



“Wipro Technologies Limited Q4-FY10 Earnings
Conference Call”

April 23, 2010





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April 23, 2010*

Moderator

Ladies and gentlemen Good Morning and Good Evening welcome to the Wipro Technologies Limited conference call. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode and this conference is being recorded. After the presentation there will be an opportunity for you to ask questions. Should anyone need assistance during this conference call they may signal an operator by pressing * and then 0 on your touch-tone telephone. At this time I would like to turn the conference over to Mr. Rajendra Shreemal. Thank you and over to you Mr. Shreemal.

Rajendra Shreemal

Rochelle, thank you. And thanks everyone for joining us today. Good afternoon to the people from India, Asia Pac and good morning to people from Europe and other parts of the world from team Wipro.

As the operator just mentioned, I am Rajendra Shreemal, I head the Investor Relation along with Sridhar in US and Rishad and Aravind in Bangalore, we handle the Investor Interface of Wipro. We thank you for your interest in Wipro and it is a great pleasure, I welcome you to Wipro's conference call post the results for the fiscal quarter and year ended March 31st 2010.

We will begin with a short address from Mr. Azim Premji, Chairman followed by the financial highlights from Mr. Suresh Senapaty, CFO and follow it up with a Q&A session with the management team. We have Girish Paranjpe and Suresh Vaswani Joint CEOs and other senior leadership teams of Wipro present here.

Before Mr. Premji starts his address, let me draw your attention to the fact that during the call we might make certain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the management's current expectations and are associated with uncertainty and risks, which could cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with the SEC of USA. Wipro does not undertake any obligations to update forward-looking statements to reflect events or circumstances after the date of filing. This conference call will be archived and transcript will be made available on our website at www.wipro.com. Let me now handover the floor to Mr. Azim Premji, Chairman Wipro.

Azim Premji

Good day to all of you. Wipro Limited had another strong quarter with 8% year-on-year growth in revenue and 21% year-on-year growth in profit. For the full year we grew 6% in revenues and 18% in profits. Overall macro environment is getting better each quarter and we seem to be returning to a more normal business environment and conversations with multiple Fortune 500 CEOs confirm that they are significantly more confident and optimistic of the future than before.

Let me talk about the IT business, another good quarter following our strong performance in Q3. Our IT Service business grew at the top of our guidance of 4.7% on a constant



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currency. Visible headcount adds have been amongst the strongest that we have seen since the slowdown started. Strong broad based growth continues despite the impact of cross currencies. Growth has been volume lead with uptick in volumes of 4.1%. This follows volume growth of 4.7% in Q3. We see strong growth in healthcare, BFSI and energy and utilities and in service lines like BPO, TIS, Consulting and Testing. Challenged verticals like telecom and technology have had a strong quarter. We expect budgets to be marginally up but more importantly expect budgets to be spent this year. We are already seeing some initial pickup in discretionary spends. We have done an excellent job on improving margins this quarter by 60 basis points, 24.2% despite giving salary increase in February and the challenges with a stronger Rupee and weaker cross currencies. Operating margins for the year has expanded by 243 basis points to 23.4%.

We will continue to build on the operating excellence achieved in financial year 2010 with improved revenues and operating leverage, this is key to our strategy. Non-linearity is a huge movement within the organization and we are driving these across the organization within delivery as well as on the revenues side. We continue to work on newer commercial models which are win-win for customers and for us. We continue to invest in industry lead solutions and on driving offerings around our technology themes like Green and Cloud. We are strongly committed to driving globalization.

Our aim is to increase the percentage of locals in our workforce overseas to 50% in the next 2 years. As of Q4 39% of our overseas people are local versus 29% a year ago, a significant increase of 10%.

We expanded our delivery presence overseas with the inauguration of the center in Curitiba, Brazil and our new development center in Melbourne, Australia. We continue to invest in the consulting and moving up the value chain with customers. Our consulting business continues to grow and capture client's mind shift. We have had 38 partner level people in financial year 2010 and we plan to continue to aggressively build on this in financial year 2011.

