

WIPRO LIMITED
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	As of March 31,		
	2001	2002	2002
			Convenience translation into US \$ (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4)	Rs. 5,622,681	Rs. 7,377,200	\$ 151,079
Accounts receivable, net of allowances (Note 5)	5,878,285	5,980,903	122,484
Costs and earnings in excess of billings on contracts in progress..	65,334	1,009,795	20,680
Inventories (Note 6).....	1,467,097	1,402,146	28,715
Investment securities (Note 8)	2,562,511	5,043,334	103,284
Deferred income taxes (Note 21).....	147,798	179,088	3,668
Other current assets (Note 7).....	<u>2,356,261</u>	<u>3,481,308</u>	<u>71,294</u>
Total current assets	<u>18,099,967</u>	<u>24,473,774</u>	<u>501,204</u>
Investment securities (Note 8)	144,105	450,833	9,233
Property, plant and equipment, net (Note 9).....	5,479,325	6,261,857	128,238
Investments in affiliates (Note 13).....	689,693	898,319	18,397
Deferred income taxes (Note 21).....	221,982	265,149	5,430
Intangible assets, net (Note 10).....	833,305	656,571	13,446
Other assets (Note 7)	719,084	748,084	15,320
Total assets.....	<u>Rs. 26,187,461</u>	<u>Rs. 33,754,587</u>	<u>\$ 691,267</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Borrowings from banks (Note 15).....	Rs. 346,650	Rs. 182,260	\$ 3,733
Current portion of long-term debt (Note 16)	1,326,196	78,993	1,618
Accounts payable.....	1,847,243	2,238,900	45,851
Accrued expenses	1,899,389	1,943,647	39,804
Advances from customers.....	970,971	1,121,107	22,959
Other current liabilities (Note 11)	<u>493,547</u>	<u>493,950</u>	<u>10,116</u>
Total current liabilities	6,883,996	6,058,857	124,081
Long-term debt, excluding current portion (Note 16).....	95,031	29,770	610
Deferred income taxes (Note 21).....	90,642	115,453	2,364
Other liabilities	<u>37,179</u>	<u>93,240</u>	<u>1,909</u>
Total liabilities	<u>7,106,848</u>	<u>6,297,320</u>	<u>128,964</u>
Stockholders' equity:			
Equity shares at Rs. 2 par value: 375,000,000 shares authorized as of March 31, 2001 and 2002; Issued and outstanding: 232,433,019 shares and 232,465,689 shares as of March 31, 2001 and 2002, respectively (Note 17).....	464,866	464,932	9,521
Additional paid-in capital	6,696,295	6,727,806	137,780
Deferred stock compensation (Note 22)	(97,047)	(3,844)	(79)
Accumulated other comprehensive income (Note 8).....	1,431	51,861	1,062
Retained earnings (Note 18).....	12,015,143	20,216,587	414,020
Equity shares held by a controlled Trust: 1,280,885 shares and 1,321,335 shares as of March 31, 2001 and 2002, respectively (Note 22).....	<u>(75)</u>	<u>(75)</u>	<u>(2)</u>
Total stockholders' equity.....	<u>19,080,613</u>	<u>27,457,267</u>	<u>562,303</u>
Total liabilities and stockholders' equity.....	<u>Rs. 26,187,461</u>	<u>Rs. 33,754,587</u>	<u>\$ 691,267</u>

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share data)

	Year ended March 31,			
	2000	2001	2002	2002
				Convenience translation into US \$ (Unaudited)
Revenues:				
Global IT Services and Products				
Services.....	Rs. 10,206,078	Rs. 17,670,426	Rs. 21,456,945	\$ 439,421
Products.....	-	-	955,281	19,563
India and AsiaPac IT Services and Products				
Services.....	1,512,717	1,872,703	1,913,547	39,188
Products.....	6,576,580	6,771,347	5,036,948	103,153
Consumer Care and Lighting.....	3,151,116	3,143,537	2,938,630	60,181
Others	1,380,583	1,328,915	1,680,138	34,408
Total.....	<u>22,827,074</u>	<u>30,786,928</u>	<u>33,981,489</u>	<u>695,914</u>
Cost of revenues:				
Global IT Services and Products.....				
Services.....	6,219,980	9,204,649	11,505,827	235,630
Products	-	-	890,730	18,241
India and AsiaPac IT Services and Products				
Services.....	900,934	984,307	862,628	17,666
Products	5,640,228	5,456,545	4,233,847	86,706
Consumer Care and Lighting.....	2,251,238	2,215,349	2,021,080	41,390
Others	1,070,031	961,779	1,354,189	27,733
Total.....	<u>16,082,411</u>	<u>18,822,629</u>	<u>20,868,301</u>	<u>427,366</u>
Gross profit	6,744,663	11,964,299	13,113,188	268,548
Operating expenses:				
Selling, general, and administrative expenses.....	(3,251,298)	(4,835,095)	(4,873,326)	(99,802)
Research and development expenses.....	-	-	(126,930)	(2,599)
Amortization of goodwill	(1,000)	(45,389)	(175,567)	(3,595)
Foreign exchange gains,net.....	51,603	120,226	218,968	4,484
Others, net.....	73,219	348,918	158,474	3,245
Operating income	<u>3,617,187</u>	<u>7,552,959</u>	<u>8,314,807</u>	<u>170,281</u>
Gain on sale of stock of affiliate, including direct issue of stock by affiliate (Note 13).....	412,144	-	-	-
Other income/(expense), net (Note 19).....	(283,627)	86,847	838,839	17,179
Income taxes (Note 21).....	(525,298)	(1,150,042)	(970,746)	(19,880)
Income before share of equity in earnings of affiliates	3,220,406	6,489,764	8,182,900	167,579
Equity in earnings of affiliates (Note 13).....	112,590	(53,181)	147,078	3,012
Income from continuing operations.....	3,332,996	6,436,583	8,329,978	170,591
Discontinued operations (Note 3)				
Income tax benefit on sale of interest	218,707	77,735	-	-
Income before cumulative effect of accounting change.....	3,551,703	6,514,318	8,329,978	170,591
Cumulative effect of accounting change, net of tax.....	-	(59,104)	-	-
Net income	<u>Rs. 3,551,703</u>	<u>Rs. 6,455,214</u>	<u>Rs. 8,329,978</u>	<u>\$ 170,591</u>
Earnings per equity share: Basic				
Continuing operations	14.63	28.07	36.04	0.74
Discontinued operations.....	0.96	0.34	-	-
Cumulative effect of accounting change.....	-	(0.26)	-	-
Net income.....	15.59	28.15	36.04	0.74
Earnings per equity share: Diluted				
Continuing operations.....	14.58	27.83	35.98	0.74
Discontinued operations.....	0.96	0.34	-	-
Cumulative effect of accounting change	-	(0.26)	-	-
Net income	15.54	27.91	35.98	0.74
Weighted average number of equity shares used in computing earnings per equity share:				
Basic.....	227,843,378	229,325,989	231,132,500	231,132,500
Diluted.....	228,648,134	231,254,523	231,534,876	231,534,876

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(in thousands, except share data)

	Equity Shares		Additional	Deferred	Comprehensive	Accumulated	Retained	Equity Shares held by a		Total
	No. of	Amount	Paid in	Stock		Other		Equity Shares held by a	Amount	Stockholders'
	Shares		Capital	Compensation	Income	Comprehensive	Earnings	No. of Shares		Equity
Balance as of March 31, 1999	229,156,350	Rs. 458,313	Rs. 182,562	Rs. (154,348)	Rs. —	Rs. 2,796	Rs. 2,158,969	(1,409,485)	Rs. (68)	Rs. 2,648,224
Cash dividends paid	—	—	—	—	—	—	(75,622)	—	—	(75,622)
Shares issued by Trust, net of forfeitures.....	—	—	—	—	—	—	—	138,280	(10)	(10)
Sales of shares by Trust.....	—	—	466,768	—	—	—	—	54,745	3	466,771
Compensation related to employee stock incentive plan, net of reversals.....	—	—	150,908	(150,908)	—	—	—	—	—	—
Amortization of compensation related to employee stock incentive plan	—	—	—	96,898	—	—	—	—	—	96,898
Comprehensive income										
Net income	—	—	—	—	Rs. 3,551,703	—	3,551,703	—	—	3,551,703
Other comprehensive income										
Unrealized gain/(loss) on investment securities, net....	—	—	—	—	(1,024)	(1,024)	—	—	—	(1,024)
Comprehensive income	—	—	—	—	<u>Rs. 3,550,679</u>	—	—	—	—	—
Balance as of March 31, 2000	<u>229,156,350</u>	<u>458,313</u>	<u>800,238</u>	<u>(208,358)</u>	—	<u>1,772</u>	<u>5,635,050</u>	<u>(1,216,460)</u>	<u>(75)</u>	<u>6,686,940</u>
Cash dividends paid.....	—	—	—	—	—	—	(75,121)	—	—	(75,121)
Common stock issued.....	3,162,500	6,325	5,796,449	—	—	—	—	—	—	5,802,774
Shares forfeited, net of issuances by Trust	—	—	—	—	—	—	—	(64,425)	—	—
Issuance of equity shares on exercise of options.....	114,169	228	123,759	—	—	—	—	—	—	123,987
Compensation related to employee stock incentive plan, net of reversals.....	—	—	(24,151)	24,151	—	—	—	—	—	—
Amortization of compensation related to employee stock incentive plan	—	—	—	87,160	—	—	—	—	—	87,160
Comprehensive income										
Net income	—	—	—	—	Rs. 6,455,214	—	6,455,214	—	—	6,455,214
Other comprehensive income										
Unrealized gain/(loss) on investment securities, net ..	—	—	—	—	(341)	(341)	—	—	—	(341)
Comprehensive income.....	—	—	—	—	<u>Rs. 6,454,873</u>	—	—	—	—	—
Balance as of March 31, 2001	<u>232,433,019</u>	<u>464,866</u>	<u>6,696,295</u>	<u>(97,047)</u>	—	<u>1,431</u>	<u>12,015,143</u>	<u>(1,280,885)</u>	<u>(75)</u>	<u>19,080,613</u>
Cash dividends paid.....	—	—	—	—	—	—	(128,534)	—	—	(128,534)
Shares forfeited, net of issuances by Trust	—	—	—	—	—	—	—	(40,450)	—	—
Issuance of equity shares on exercise of options.....	32,670	66	35,414	—	—	—	—	—	—	35,480
Net reversal of compensation related to employee stock incentive plan	—	—	(14,480)	2,362	—	—	—	—	—	(12,118)

