in the early part of this year. So we will continue to make sure that we remain cautious on that, but as we see the environment technology spends are not necessarily getting impacted as customers navigate that environment because they are transforming and we do feel that we have offerings that even from a margin perspective that you talked about the newer offerings, we are able to command premium pricing and which gives us a little uplift in margins. At the same time, we are still in the investment phase in all of these offerings. Certain operating margin level it may not come down while at gross margin levels, we do see differentiated margins in the offerings.

Ankur Rudra: Thanks. Just want to interject and clarify, the question was specific to financial services. So everything you said are they in terms of improving momentum and going into next change, is that true for financial services separately also?

Jatin Dalal: So Ankur, this is Jatin. You know what we have maintained is that we see continued good demand in BFSI; however, we do see moderations on the growth rate that we have seen in last year and we don't see any change in that position.

Ankur Rudra: Okay. And on the margin commentary again versus financial services would reflect everything you said?

Abidali Z. Neemuchwala: So Ankur, as I said before our endeavor would be to make investment for growth. Those will go in terms of the priority areas for us which is clearly the big bets that we have articulated, as well as making sure that we have right talent for the growth and that would be in terms of the salary increase for quarter one. So for first quarter, certainly I see that there will be some downward pressure on the operating margins, but I do want to recognize the work that the teams have done on automation, utilization overall title execution of fixed priced projects and the operational improvement that we have been able to achieve over last few quarters and we will want to make sure that we don't let go of that operational rigor.

Moderator: Thank you. The next question is from the line of Ashish Chopra from Motilal Oswal Securities. Please go ahead.

Ashish Chopra: Abid, just had a follow-up on the previous question, in particular on the macro. So when you have guided for the fourth quarter, you have said that the 0% to 2% is embedding some sort of a caution due to the uncertain macro and considering that you have actually ended up at the midpoint of that guidance, I am guessing it would be fair to assume that some of that caution played out because you mentioned that BFS has been slightly slower. So just wanted to know as when you mentioned that again the gaps between Digital projects commencing next quarter is attributed to macro. So is it currently just being witnessed in Europe and US BFS or are you also saying that maybe there are few more verticals where some of it is visible?

Abidali Z Neemuchwala: No. We have not seen in any other verticals as Jatin expressed that we will grow well in BFSI but maybe a little moderated compared to last year. Although some of the slowness that we saw in the beginning of the year as we were getting in is we feel that as we progress through this quarter, some of the Digital projects are project based, so lot of SOWs get signed one after the other on a sequential basis and sometimes some customers want to wait and watch and then sign those. So we do believe that during this quarter some of that work will get initiated and we will start getting momentum back.

Ankur Rudra: So these would also be BFS that you would be referring to in terms of deferrals of commencement of some digital projects?

Abidali Z Neemuchwala: Primarily, but there are some customers here or there. Some we saw in the technology vertical as well, some very similar effects.

Moderator: Thank you. Ladies and gentlemen, we will take the last two questions now. The next question is from the line of Ravi Menon from Elara Capital. Please go ahead.

Ravi Menon: Sir, I was saying that amongst service lines there has been good growth across all except for a minor decline in application services. So on considering this can we say that your service portfolio is faring well but the vertical specific decline seem to be client specific issues. If so, how client center these or how structural are these you think, the declines that we see in other verticals?

Abidali Z. Neemuchwala: If you look at the core application services, if you look at the year-on-year, year-on-year it has shown a good growth and the areas where we are focused on in terms of our own Data Analytics as well as our Digital Operations in Platform Space, those had grown very well as well. So if you look at across the service lines, you see good momentum on, it is a secular growth that you see across the service line for the full year and you know some of the quarterly variations are because of certain project movements and certain application run activity that we have where there is some amount of seasonality for the same thing. But otherwise you would see that the momentum across the service capability is very high and as we previously explained to you, all the things that are modern, all the things that are important for the future of our customers, Digital, Cloud, Engineering Services and Cyber Security and our Cloud Infrastructure Services, all are doing very well. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to Aparna Iyer for closing remarks. Over to you.

Aparna Iyer: Thank you all for joining the call. In case if we do not take any questions due to time constraints, please feel free to reach out to the Investor Relations Team. Have a nice day. Thank you. Good night.

Moderator: Thank you very much members of management. Ladies and gentlemen, on behalf of Wipro Limited that concludes today's conference. Thank you for joining us and you may disconnect your lines.