Let me talk a little bit about our Consumer Care and Lighting Business. Our India household business continues to grow on the back of our flagship brand Santoor, which is the #3 brand in India today. In our international business the second half of the year has been much better for us, by some of the smaller developing markets like Vietnam, Indonesia and China have seen strong growth throughout the year. Our bigger markets like Malaysia, Hong Kong and Singapore has also bounced back in half year.

Wipro infrastructure engineering – Positive news is that we have gained market share during the downturn and further cemented our relationship with our key customers. This goes well for the future. We are the world's largest third party hydraulic cylinder manufacturers, India market is strong and has returned to the peak levels. Europe has bottomed out and we are now seeing the first signs of recovery and we are beginning to



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feel particularly over the past one month a little more optimistic about the European market for our product lines.

EcoEnergy – we have big ambitions for this business and high expectations for financial year 2011. We have a strong order book built in financial year 2010 and continue to build on this momentum. We are focused on three main segments in this areas which include 1) Green build which are factories, commercial, and residential complexes, solar utilities scale plants driven by the solar mission and managed services end to end management of energy, infrastructure and usage for our clients which we worked very collaboratively with our IT services business. Our confidence in our business model has increased significantly validated by the market and by our vision. EcoEnergy is a perfect strategy of filling the wide spaces between our various businesses.

We have won the 2010 Global Impact Award from Metro Atlanta Chamber of Commerce under the category of economy development, Foreign Direct Investment. And it is for the success in job creation and positive impact on the Atlanta's economy last year. Wipro also released a second sustainability report. The report is prepared in line with the GRI framework and has been rated A+ by GRI.

Highlights include 19% improvement in energy efficiency over the last 5 years. And a 32% of water requirement met through water recycling and harvesting. I now handover to Suresh Senapaty our CFO who will give you some of our financial highlights.

Suresh Senapaty

Very good day ladies and gentlemen. Before I dwell into our financials please note that effective this quarter, we will post our financials in IFRS based on SEBI revised guidelines. For convenience we have also shared our INR results this quarter. Starting next quarter we will only share IFRS results.

Please also note that for the convenience of readers our IFRS financial statement has been translated into dollars at the noon buying rates in New York City on March 31, 2010, for cable transfers in Indian rupees, as certified by the Federal Reserve Bank of New York, which was \$1 equals to Rs.44.95.

Accordingly revenues for our IT Services segment that was \$1166 million or in rupee terms Rs. 52.6 billion appears in our earning release as 1170 million based on the convenient translation. Our IT services revenues for the quarter ending March 31st, 2010 was 1156 million on a reported basis a sequential growth of 3.5% and a year-on-year growth of 11.5%. On a constant currency basis our IT Service revenues was \$1180 million a sequential growth of 4.7% and a year-on-year growth of 7.8%. As we had suggested last quarter, we are seeing broad based growth across verticals and service line, we saw the challenged verticals of telecom and technology boosting strong growth of 6.6% and 6.5% respectively. BFSI posted another strong quarter of 4.6% sequential growth rate. Energy and utilities and healthcare and services both sequential growth rate of 4.7% and 9.8%



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respectively. A differentiated service lines of testing IT infrastructure and BPO grew upwards of 5% sequentially in the current quarter. With the development spends starting to stabilize product engineering services delivered 5.7% sequentially.

Europe continues to be an exciting market for us, illustrated by 8.6% sequential growth on constant currency terms in the quarter. Our investments in emerging markets continue to pay rich dividends. Our India and Middle East business grew 26% on a year-on-year basis while other emerging markets grew 13% sequentially. We continue to see particularly strong traction in Australia.

We saw volumes continue to be strong in the current quarter with 4.1% sequential growth. We continue to drive productivity and non-linearity, our proportion of fixed price project increased by 1.8% to 44.3%. Price realization in constant currency increased by 1.3% offshore and 0.9% onshore. On an actual basis our offshore realization increased by 0.2% while onsite realization dropped by 0.4%. Our focus on operations helped us expand margins in the current quarter by 60 basis points despite headwinds of salary increase and Rupee appreciation. As of March 31st our DSO for the IT services was at 61 days. Our IT products business showed year-on-year growth of 2% in revenues in the current quarter. Wipro consumer care and lighting business continue to see good momentum with revenue growth of 27% year-on-year. And operating profit growth of 16% on a year-on-year basis. On the foreign exchange front our realized rate for the quarter was 45.11 versus the rate of 45.84 realized for the quarter ended December 31st, 2009.