	Equity Shares		Additional Paid in Capital	Deferred Stock Compensation	Comprehensive Income	Accumulated Other Comprehensive Income	Retained Earnings	Equity Shares held by a Controlled Trust		Total Stockholders' Equity
	No. of Shares	Amount						No. of Shares	Amount	
Amortization of compensation related to employee stock incentive plan	—	—	—	90,841	—	—	—	—	—	90,841
Income tax benefit arising on exercise of stock options.....	—	—	10,577	—	—	—	—	—	—	10,577
Comprehensive income										
Net income	—	—	—	—	Rs. 8,329,978	—	8,329,978	—	—	8,329,978
Other comprehensive income										
Unrealized, gain/(loss) on investment securities, net....	—	—	—	—	50,430	50,430	—	—	—	50,430
Comprehensive income	—	—	—	—	<u>Rs. 8,380,408</u>	—	—	—	—	—
Balance as of March 31, 2002.....	<u>232,465,689</u>	<u>Rs. 464,932</u>	<u>Rs. 6,727,806</u>	<u>Rs. (3,844)</u>		<u>Rs. 51,861</u>	<u>Rs. 20,216,587</u>	<u>(1,321,335)</u>	<u>Rs. (75)</u>	<u>Rs. 27,457,267</u>
Balance as of March 31, 2002 Convenience translation US \$ (unaudited)		<u>\$ 9,521</u>	<u>\$ 137,780</u>	<u>\$ (79)</u>		<u>\$ 1,062</u>	<u>\$ 414,020</u>		<u>\$ (2)</u>	<u>\$ 562,303</u>

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share data)

	Year ended March 31,			
	2000	2001	2002	2002 Convenience translation into US \$ (Unaudited)
Cash flows from operating activities:				
Income from continuing operations.....	Rs.3,332,996	Rs. 6,436,583	Rs. 8,329,978	\$ 170,591
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:				
Cumulative effect of accounting change, net of tax.....	-	(59,104)	-	-
Loss / (gain) on sale of property, plant and equipment...	22,944	(154,457)	(26,003)	(533)
Depreciation and amortization.....	738,723	1,037,119	1,588,489	32,531
Non-cash interest expense on long-term debt.....	34,176	148,864	-	-
Deferred tax charge	166,488	(41,389)	56,403	1,155
Gain on sale of investment securities.....	(681)	-	(201,536)	(4,127)
Gain on sale of stock of affiliate, including direct issue of stock by affiliate	(412,144)	-	-	-
Amortization of deferred stock compensation.....	96,898	87,160	78,723	1,612
Undistributed equity in earnings of affiliates.....	(97,890)	85,030	(141,982)	(2,908)
Other non-cash items.....	-	-	(96,000)	(1,966)
Income tax benefit arising on exercise of stock options.....	-	-	10,577	217
Changes in operating assets and liabilities:				
Accounts receivable.....	(858,439)	(1,758,562)	(102,618)	(2,102)
Costs and earnings in excess of billings on contracts in progress.....	(9,396)	(55,938)	(944,461)	(19,342)
Inventories.....	237,965	(517,963)	64,951	1,330
Other assets.....	(221,384)	(1,564,562)	(1,166,691)	(23,893)
Accounts payable.....	(523,951)	549,826	391,657	8,021
Accrued expenses.....	622,528	404,784	44,258	906
Advances from customers.....	216,820	201,316	150,136	3,075
Other liabilities.....	169,633	12,664	26,295	539
Net cash provided by continuing operations.....	3,515,286	4,811,371	8,062,176	165,107
Net cash provided by discontinued operations.....	-	77,735	-	-
Net cash provided by operating activities.....	<u>3,515,286</u>	<u>4,889,106</u>	<u>8,062,176</u>	<u>165,107</u>
Cash flows from investing activities:				
Expenditure on property, plant and equipment.....	(1,317,958)	(2,626,273)	(2,484,863)	(50,888)
Proceeds from sale of property, plant and equipment.....	32,333	226,054	307,501	6,297
Funding of discontinued operations.....	(855,793)	-	-	-
Purchase of minority interest, net of cash acquired.....	(67,500)	(1,083,450)	-	-
Investments in affiliate	-	(72,967)	-	-
Proceeds from sale of investments in affiliates.....	153,128	-	-	-
Proceeds from sale of assets of the peripherals division..	-	156,280	-	-
Purchase of investment securities.....	(833,622)	(2,469,807)	(9,759,309)	(199,863)
Proceeds from sale and maturities of investment securities	95,974	174,000	7,198,754	147,425
Net cash used in investing activities.....	<u>(2,793,438)</u>	<u>(5,696,163)</u>	<u>(4,737,917)</u>	<u>(97,029)</u>
Cash flows from financing activities:				
Proceeds from issuance of common stock.....	-	5,926,761	35,480	727
Proceeds from/ (repayments of) short-term borrowing from banks, net	(1,688,043)	232,846	(164,390)	(3,367)
Proceeds from issuance of long-term debt.....	976,043	-	-	-
Repayment of long-term debt.....	(755,049)	(188,351)	(1,312,465)	(26,878)
Sale of shares by Trust.....	466,771	-	-	-
Redemption of preferred stock.....	-	(250,000)	-	-
Proceeds from issuance of common stock by a subsidiary/affiliate.....	502,345	-	-	-
Payment of cash dividends.....	(75,622)	(75,121)	(128,365)	(2,629)
Net cash provided by / (used in) financing activities.....	<u>(573,555)</u>	<u>5,646,135</u>	<u>(1,569,740)</u>	<u>(32,147)</u>
Effect of de-consolidation of a subsidiary on cash and cash equivalents	(1,943)	-	-	-

	Year ended March 31,			
	2000	2001	2002	2002
Net increase in cash and cash equivalents during the year...	146,350	4,839,078	1,754,519	35,931
Cash and cash equivalents at the beginning of the year.....	<u>637,253</u>	<u>783,603</u>	<u>5,622,681</u>	<u>115,148</u>
Cash and cash equivalents at the end of the year	<u>Rs. 783,603</u>	<u>Rs. 5,622,681</u>	<u>Rs. 7,377,200</u>	<u>\$ 151,079</u>
 Supplementary information:				
Cash paid for interest.....	Rs. 335,545	Rs. 69,844	Rs. 69,826	\$ 1,430
Cash paid for taxes.....	221,233	1,120,889	1,251,346	25,627

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share data and where otherwise stated)

1. Overview

Wipro Limited (Wipro), together with its subsidiaries Wipro Inc., EnThink Inc., Wipro Prosper Limited, Wipro Welfare Limited, Wipro Trademarks Holdings Limited, Wipro Net Limited, Wipro Japan KK, NetKracker Limited and affiliates Wipro ePeripherals Limited and Wipro GE Medical Systems Limited (collectively, the Company) is a leading India based provider of IT services and products globally. Further, Wipro has other businesses such as India and AsiaPac IT Services and Products, Consumer Care and Lighting and healthcare systems. Wipro is headquartered in Bangalore, India.

2. Significant Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Basis of preparation of financial statements. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Functional currency. The functional and reporting currency of the Company is the Indian rupee as a significant portion of the Company's activities are conducted in India.

Convenience translation. The accompanying financial statements have been prepared in Indian rupees, the national currency of India. Solely for the convenience of the readers, the financial statements as of and for the year ended March 31, 2002 have been translated into United States dollars at the noon buying rate in New York City on March 29, 2002, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of \$1=Rs. 48.83. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate.

Principles of consolidation. The consolidated financial statements include the financial statements of Wipro and all of its subsidiaries, which are more than 50% owned and controlled. All material inter-company accounts and transactions are eliminated on consolidation. The Company accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the investee.

Cash equivalents. The Company considers all highly liquid investments with remaining maturities, at the date of purchase/investment, of three months or less to be cash equivalents.

Revenue recognition. Revenues from software development services comprise income from time-and-material and fixed-price contracts. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue with respect to fixed-price contracts is recognized in accordance with the percentage of completion method of accounting. Provisions for estimated losses on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Maintenance revenue is deferred and recognized ratably over the term of the agreement. Revenue from customer training, support, and other services is recognized as the related service is performed. Revenue

from sale of goods is recognized, in accordance with the sales contract, on dispatch from the factories/warehouses of the Company, except for contracts where a customer is not obligated to pay a portion of contract price allocable to the goods until installation or similar service has been completed. In these cases, revenue is recognized on completion of installation. Revenues from multiple-element arrangements are allocated among separate elements based on the fair value of each element. When the Company receives advance payments from customers for sale of products or provision of services, such payments are reported as advances from customers until all conditions for revenue recognition are met. Revenues from product sales are shown net of excise duty, sales tax and applicable discounts and allowances.

Effective April 1, 2001, the Company adopted EITF 00-14: Accounting for Certain Sales Incentives, EITF 00-22: Accounting for Points and Certain Other Time-based or Volume-based sales, Incentive Offers and Offers for Free Products or Services to be Delivered in the Future and EITF 00-25: Vendor Income Statement Characterisation of Consideration from a Vendor to a Retailer. Reported data for previous periods have been reclassified to make it comparable with the current presentation. These reclassifications had no impact on reported net income.

Shipping and handling costs: Shipping and handling costs are included in selling, general and administrative expenses.

Inventories. Inventories are stated at the lower of cost and market. Cost is determined using the weighted average method for all categories of inventories.

Investment securities. The Company classifies its debt and equity securities in one of the three categories: trading, held-to-maturity or available-for-sale, at the time of purchase and re-evaluates such classifications as of each balance sheet date. Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in income. Temporary unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from income and are reported as a separate component of stockholders' equity until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis and are included in income. A decline in the fair value of any available-for-sale or held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. Fair value is based on quoted market prices. Non-readily marketable equity securities for which there is no readily determinable fair value are recorded at cost, subject to an impairment charge for any other than temporary decline in value. The impairment is charged to income.

Investments in affiliates. The Company's equity in the earnings of affiliates is included in the statement of income and the Company's share of net assets of affiliates is included in the balance sheet.

Shares issued by subsidiary/affiliate. The issuance of stock by a subsidiary/affiliate to third parties reduces the proportionate ownership interest in the investee. Unless the issuance of such stock is part of a broader corporate reorganization or unless realization is not assured, the Company recognizes a gain or loss, equal to the difference between the issuance price per share and the Company's carrying amount per share. Such gain or loss is recognized in the statement of income when the transaction occurs.

Property, plant and equipment. Property, plant and equipment are stated at cost. The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. Assets under capital lease are amortized over their estimated useful life or the lease term, as appropriate. The estimated useful lives of assets are as follows:

Buildings.....	30 to 60 years
Plant and machinery.....	2 to 21 years
Furniture, fixtures and equipment....	2 to 5 years
Vehicles.....	4 years
Computer software.....	2 years

Software for internal use is primarily acquired from third-party vendors and is in ready to use condition. Costs for acquiring this software are capitalized and subsequent costs are charged to the statement of income. The capitalized costs are amortized on a straight-line basis over the estimated useful life of the software. Deposits paid towards the acquisition of property, plant and equipment outstanding as of each balance sheet date and the cost of property, plant and equipment not ready for use before such date are disclosed under capital work-in-progress. The interest cost incurred for funding an asset during its construction period is capitalized based on the actual investment in the asset and the average cost of funds. The capitalized interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

Intangible assets. The Company records as assets, costs incurred on assets which are of enduring value at the consideration paid for it and amortizes the cost by systematic charges to income over the period estimated to be benefited. Goodwill resulting from acquisitions is reported as an intangible asset and amortized over a period of five years.

Start-up costs. Cost of start-up activities including organization costs are expensed as incurred.

Research and development. Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities that are acquired or constructed for research and development activities and having alternative future uses, is capitalized as tangible assets when acquired or constructed. Software product development costs are expensed as incurred until technological feasibility is achieved.

Impairment of long-lived assets and long-lived assets to be disposed of. In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Foreign currency transactions. The functional and reporting currency of the Company is the Indian rupee. Foreign currency transactions are translated into Indian rupees at the rates of exchange prevailing on the date of the respective transactions. Assets and liabilities in foreign currency are translated into Indian rupees at the exchange rate prevailing on the balance sheet date. The resulting exchange gains/losses are included in the statement of income.

Earnings per share. In accordance with SFAS No. 128, Earnings Per Share, basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common

equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be antidilutive.

Income taxes. Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

Stock-based compensation. The Company uses the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25 to account for its employee stock based compensation plans. The Company has therefore adopted the pro forma disclosure provisions of SFAS No. 123, Accounting for Stock-based Compensation.

Accounting change. Effective January 1, 2001, the Company adopted the provisions of Staff Accounting Bulletin No. 101 (SAB 101) issued by the Securities and Exchange Commission, which provides guidelines in applying generally accepted accounting principles to selected revenue recognition issues. Accordingly, the Company changed its policy to recognize revenues from sale of goods only on completion of installation. Prior to the adoption of SAB 101, revenues were recognized on dispatch to the customer with an appropriate provision for costs of installation.

The initial adoption resulted in a cumulative catch up adjustment of Rs. 59,104, which is recorded as a charge to income in fiscal 2001. The effect of this change in accounting principle on net income of fiscal 2001 is immaterial. Similarly, the effect of the change on net income of fiscal 2000 is immaterial. The cumulative effect of the change on retained earnings at the beginning of fiscal 2001 is included in the restated net income of the year ended March 31, 2001. Revenues for the year ended March 31, 2001 include an amount of Rs. 701,455 as a result of the cumulative effect adjustment.

Derivatives and hedge accounting: On April 1, 2001, Wipro adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended, when the rules became effective for companies with fiscal year ending March 31.

The Company enters into forward foreign exchange contracts where the counterparty is generally a bank. The Company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecasted cash flows denominated in certain foreign currencies. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS No. 133, as amended. Any derivative that is either not designated as a hedge, or is so designated but is ineffective per SFAS No. 133, is marked to market and recognized in income immediately. No initial transition adjustments were required to adopt SFAS No. 133.

Recent accounting pronouncements: In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No.141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No.141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 141 also specifies the criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocated to an assembled workforce may not be accounted for separately. SFAS No. 142 will require that

goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 121 and SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

The Company is required to adopt the provisions of SFAS No. 141 immediately, and SFAS No. 142 effective April 1, 2002. Furthermore, any goodwill and any intangible assets determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001, will not be amortized, but will continue to be evaluated for impairment in accordance with the relevant accounting literature that is applicable until the adoption of SFAS No. 142. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001, will continue to be amortized prior to the adoption of SFAS No. 142.

Upon adoption of SFAS No. 142, SFAS No. 141 will require the Company to evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, the Company will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

In connection with the transitional goodwill impairment evaluation, SFAS No. 142 will require the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Company will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount, both of which must be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's statement of income.

As of the date of adoption, the Company will have unamortized goodwill in the amount of Rs. 656,240, which will be subject to the transition provisions of SFAS No. 141 and 142. Amortization expense related to goodwill was Rs. 1,000, Rs. 45,389 and Rs. 175,567 for the years ended March 31, 2000, 2001 and 2002, respectively. Adoption of SFAS No. 141 and 142, will not have a significant impact on the financial statements of the Company.

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the

carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002.

In August 2001, the FASB issued SFAS No. 144, which requires that specified long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Under SFAS No. 144, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet been incurred. The provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001.

Adoption of SFAS No. 143 and 144, will not have a significant impact on the financial statements of the Company.

Reclassifications. Certain reclassifications have been made to conform prior period data to the current presentation. These reclassifications had no effect on reported income.

3. Discontinued Operations

The Company was involved in the financial services business through Wipro Finance, a majority owned subsidiary. The Company, for strategic reasons, decided to concentrate on its core businesses and as a result, in March 1999, the Company decided to exit the financial services business and approved a formal plan for winding down the operations of this business. Under the plan, Wipro Finance will not accept any new business and the existing assets and liabilities would be liquidated as per their contractual terms.

In December 1999, the Company sold 50% of its interest in Wipro Finance to certain investors for a nominal amount. Subsequent to the sale, the Company did not have a controlling interest in Wipro Finance. The financial statements of Wipro Finance were not consolidated for the year ended March 31, 2000. In fiscal 2001, the Company sold the balance 50% interest in Wipro Finance for a nominal amount. The tax benefit of Rs. 218,707 and Rs. 77,735 arising on the sales has been reported separately as a component of discontinued operations in fiscal 2000 and 2001, respectively.

4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2001 and 2002 comprise of cash, cash on deposit with banks and highly liquid money market instruments.

5. Accounts Receivable

Accounts receivable as of March 31, 2001 and 2002 are stated net of allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts based on present and prospective financial condition of its customers and aging of the accounts receivable. Accounts receivable are generally not collateralized.