On a quarter-on-quarter FOREX gave a negative impact of the margins including the impact of cross currency of 0.7%. As that period end we had about \$1.7 billion of FOREX contracts at rates between 40 and 50. Our net cash balance on the balance sheet was Rs.44 billion, we generated free cash flow of Rs.8 billion during the quarter. We will be glad to take questions for now.

Moderator

Ladies and gentlemen we will now begin with the question and answer session. Our first question is from the line Vihang Naik of MF Global. Please go ahead.

Vihang Naik

Hi, congrats on good execution. I had a few questions, just missed your pricing movement in constant currency both onsite and offshore, if you could give that to me?

Suresh Senapaty

0.9% in onsite and 1.3% offshore in constant currency.

Vihang Naik

Secondly, I was just curious about the increase in tax rate this quarter to about 20% effective tax rate, just wanted to know whether this tax rate will be continued in FY2011 and what are your expectations for FY2012?

Suresh Senapaty

Well, our projection would be go by the rate for the year which is, a little under 17%. And on that basis we would be within the range of 2% for the current year.



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- Vihang Naik** Okay. And for FY2012 ?
- Suresh Senapaty** We cannot give that guidance, but our own sense is that it will be within the 2% for the next few years.
- Vihang Naik** Right. Secondly was just curious about high jump in your attrition to a bout 17% levels, was this a one-off or how do we see this situation going forward?
- Pratik Kumar** Hi Vihang this is Pratik here. Our attrition numbers which we have given as on quarterly analysis basis which is a 17%, but I will also take this opportunity to share the trailing 12 months number which is at 12% which is a number which typically gets compared when you compare it with other benchmarks. So to your question whether this one-off, at least our anticipation is that we were expecting the numbers to pick up largely because the way we have seen the whole demand environment shifting and the hiring taking place in the marketplace, our anticipation it would be at least a quarter or two before we see some calmness returning on the attrition front.
- Vihang Naik** Okay that was helpful. And lastly you seem to have shown a broad-based growth across the vertical lines, can you just tell me what was the situation with CMSP which went down sharply this quarter after a good growth for the last 2 or 3 quarters?
- Girish Paranjpe** Hi Girish here, so CMSP business we do have a lot of realization and revenues tends to be lumpy so it is just a factor of one quarter where there is high revenues growth because of the lumpiness over revenues recognition. And there are quarters where that did not happen, but broadly we remain confident and optimistic about the prospect of CMSP business.
- Suresh Vaswani** CMSP business of ours was one of the leading growth engines for us on a year-on-year basis.
- Vihang Naik** Yeah if I could squeeze in one more, what are our CAPEX expectations for FY2011 as such?
- Azim Premji** We do not give any specific guidance Vihang with respect to CAPEX but we expect it to be a little more because definitely last year we had held back some of the investment particularly for CAPEX otherwise it is cumulatively higher in the current year.
- Suresh Vaswani** I just want to clarify CMSP growth on a year-on-year basis which I said was going to be highest was 11.1% year-on-year. So it was one of the leading SBUs in terms of growth. And we have had some major traction in this space particularly in India and the Middle East, emerging markets where we won very large system integration opportunities.
- Vihang Naik** Thanks that is it from my side.



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Moderator

Thank you Mr. Naik. Our next question is from the line of Kunal Sangoi of Edelweiss. Please go ahead.

Kunal Sangoi

Yeah thanks for taking my question. Congrats on good numbers. My question is with regards to the healthcare vertical, last four quarters we have seen almost 8.5% in a sequential quarterly growth rate. How do we see trends there and which segment within healthcare is particularly driving this growth and outlook on that segment please.