The activity in the allowance for doubtful accounts receivable is given below:

	Year ended March 31,		
	2000	2001	2002
Balance at the beginning of the period.....	Rs. 277,841	Rs. 196,602	Rs. 297,884
Additional provision during the period....	299,122	212,990	250,867
Bad debts charged to provision.....	<u>(380,361)</u>	<u>(111,708)</u>	<u>(57,107)</u>
Balance at the end of the period.....	<u>Rs. 196,602</u>	<u>Rs. 297,884</u>	<u>Rs. 491,644</u>

6. Inventories

Inventories consist of the following:

	As of March 31,	
	2001	2002
Stores and spare parts.....	Rs. 44,689	Rs. 31,425
Raw materials and components.....	483,807	453,018
Work-in-process.....	101,932	84,722
Finished goods.....	<u>836,669</u>	<u>832,981</u>
	<u>Rs. 1,467,097</u>	<u>Rs. 1,402,146</u>

Finished goods as of March 31, 2001 and 2002 include inventory of Rs. 340,124 and Rs. 467,546, respectively, with customers pending installation.

7. Other Assets

Other assets consist of the following:

	As of March 31,	
	2001	2002
Prepaid expenses.....	Rs. 757,893	Rs. 748,142
Advances to suppliers.....	173,390	68,917
Balances with statutory authorities.....	114,234	38,821
Deposits.....	533,684	533,247
Inter-corporate deposits		
GE Capital Services India.....	367,500	819,891
ICICI Limited.....	684,500	1,245,200
Advance income taxes.....	-	311,257
Others.....	<u>444,144</u>	<u>463,917</u>
	3,075,345	4,229,392
Less: Current assets.....	<u>2,356,261</u>	<u>3,481,308</u>
	<u>Rs. 719,084</u>	<u>Rs. 748,084</u>

8. Investment Securities

Investment securities consist of the following:

	As of March 31, 2001				As of March 31, 2002		
	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Fair Value
Available-for-sale:							
Equity securities.....	Rs. 233	Rs. 1,682	Rs. (64)	Rs. 1,851	Rs. 233	Rs. 1,623	Rs. 1,856
Debt securities.....	<u>2,462,497</u>	<u>—</u>	<u>—</u>	<u>2,462,497</u>	<u>4,962,102</u>	<u>79,376</u>	<u>5,041,478</u>
	<u>2,462,730</u>	<u>1,682</u>	<u>(64)</u>	<u>2,464,348</u>	<u>4,962,335</u>	<u>80,999</u>	<u>5,043,334</u>
Held-to-maturity:							
Debt securities.....	<u>188,268</u>	<u>2,424</u>	<u>—</u>	<u>190,692</u>	<u>90,833</u>	<u>3,108</u>	<u>93,941</u>
	<u>188,268</u>	<u>2,424</u>	<u>—</u>	<u>190,692</u>	<u>90,833</u>	<u>3,108</u>	<u>93,941</u>
Equity securities with no readily determinable fair values:							
Equity securities.....	—	—	—	—	144,300	—	144,300
Convertible preference shares	<u>54,000</u>	<u>—</u>	<u>—</u>	<u>54,000</u>	<u>215,700</u>	<u>—</u>	<u>215,700</u>
	<u>54,000</u>	<u>—</u>	<u>—</u>	<u>54,000</u>	<u>360,000</u>	<u>—</u>	<u>360,000</u>
	<u>Rs. 2,704,998</u>	<u>Rs. 4,106</u>	<u>Rs. (64)</u>	<u>Rs. 2,709,040</u>	<u>Rs. 5,413,168</u>	<u>Rs. 84,107</u>	<u>Rs. 5,497,275</u>

Debt securities, held-to-maturity as of March 31, 2002, mature between one through three years.

Dividends from available-for-sale securities during the years ended March 31, 2000, 2001 and 2002 were Rs.22, Rs. 14 and Rs. 36, respectively, and are included in other income.

In October 2001, the Company acquired a 17% equity interest in Spectramind eServices Private Limited (Spectramind) for a consideration of Rs. 144,300. Additionally, the Company acquired non-voting convertible preference shares of Rs. 215,700. The convertible preference shares shall be converted to equity at a conversion ratio of 0.3234 equity share per convertible preference share, on occurrence of any of the events specified in the shareholders agreement. These events are liquidation of Spectramind, initial public offering by Spectramind and valuation of Spectramind reaching specified levels based on a fresh issue of equity shares by Spectramind or sale of shares by existing shareholders. If any of these events do not occur within 18 months from the date of investment, the convertible preference shares shall be converted on expiry of the period. The current voting equity interest of Wipro does not give it the ability to exercise significant influence over the operating and financial policies of Spectramind. As the equity securities do not have a readily determinable fair value, such investments are recorded at cost, subject to an impairment charge for any other than temporary decline in value.

9. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	As of March 31,	
	2001	2002
Land.....	Rs. 201,253	Rs. 370,079
Buildings.....	1,173,134	1,585,515
Plant and machinery.....	4,806,457	5,469,300
Furniture, fixtures, and equipment.....	1,038,276	1,264,870
Vehicles.....	322,534	420,843
Computer software for internal use.....	542,009	742,305
Capital work-in-progress.....	<u>801,218</u>	<u>1,116,082</u>
	8,884,881	10,968,994
Accumulated depreciation and amortization.....	<u>(3,405,556)</u>	<u>(4,707,137)</u>
	<u>Rs. 5,479,325</u>	<u>Rs. 6,261,857</u>

Depreciation expense for the years ended March 31, 2000, 2001 and 2002, is Rs.734,473, Rs. 991,262 and Rs. 1,411,291, respectively. This includes Rs.53,261, Rs.140,624 and Rs. 204,492 as amortization of capitalized internal use software, during the years ended March 31, 2000, 2001 and 2002, respectively.

10. Intangible Assets

In October 1999, the Company acquired the 45% minority interest in Wipro Computers Limited for a consideration of Rs. 67,500. The acquisition resulted in goodwill of Rs. 10,500. In December 2000, the Company acquired the 45% minority interest held by the KPN Group in Wipro Net Limited for a consideration of Rs. 1,087,216. The acquisition resulted in goodwill of Rs. 867,786. Goodwill is amortized over a period of 5 years. As of March 31, 2002, the carrying value of the goodwill is Rs. 656,240.

11. Other Current Liabilities

Other current liabilities consist of the following:

	As of March 31,	
	2001	2002
Statutory dues payable	Rs. 352,328	Rs. 357,822
Taxes payable	71,534	72,707
Others	<u>69,685</u>	<u>63,421</u>
	<u>Rs. 493,547</u>	<u>Rs. 493,950</u>

12. Operating Leases

The Company leases office and residential facilities under cancelable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under such leases was Rs.237,693, Rs. 277,018 and Rs. 320,029 for the years ended March 31, 2000, 2001 and 2002, respectively.

Prepaid expenses as of March 31, 2001 and 2002 include Rs.187,720 and Rs. 214,838, respectively, being prepaid operating lease rentals for land obtained on lease for a period of 60 years. The prepaid expense is being charged over the lease term.

13. Investments in Affiliates

Wipro GE Medical Systems (Wipro GE). The Company has accounted for its 49% interest in Wipro GE by the equity method. The carrying value of the investment in Wipro GE as of March 31, 2001 and 2002, was Rs. 586,749 and Rs. 820,849, respectively. The Company's equity in the income of Wipro GE for the years ended March 31, 2000, 2001 and 2002, was Rs. 138,749, Rs. 184,315 and Rs. 234,100, respectively.

Wipro Net. Until December 1999, Wipro Net was a 100% subsidiary of the Company. In December 1999, the Company diluted its interest in Wipro Net to 55% through a sale of shares and direct issuance of shares by Wipro Net. The resultant gain was recorded in the income statement. As the minority shareholders of Wipro Net had significant participating rights, Wipro Net was accounted for by equity method subsequent to the dilution. In December 2000, the Company acquired the 45% minority interest in Wipro Net. In May 2001, Wipro decided to legally re-organize the operations of Wipro Net whereby Wipro Net would be merged with Wipro. The merger was completed in April 2002 after obtaining regulatory approvals.

The carrying value of the investment in Wipro Net as of March 31, 2000 was Rs. 270,586. The Company's equity in the loss of Wipro Net for the year ended March 31, 2000 and 2001, was Rs. 26,159 and Rs. 135,893 respectively.

NetCracker. In December 2000, the Company established NetCracker by transferring its retail internet business. A strategic investor acquired a 51% equity interest in the entity with Wipro retaining the balance 49%. Additionally, Wipro acquired convertible preference shares in NetCracker. The carrying value of the investment in NetCracker as of March 31, 2001 was Rs. 44,054. The Company's equity in the loss of NetCracker for the year ended March 31, 2001, was Rs. 112,133.

During the year ended March 31, 2002, the Company recorded equity method losses of Rs. 110,698, which reduced the carrying value of the equity interest and other investments to zero.

In March 2002, Wipro and the strategic investor entered into certain agreements whereby the convertible preference shares were converted to common stock increasing Wipro's equity interest from 49% to 79%. Additionally, Wipro would acquire the balance 21% equity interest in NetCracker from the strategic investor for a cash consideration of Rs. 30,000 and a contingent consideration that is payable on occurrence of specified events. The Company has determined that the events that trigger contingent payments are within its control and no contingent consideration will be payable under the arrangement.

The transaction has been accounted for as a purchase business combination. Prior to the acquisition, NetCracker had a deferred tax asset of Rs. 135,000 for carry-forward business losses, for which a valuation allowance had been established due to the significant uncertainty on realization on a standalone basis. Subsequent to the acquisition, Wipro will fully utilize the benefit of the carry-forward business losses and accordingly the valuation allowance has been reversed. The amounts assigned to the net assets of NetCracker exceed the cost of acquisition. This excess was initially used to reduce the amounts allocable to certain eligible assets and the remaining excess of Rs. 96,000 is reported as a component of other income. As the remaining excess is not material it is not reported as an extraordinary gain.

Wipro ePeripherals. On September 1, 2000, the computer peripherals division of Wipro was spun-off into a separate legal entity, Wipro ePeripherals. In consideration of the transfer, Wipro received a 38.7% equity interest in the new entity, 12.5% non-convertible debentures and cash. Wipro ePeripherals issued 61.3% of its equity to strategic investors and employees for cash. Shares were issued to Wipro and the new investors at the par value of Rs. 10. Wipro accounts for its 38.7% interest by the equity method. In March 2002, Wipro ePeripherals issued additional equity shares to certain investors, which resulted in dilution of Wipro's interest to 33.8%. The impact of this issuance on the carrying value of the investment was not material.

The carrying value of the investment in Wipro ePeripherals as of March 31, 2001 and 2002 was Rs. 58,890 and Rs. 77,470, respectively. The Company's equity in the income of Wipro ePeripherals for the year ended March 31, 2001 and 2002 was Rs. 10,530 and Rs. 23,676 respectively.

14. Financial Instruments and Concentration of Risk

Concentration of risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, investment securities, accounts receivable and inter-corporate deposits. The Company's cash resources are invested with financial institutions and commercial corporations with high investment grade credit ratings. Limits have been established by the Company as to the maximum amount of cash that may be invested with any such single entity. To reduce its credit risk, the Company performs ongoing

credit evaluations of customers. No single customer accounted for 10% or more of the revenues or accounts receivable as of March 31, 2001 and 2002.

Derivative financial instruments. The Company enters into forward foreign exchange contracts and interest rate swap agreements, where the counterparty is generally a bank. The Company considers the risks of non-performance by the counterparty as non-material. The following table presents the aggregate contracted principal amounts of the Company's derivative financial instruments outstanding:

	<u>As of March 31,</u>	
	<u>2001</u>	<u>2002</u>
Forward contracts	\$ 39,531,243(sell)	\$ 62,845,414(sell)
Interest rate swaps.....	\$ 3,250,000	\$ Nil

The foreign forward exchange contracts mature between one to nine months.

15. Borrowings from Banks

The Company has a line of credit of Rs. 2,650,000 from its bankers for working capital requirements. The line of credit is renewable annually. The credit bears interest at the prime rate of the bank, which averaged 13.1%, 12.8%, and 12.2% in fiscal 2000, 2001 and 2002, respectively. The facilities are secured by inventories, accounts receivable and certain property and contain financial covenants and restrictions on indebtedness.

16. Long-term Debt

Long-term debt consist of the following:

	<u>As of March 31,</u>	
	<u>2001</u>	<u>2002</u>
Foreign currency borrowings	Rs. 127,582	Rs. -
Rupee term loans from banks and financial institutions	1,245,459	48,200
Others	48,186	60,563
	<u>1,421,227</u>	<u>108,763</u>
Less: Current portion.....	<u>1,326,196</u>	<u>78,993</u>
	<u>Rs. 95,031</u>	<u>Rs. 29,770</u>

In December 1999, the Company had transferred an 8% interest in Wipro Net to a financial institution. Under the terms of the transfer, the Company had a call option to repurchase the transferred shares at a determinable consideration. Additionally, the financial institution had a put option to sell the shares to the Company at a determinable consideration. The Company had recorded the transfer as a secured borrowing with pledge of collateral. The principal shareholder of the Company had pledged certain shares held in Wipro to further secure the borrowing. Interest was imputed at the implicit yield on the put option. As of March 31, 2001 rupee term loans include Rs. 1,177,259 representing the borrowing. In June 2001, the financial institution exercised the option resulting in repayment of the borrowing.

All long-term debt is secured by a specific charge over the property, plant and equipment of the Company and contains certain financial covenants and restrictions on indebtedness.

An interest rate profile of the long-term debt is given below:

	<u>As of March 31,</u>	
	<u>2001</u>	<u>2002</u>
Rupee term loans from banks and financial institutions.....	13.9%	14.2%

A maturity profile of the long-term debt outstanding as of March 31, 2002, is set out below:

Maturing in the year ending March 31:	
2003.....	Rs. 78,993
2004.....	28,305
2005.....	1,253
2006.....	105
Thereafter.....	107
	<u>Rs. 108,763</u>

17. Equity Shares and Dividends

The Company presently has only one class of equity shares. For all matters submitted to vote in the shareholders meeting, every holder of equity shares, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held.

In September 1999, the Company effected a five-for-one share split. All references in the consolidated financial statements to number of shares and per share amounts of the Company's equity shares have been retroactively restated to reflect the increased number of equity shares outstanding resulting due to the share splits.

In October 2000, the Company made a public offering of its American Depositary Shares, or ADSs, to international investors. The offering consisted of 3,162,500 ADSs representing 3,162,500 equity shares, at an offering price of \$41.375 per ADS. The equity shares represented by the ADS carry similar rights as to voting and dividends as the other equity shares.

Should the Company declare and pay dividend, such dividend will be paid in Indian rupees. Indian law mandates that any dividend, exceeding 10% of the common stock, can be declared out of distributable profits only after the transfer of upto 10% of net income computed in accordance with current regulations to a general reserve. Also, the remittance of dividends outside India is governed by Indian law on foreign exchange. Dividend payments are also subject to applicable taxes.

In the event of liquidation of the affairs of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company, after such discharge, shall be distributed to the holders of equity shares in proportion to the number of shares held by them.

The Company paid cash dividends of Rs. 75,622, Rs. 75,121 and Rs. 128,534 during the years ended March 31, 2000, 2001 and 2002, respectively. The dividends per share were Rs. 0.30 during the years ended March 31, 2000 and 2001 and Rs.0.50 during the year ended March 31, 2002.

18. Retained Earnings

The Company's retained earnings as of March 31, 2001 and 2002, include restricted retained earnings of Rs. 274,038 and Rs. 259,538 respectively, which are not distributable as dividends under Indian company and tax laws. These relate to requirements regarding earmarking a part of the retained earnings on redemption of preference shares and to avail specific tax allowances.

Retained earnings as of March 31, 2001 and 2002, also include Rs. 567,126 and Rs. 794,719 respectively, of undistributed earnings in equity of affiliates.

19. Other Income / (Expense), Net

Other income/(expense) consist of the following:

	Year ended March 31,		
	2000	2001	2002
Interest income/(expense), net of capitalized interest	Rs. (283,649)	Rs. 86,833	Rs. 420,059
Others.....	<u>22</u>	<u>14</u>	<u>418,780</u>
	<u>Rs. (283,627)</u>	<u>Rs. 86,847</u>	<u>Rs. 838,839</u>

Rs.53,980, Rs. 48,000 and Rs. 20,000 of interest has been capitalized during the years ended March 31, 2000, 2001 and 2002, respectively.

20. Shipping and Handling costs

Selling general and administrative expenses for the years ended March 31, 2000, 2001 and 2002, include shipping and handling costs of Rs.48,570, Rs. 62,200 and Rs. 47,922, respectively.

21. Income Taxes

Income taxes consist of the following:

	Year ended March 31,		
	2000	2001	2002
Current taxes			
Domestic	Rs. 183,890	Rs. 749,406	Rs. 471,539
Foreign	<u>174,920</u>	<u>402,752</u>	<u>442,804</u>
	<u>358,810</u>	<u>1,152,158</u>	<u>914,343</u>
Deferred taxes	166,488	(2,116)	56,403
Total income tax expense.....	<u>Rs. 525,298</u>	<u>Rs. 1,150,042</u>	<u>Rs. 970,746</u>

The reported income tax expense differed from amounts computed by applying the enacted tax rates to income from continuing operations before income taxes as a result of the following:

	Year ended March 31,		
	2000	2001	2002
Income from continuing operations before taxes.....	Rs. 3,858,294	Rs. 7,586,625	Rs. 9,300,724
Enacted tax rate in India	<u>38.5%</u>	<u>39.55%</u>	<u>35.7%</u>
Computed expected tax expense.....	1,485,443	3,000,510	3,320,358
Effect of:			
Income exempt from tax in India.....	(1,104,111)	(2,388,705)	(2,861,967)
Reversal of deferred tax asset on legal re-organization of subsidiary.....	—	—	199,512
Others	<u>(30,954)</u>	<u>135,485</u>	<u>(15,687)</u>
Domestic income taxes.....	350,378	747,290	642,216
Effect of tax on foreign income	<u>174,920</u>	<u>402,752</u>	<u>328,530</u>
Total income tax expense.....	<u>Rs. 525,298</u>	<u>Rs. 1,150,042</u>	<u>Rs. 970,746</u>

Deferred tax assets reported as of March 31, 2001 include Rs. 199,512 being the difference between the tax basis and the amount for financial reporting of Wipro Net, a domestic subsidiary. The deferred tax asset has been reversed during the year ended March 31, 2002, on legal re-organization of Wipro Net as a result of which the benefit of the deferred tax asset will no longer be available to the Company.

A substantial portion of the profits of the Company's India operations are exempt from Indian income taxes being profits attributable to export operations and profits from undertakings situated in Software Technology and Hardware Technology Parks. Under the tax holiday, the taxpayer can utilize an exemption from income taxes for a period of any ten consecutive years. The Company has opted for this exemption from the year ended March 31,

1997, for undertakings situated in Software Technology and Hardware Technology Parks. Profits from certain other undertakings are also eligible for preferential tax treatment. In addition, dividend income from certain category of investments is exempt from tax. The aggregate rupee and per share (basic) effects of these tax exemptions are Rs. 1,104,111 and Rs. 4.85 per share, Rs. 2,388,705 and Rs. 10.42 per share for the year ended March 31, 2001, Rs. 2,861,967 and Rs. 12.38 per share for the year ended March 31, 2002.

	<u>As of March 31,</u>	
	<u>2001</u>	<u>2002</u>
Deferred tax assets		
Property, plant and equipment	Rs. -	Rs. 15,661
Allowance for doubtful accounts	56,318	57,329
Investments in mutual fund units.....	-	58,333
Accrued expenses.....	73,893	48,842
Carry-forward capital losses.....	145,280	122,810
Carry-forward business losses.....	47,918	182,918
Difference between tax basis and amount for financial reporting of a domestic subsidiary.....	199,512	-
Others	<u>17,587</u>	<u>81,154</u>
Total gross deferred tax assets	540,508	567,047
Less: valuation allowance	<u>(170,728)</u>	<u>(122,810)</u>
Deferred tax assets	<u>369,780</u>	<u>444,237</u>
Deferred tax liabilities		
Property, plant and equipment	Rs. 25,489	Rs. -
Undistributed earnings of affiliates	64,966	86,061
Unrealized gain on available for sale securities.....	<u>187</u>	<u>29,392</u>
Total gross deferred tax liability	<u>90,642</u>	<u>115,453</u>
Net deferred tax assets	<u>Rs. 279,138</u>	<u>Rs. 328,784</u>

Management believes that based on a number of factors, the available objective evidence creates sufficient uncertainties regarding the generation of future capital gains and realizability of the entire carry-forward capital losses. Accordingly, the Company has established a valuation allowance for the carry-forward capital losses arising on sale of shares in Wipro Finance, a discontinued operation. These losses expire after eight years succeeding the year in which they were first incurred. The carry-forward capital losses as of March 31, 2002 will expire by 2009.

During the year ended March 31, 2002, management implemented certain tax planning strategies that make it more likely than not that deferred tax assets relating to carry-forward business losses of foreign operations will be realized. This has resulted in reversal of valuation allowance aggregating to Rs. 47,918. Similarly, based on historical taxable income, projections of future taxable income and tax planning strategies, management believes that it is more likely than not that the Company will realize the benefit of carry-forward business losses relating to certain Indian operations.

The carry-forward business losses as of March 31, 2002, expire as follows :

Year ending March 31:	
2009.....	Rs. 77,112
2010.....	43,911
2020.....	20,883
2021.....	27,035
Thereafter.....	<u>13,977</u>
	<u>Rs. 182,918</u>

Although realization of the net deferred tax assets is not assured, management believes that it is more likely than not that all of the net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable, however could be reduced in the near term based on changing conditions.

22. Employee Stock Incentive Plans

Wipro Equity Reward Trust (WERT). In fiscal 1985, the Company established a controlled trust called the WERT. Under this plan, the WERT would purchase shares of Wipro out of funds borrowed from Wipro. The Company's Compensation Committee would recommend to the WERT, officers and key employees, to whom the WERT will grant shares from its holding. The shares have been granted at a nominal price. Such shares would be held by the employees subject to vesting conditions. The shares held by the WERT are reported as a reduction from stockholders' equity. 679,450 and 639,000 shares held by employees as of March 31, 2001 and 2002, respectively, subject to vesting conditions are included in the outstanding equity shares.

In February 2000, the WERT sold 54,745 shares of Wipro to third parties. The proceeds of the sale, net of the realized tax impact have been credited to additional paid-in capital.

The movement in the shares held by the WERT is given below:

	Year ended March 31,		
	2000	2001	2002
Shares held at the beginning of the period	1,409,485	1,216,460	1,280,885
Shares granted to employees	(254,100)	(4,250)	-
Sale of shares by the WERT	(54,745)	-	-
Grants forfeited by employees	<u>115,820</u>	<u>68,675</u>	<u>40,450</u>
Shares held at the end of the period	<u>1,216,460</u>	<u>1,280,885</u>	<u>1,321,335</u>

Deferred compensation is amortized on a straight-line basis over the vesting period of the shares which ranges from 6 to 60 months. The weighted-average-grant-date fair values of the shares granted during the years ended March 31, 2000 and 2001 are Rs.1,028 and Rs. 2,212. The amortization of deferred stock compensation, net of reversals, for the years ended March 31, 2000, 2001 and 2002, was Rs.96,898, Rs. 87,160 and Rs.78,723, respectively. The stock-based compensation has been allocated to cost of revenues and selling, general and administrative expenses as follows:

	Year ended March 31,		
	2000	2001	2002
Cost of revenues	Rs. 36,299	Rs. 32,363	Rs. 29,504
Selling, general and administrative expenses	<u>60,599</u>	<u>54,797</u>	<u>49,219</u>
	<u>Rs. 96,898</u>	<u>Rs. 87,160</u>	<u>Rs. 78,723</u>

Wipro Employee Stock Option Plan 1999 (1999 Plan). In July 1999, the Company established the 1999 Plan. Under the 1999 Plan, the Company is authorized to issue up to 5 million equity shares of common stock to eligible employees. Employees covered by the 1999 Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. The Company has not recorded, any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the 1999 Plan is as follows:

	Year ended March 31, 2000			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period.....	—	—	—	—
Granted during the period.....	2,558,150	Rs. 1,024 - 2,522	Rs. 1,091	66 months
Forfeited during the period.....	(146,000)	1,086	1,086	—
Outstanding at the end of the period.....	<u>2,412,150</u>	<u>1,024 - 2,522</u>	<u>1,091</u>	<u>66 months</u>
Exercisable at the end of the period.....	—	—	—	—

Year ended March 31, 2001

	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period.....	2,412,150	Rs. 1,024 - 2,522	Rs. 1,091	66 months
Granted during the period.....	2,672,000	1,853 - 2,419	1,860	62 months
Forfeited during the period.....	(405,550)	1,086	1,086	—
Exercised during the period	(114,169)	1,086	1,086	—
Outstanding at the end of the period.....	<u>4,564,431</u>	<u>1,024 - 2,522</u>	<u>1,542</u>	<u>59 months</u>
Exercisable at the end of the period.....	<u>86,491</u>	<u>Rs. 1,024 - 2,522</u>	<u>Rs. 1,284</u>	<u>54 months</u>

Year ended March 31, 2002

	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period.....	4,564,431	Rs. 1024 – 2522	Rs. 1,542	59 months
Forfeited during the period.....	(645,803)	1086 – 1853	1,542	-
Exercised during the period.....	(32,670)	1086	1,086	-
Outstanding at the end of the period.....	<u>3,885,958</u>	<u>1,024 – 2,522</u>	<u>1,550</u>	<u>47 months</u>
Exercisable at end of the period.....	<u>637,062</u>	<u>Rs. 1,024 – 2,522</u>	<u>Rs. 1,385</u>	<u>46 months</u>

Wipro Employee Stock Option Plan 2000 (2000 Plan). In July 2000, the Company established the 2000 Plan. Under the 2000 Plan, the Company is authorized to issue up to 25 million equity shares to eligible employees. Employees covered by the 2000 Plan are granted an option to purchase equity shares of the Company subject to vesting. The Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the 2000 Plan is as follows:

Year ended March 31, 2001

	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period.....	—	—	—	—
Granted during the period.....	3,520,300	Rs. 2,382 – 2,746	Rs. 2,397	67 months
Forfeited during the period.....	(305,950)	2,382	2,382	—
Outstanding at the end of the period.....	<u>3,214,350</u>	<u>2,382 – 2,746</u>	<u>2,397</u>	<u>67 months</u>
Exercisable at the end of the period.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Year ended March 31, 2002

	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period.....	3,214,350	Rs. 2,382 – 2,746	Rs. 2,397	67 months
Granted during the period.....	5,745,844	1,032 – 1,670	1,582	60 months
Forfeited during the period.....	(487,680)	1,032 – 2,651	2,397	-
Outstanding at the end of the period.....	<u>8,472,514</u>	<u>1,032 – 2,746</u>	<u>1,846</u>	<u>58 months</u>
Exercisable at the end of the period.....	<u>411,414</u>	<u>Rs. 2,375 to 2,651</u>	<u>Rs. 2,397</u>	<u>55 months</u>

Stock Option Plan (2000 ADS Plan). In April 2000, the Company established the 2000 ADS Plan. Under the 2000 ADS Plan, the Company is authorized to issue options to purchase up to 1.5 million American Depository

Shares (ADSs) to eligible employees. Employees covered by the 2000 ADS Plan are granted an option to purchase ADSs representing equity shares of the Company subject to the requirements of vesting. The Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying ADS on the grant date.

Stock option activity under the 2000 ADS Plan is as follows:

	Year ended March 31, 2001			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period.....	—	—	—	—
Granted during the period.....	268,750	\$ 41.375	\$ 41.375	67 months
Forfeited during the period.....	(4,000)	41.375	41.375	—
Outstanding at the end of the period.....	<u>264,750</u>	<u>41.375</u>	<u>41.375</u>	<u>67 months</u>
Exercisable at the end of the period.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Year ended March 31, 2002			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period.....	264,750	\$ 41.375	\$ 41.375	67 months
Granted during the period.....	409,200	20.75 – 36.40	35.49	61 months
Forfeited during the period.....	(26,500)	41.375	41.375	—
Outstanding at the end of the period.....	<u>647,450</u>	<u>20.75 – 41.375</u>	<u>37.66</u>	<u>55 months</u>
Exercisable at the end of the period.....	<u>35,738</u>	<u>\$ 41.375</u>	<u>\$ 41.375</u>	<u>44 months</u>

Wipro Net Plan. In December 1999, Wipro Net established an Employee Stock Option Plan (Wipro Net Plan). Under the Wipro Net Plan, eligible employees were granted an option to purchase equity shares of Wipro Net subject to the requirements of vesting. Wipro Net has not recorded any deferred compensation as the exercise price was not less than the fair market value of the underlying equity shares on the grant date.

During the year ended March 31, 2002, consequent to the decision to legally re-organize the business of Wipro Net by merging Wipro Net with Wipro, stock options in the stock of Wipro Net, issued to employees of Wipro Net, have been exchanged for stock options of Wipro under the 2000 Plan. The exchange did not result in an increase in the aggregate intrinsic value of the award or a reduction in the ratio of the exercise price per share to the market price per share. As the new options were granted at the fair value on the grant date, no compensation cost has been recorded.

The Company has adopted the pro forma disclosure provisions of SFAS No. 123. Had compensation cost been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company's net income and earnings per share as reported would have been reduced to the pro forma amounts indicated below:

	Year ended March 31,		
	2000	2001	2002
Net income.....			
As reported.....	Rs. 3,551,703	Rs. 6,455,214	Rs. 8,329,978
Adjusted pro forma.....	3,383,749	5,198,098	6,411,866
Earnings per share: Basic.....			
As reported.....	15.59	28.15	36.04
Adjusted pro forma.....	14.85	22.67	27.74
Earnings per share: Diluted.....			
As reported.....	15.54	27.91	35.98
Adjusted pro forma.....	14.80	22.58	27.73

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions.

	Year ended March 31,	
	2001	2002
Dividend yield	0.03%	0.03%
Expected life	42 months	42 months
Risk free interest rates	11%	8.5%
Volatility	45%	65%

23. Earnings Per Share

A reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share is set out below:

	Year ended March 31,		
	2000	2001	2002
Basic earnings per equity share - weighted average number of equity shares outstanding	227,843,378	229,325,989	231,132,500
Effect of dilutive equivalent shares-stock options outstanding	<u>804,756</u>	<u>1,928,534</u>	<u>402,376</u>
Diluted earnings per equity share - weighted average number of equity shares and equivalent shares outstanding	<u>228,648,134</u>	<u>231,254,523</u>	<u>231,534,876</u>

Shares held by the controlled WERT have been reduced from the equity shares outstanding and shares held by employees subject to vesting conditions have been included in outstanding equity shares for computing basic and diluted earnings per share.

Options to purchase 3,214,350 and 5,451,924 equity shares were outstanding during the years ended March 31, 2001 and 2002, respectively, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares.

24. Employee Benefit Plans

Gratuity: In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan) covering certain categories of employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. The Company provides the gratuity benefit through annual contributions to a fund managed by the Life Insurance Corporation of India. Under this plan, the settlement obligation remains with the Company, although the Life Insurance Corporation of India administers the plan and determines the contribution premium required to be paid by the Company.

	As of March 31,	
	2001	2002
Change in the benefit obligation		
Projected Benefit Obligation (PBO) at the beginning of the year	Rs. 53,783	Rs. 54,558
Service cost.....	4,110	3,798
Interest cost.....	5,653	5,723
Benefits paid	(5,635)	(6,444)
Actuarial (gain)/loss	<u>(3,353)</u>	<u>1,552</u>
PBO at the end of the year.....	<u>54,558</u>	<u>59,187</u>
Change in plan assets		
Fair value of plan assets at the beginning of the year.....	24,502	27,892
Actual return on plan assets	2,482	2,856
Employer contributions	6,543	2,415
Benefits paid	<u>(5,635)</u>	<u>(6,444)</u>
Plan assets at the end of the year.....	<u>27,892</u>	<u>26,719</u>
<i>Funded status</i>	(26,666)	(32,468)
Unrecognized actuarial (gain)/loss	(2,259)	(535)
Unrecognized transition obligation.....	9,635	8,330
Unrecognized actuarial cost.....	<u>10,415</u>	<u>9,173</u>
<i>Accrued liability</i>	<u>Rs. (8,875)</u>	<u>Rs. (15,500)</u>

Net gratuity cost for the years ended March 31, 2000, 2001 and 2002 included:

	Year ended March 31,		
	2000	2001	2002
Service cost.....	Rs. 4,049	Rs. 4,110	Rs. 3,798
Interest cost.....	5,512	5,653	5,723
Expected return on assets	(2,351)	(1,654)	(2,992)
Amortization of transition liabilities	<u>1,874</u>	<u>1,874</u>	<u>2,516</u>
Net gratuity cost.....	<u>Rs. 9,084</u>	<u>Rs. 9,983</u>	<u>Rs. 9,045</u>

The actuarial assumptions used in accounting for the Gratuity Plan are:

	As of March 31,	
	2001	2002
Discount rate.....	11%	10%
Rate of increase in compensation levels	10%	9%
Rate of return on plan assets	10.5%	9.5%

Superannuation: Apart from being covered under the Gratuity Plan described above, the senior officers of the Company also participate in a defined contribution plan maintained by the Company. This plan is administered by the Life Insurance Corporation of India. The Company makes annual contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its annual contributions.

Provident fund: In addition to the above benefits, all employees receive benefits from a provident fund, a defined contribution plan. The employee and employer each make monthly contributions to the plan equal to 12% of the covered employee's salary. A portion of the contribution is made to the provident fund trust established by the Company, while the remainder of the contribution is made to the Government's provident fund. The Company has no further obligations under the plan beyond its monthly contributions.

The Company contributed Rs.161,723, Rs. 249,341 and Rs.153,901 to various defined contribution and benefit plans during the years ended March 31, 2000, 2001 and 2002, respectively.

25. Related Party Transactions

The Company has the following transactions with related parties.

	Year ended March 31,		
	2000	2001	2002
Wipro GE:			
Revenues from sale of computer equipment and administrative and management support services	Rs. 54,535	Rs. 17,396	Rs. 26,208
Fees for usage of trade mark.....	—	8,820	39,344
Rent paid.....	1,198	—	—
Wipro Net:			
Fees for consultancy services.....	12,186	13,100	—
Fees for computer and network maintenance support.....	—	10,452	—
Revenues from sale of computer equipment.....	—	109,871	—
Wipro ePeripherals:			
Revenues from sale of computer equipment and services.....	—	13,984	9,230
Fees for usage of trade mark.....	—	—	53,016
Interest received on debentures.....	—	4,704	5,000
Payments for services.....	—	—	1,160
Purchase of printers.....	—	169,000	138,676
NetKracker:			
Fees for technical and infrastructure support services.....	—	37,018	96,155
Revenues from sale of computer equipment and services.....	—	—	987
Azim Premji Foundation:			
Revenues from sale of computer equipment and services.....	—	—	1,442
Principal Shareholder:			
Payment of lease rentals.....	1,200	1,200	1,200

The Company has the following receivables from related parties, which are reported as other current assets in the balance sheet.

	As of March 31,	
	2001	2002
Wipro GE.....	Rs. 13,295	Rs. 56,181
Wipro ePeripherals.....	—	17,037
Azim Premji Foundation	—	348
Security deposit given to Hasham Premji, a firm under common control.....	25,000	25,000
	<u>Rs. 38,295</u>	<u>Rs. 98,566</u>

The Company has the following payables to related parties, which are reported as other current liabilities in the balance sheet.

	As of March 31,	
	2001	2002
Wipro ePeripherals.....	Rs. 2,297	Rs. 25,875
NetKracker.....	10,000	—
	<u>Rs. 12,297</u>	<u>Rs. 25,875</u>

As of March 31, 2001, the Company held convertible preference shares of Rs. 54,000 in NetKracker. As of March 31, 2001 and 2002 the Company held 12.5% non-convertible debentures of Rs. 40,000 in Wipro ePeripherals. These investments are reported as non-current investment securities.

26. Commitments and Contingencies

Capital commitments. As of March 31, 2001 and 2002, the Company had committed to spend approximately Rs. 400,280 and Rs.241,338, respectively, under agreements to purchase property and equipment. These amounts are net of capital advances paid in respect of these purchases.

Guarantees. As of March 31, 2001 and 2002, performance guarantees provided by banks on behalf of the Company to certain Indian Government and other agencies amount to approximately Rs. 346,764 and Rs. 467,020 respectively, as part of the bank line of credit.

Other commitments. The Company's Indian operations have been established as a Software Technology Park Unit under a plan formulated by the Government of India. As per the plan, the Company's India operations have export obligations to the extent of 1.5 times the employee costs for the year on an annual basis and 5 times the amount of foreign exchange released for capital goods imported, over a five year period. The consequence of not meeting this commitment in the future, would be a retroactive levy of import duty on certain computer hardware previously imported duty free. As of March 31, 2002, the Company has met all commitments required under the plan.

Contingencies. The Company is involved in lawsuits, claims, investigations and proceedings, including patent and commercial matters, which arise in the ordinary course of business. There are no such matters pending that Wipro expects to be material in relation to its business.

27. Segment Information

The Company is organized by segments, including Global IT Services and Products, India and AsiaPac IT Services and Products, Consumer Care and Lighting and other segments. Each of the segments has a Vice Chairman / Chief Executive Officer who reports to the Chairman of the Company. The Chairman of the Company has been identified as the Chief Operating Decision Maker as defined by SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information. The Chairman of the Company evaluates the segments based on their revenue growth, operating income and return on capital employed. Until fiscal 2000, interest income by lending to other segments, was included as a component of total revenue and operating income for segment data. From fiscal 2001, the Chief Operating Decision Maker evaluates revenue growth and operating income of the segments excluding interest income earned by the segment from lending to other segments within the Company.

The Global IT Services and Products (Wipro Technologies) segment provides research and development services for hardware and software design to technology and telecommunication companies and software application development services to corporate enterprises.

The India and AsiaPac IT Services and Products (Wipro Infotech) segment focuses primarily on addressing the IT and electronic commerce requirements of companies in India and AsiaPacific region.

The Consumer Care and Lighting segment manufactures, distributes and sells soaps, toiletries, lighting products and hydrogenated cooking oils for the Indian market.

Others consists of various business segments that do not meet the requirements individually for a reportable segment as defined in SFAS No. 131. Corporate activities such as treasury, legal and accounting, which do not qualify as operating segments under SFAS No. 131 have been considered as reconciling items.

Information on reportable segments is as follows:

Year ended March 31, 2000						
	Global IT Services and Products	India and AsiaPac IT Services and Products	Consumer Care and Lighting	Others (net of elimination)	Reconciling Items	Entity Total
Revenues	Rs. 10,206,078	Rs. 8,089,297	Rs. 3,151,116	Rs. 1,380,583	Rs. —	Rs. 22,827,074
Exchange rate fluctuations	88,946	(13,923)	(2,090)	—	(72,933)	—
Interest income on funding other segments, net	163,500	—	43,000	—	(206,500)	—
Total revenues	10,458,524	8,075,374	3,192,026	1,380,583	(279,433)	22,827,074
Cost of revenues	(6,219,980)	(6,541,162)	(2,251,238)	(1,070,031)	—	(16,082,411)
Selling, general and administrative expenses	(1,345,009)	(1,097,902)	(461,823)	(224,046)	(122,518)	(3,251,298)
Amortization of goodwill	—	(1,000)	—	—	—	(1,000)
Exchange rate fluctuations	—	—	—	—	51,603	51,603
Others, net	15,000	25,000	5,929	5,000	22,290	73,219
Operating income of segment	<u>Rs. 2,908,535</u>	<u>Rs. 460,310</u>	<u>Rs. 484,894</u>	<u>Rs. 91,506</u>	<u>Rs. (328,058)</u>	<u>Rs. 3,617,187</u>
Total assets of segment	Rs. 5,116,501	Rs. 3,788,784	Rs. 1,282,676	Rs. 764,433	Rs. 1,725,959	Rs. 12,678,353
Capital employed	2,711,042	1,474,491	678,549	521,146	3,048,562	8,433,790
Return on capital employed (1)	92%	32%	70%	—	—	—
Accounts receivable	2,163,931	1,743,789	133,889	389,751	—	4,431,360
Depreciation	526,511	68,105	86,002	43,225	10,630	734,473

Year ended March 31, 2001						
	Global IT Services and Products	India and AsiaPac IT Services and Products	Consumer Care and Lighting	Others (net of eliminations)	Reconciling Items	Entity Total
Revenues	Rs. 17,670,426	Rs. 8,644,050	Rs. 3,143,537	Rs. 1,328,915	Rs. —	Rs. 30,786,928
Exchange rate fluctuations	126,291	(46,387)	—	—	(79,904)	—
Total revenues	17,796,717	8,597,663	3,143,537	1,328,915	(79,904)	30,786,928
Cost of revenues	(9,204,649)	(6,440,852)	(2,215,349)	(961,779)	—	(18,822,629)
Selling, general and administrative expenses	(2,574,518)	(1,392,304)	(538,753)	(161,484)	(168,036)	(4,835,095)
Amortization of goodwill	—	(1,000)	—	—	(44,389)	(45,389)
Exchange rate fluctuations	—	—	—	—	120,226	120,226
Others, net	20,000	61,000	61,113	9,000	197,805	348,918
Operating income of segment	<u>Rs. 6,037,550</u>	<u>Rs. 824,507</u>	<u>Rs. 450,548</u>	<u>Rs. 214,652</u>	<u>Rs. 25,702</u>	<u>Rs. 7,552,959</u>
Total assets of segment	Rs. 9,242,116	Rs. 3,921,596	Rs. 1,205,128	Rs. 1,668,108	Rs. 10,150,513	Rs. 26,187,461
Capital employed	7,760,449	1,090,097	846,978	1,271,686	10,007,101	20,976,311
Return on capital employed (1)	115%	64%	59%	—	—	—
Accounts receivable	3,453,330	1,674,773	158,927	591,255	—	5,878,285
Depreciation	708,274	94,166	63,901	50,169	74,752	991,262

Year ended March 31, 2002						
	Global IT Services	India and AsiaPac IT Services and Products	Consumer Care and Lighting	Others (net of eliminations)	Reconciling Items	Entity Total
Revenues	Rs. 22,412,226	Rs. 6,950,495	Rs. 2,938,630	Rs. 1,680,138	Rs. —	Rs. 33,981,489
Exchange rate fluctuations	255,810	(202)	411	87	(256,106)	—
Total revenues	22,668,036	6,950,293	2,939,041	1,680,225	(256,106)	33,981,489
Cost of revenues	(12,396,557)	(5,096,475)	(2,021,080)	(1,354,189)	—	(20,868,301)
Selling, general and administrative expenses	(2,533,337)	(1,278,248)	(517,701)	(430,265)	(113,775)	(4,873,326)
Research and development expenses	(126,930)	—	—	—	—	(126,930)
Amortization of goodwill	—	(2,000)	—	—	(173,567)	(175,567)
Exchange rate fluctuations	—	—	—	—	218,968	218,968
Others, net	(2,395)	4,786	3,256	18,542	134,285	158,474
Operating income of segment	<u>Rs. 7,608,817</u>	<u>Rs. 578,356</u>	<u>Rs. 403,516</u>	<u>Rs. (85,687)</u>	<u>Rs. (190,195)</u>	<u>Rs. 8,314,807</u>
Total assets of segment	Rs. 11,196,573	Rs. 3,532,129	Rs. 1,076,291	Rs. 1,631,088	Rs. 16,318,506	Rs. 33,754,587
Capital employed	8,724,898	962,381	708,041	1,606,970	15,954,694	27,956,983
Return on capital employed (1)	92%	56%	52%	—	—	—
Accounts receivable	3,700,657	1,810,889	172,426	296,931	—	5,980,903
Depreciation	974,452	138,991	61,596	168,743	67,509	1,411,291

(1) Return on capital employed is computed based on the average of the capital employed at the beginning and at the end of the year.

The Company has four geographic segments: India, the United States, Europe and Rest of the world. Revenues from the geographic segments based on domicile of the customer is as follows:

	Year ended March 31,		
	2000	2001	2002
India.....	Rs. 12,244,102	Rs. 12,463,900	Rs. 11,552,033
United States.....	6,522,166	11,430,738	12,688,593
Europe	2,350,170	5,070,806	8,255,195
Rest of the world.....	1,710,636	1,821,484	1,485,668
	<u>Rs. 22,827,074</u>	<u>Rs. 30,786,928</u>	<u>Rs. 33,981,489</u>

29. Fair Value of Financial Instruments

The fair values of the Company's current assets and current liabilities approximate their carrying values because of their short-term maturity. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months.