Suresh Vaswani

This is Suresh Vaswani here, healthcare and services you are right it has been one of the bigger growth drivers for us. Last quarter was strong sequential in terms of 9.8% growth and if one looks at it from year-on-year basis it was one of the lead SBUs with 14.5% growth year-on-year. The way we look at the healthcare industry we look at it from our peer perspective, then from a service provider perspective, and then of course the equipment and distribution companies in healthcare. We have a strong presence in healthcare across service lines particularly on the BPO side as it relates to the peer industry and we plan to leverage that, but we have presence in the US again in the peer side through the work that we do for the State of Missouri where we handle all the medicare back office processing and we see good opportunity in terms of taking that proposition into multiple states in the US as the opportunities will pick up. We have good traction so far as the healthcare segment is concerned in the emerging markets of India and Middle East as well. So net-net, it is a very strategic area of focus for us. It is a place where we are going to invest in more and more and we are going to invest in from a fully integrated capability in terms of BPO and IT.

Kunal Sangoi

Okay. Any large deal wins in this particular vertical?

Suresh Vaswani

We cannot talk anything about specific wins but certainly we have spoken about 14 \$50 million win and we have spoken about 5 \$100 million deals through the year and some of these have been from the healthcare sector.

Kunal Sangoi

Sure that was helpful. Second is a question to Mr. Senapaty, you did mention on CNBC that you have given 8% to 9% offshore salary hikes and 2% to 3% onsite what percentage of employees were covered in this hike.

Suresh Senapaty

All employees were covered, except for people who have joined in the previous six months. Except for new joining who were there.

Kunal Sangoi

Okay. So that is already there in the numbers in the ...?

Suresh Senapaty

Right, 2 months of the quarter has been there.

Kunal Sangoi

Sure absolutely, okay thank you and all the best.



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Moderator

Thank you Mr. Sangoi. Our next question is from the line of Balaji Prasad of Goldman Sachs. Please go ahead.

Balaji Prasad

Hi, good afternoon everyone. Just had a couple of questions and wanted your take on the broader environment, one it is heartening to know that you are saying that the environment is returning to normal, can you please explain this more maybe some particular emphasis on the pricing environment, discretionary spend and also tech spending in total?

Suresh Vaswani

This is Suresh Vaswani here. Yes your observations are right. The environment is returning to normal. The environment is returning to normal on a broad based basis so it is not one sector or the other. And if you were to look at our performance for the last quarter, growth has been across all of the sectors including some of the challenged sectors of telecom equipment and the technology sector. So growth has been there pretty much across the sectors. We tend to believe that this trend will continue some sectors will obviously outgrow some of the other sectors, but we are seeing a broad-based growth going forward as well across all of the SBUs and across all the verticals that we manage. From a pricing perspective, clearly if you look at our performance on a constant currency basis, price realization has improved including the last quarter. We do believe that customers are looking at more value rather than necessarily looking at price offs and price discounts, they are looking at much more strategic value in terms of what partnership with companies like us can get. So long story short on this, we do believe that given the levers that we have on operation excellence and our drive on non-linearity and the fact that the customers are looking at more strategic value from players like us we should be able to sustain our price realizations and we should be able to sustain our margins in line with what you have seen in Quarter 4 in even a narrow band.

This assumes that there is no severe swing in terms of currency. But you know barring that we do certainly believe that we can hold on to our margins even in a narrow band.

Balaji Prasad

Okay, wonderful, you also preempted my second question but in discussion of this, I had also requested if you could throw some light on the discretionary spend area and what is happening with tech spending in total that is addressed but on the discretionary spend part.

Suresh Vaswani

So discretionary spend is certainly beginning to pickup. There are two opportunities, I mean we see customers looking at quite substantially wanting to transform their cost structure so that creates opportunity for IT that creates opportunity for business process outsourcing, but customers are also investing in the future, investing in new applications systems to drive better customer experience for example or drive revenues for examples and we are seeing that clearly beginning to happen. Margins are going up by 2% to 3% that is our estimate and the most important thing we do believe that the customers will spend their budgets. They spend it fruitfully, gainfully but they will certainly spend it.

Balaji Prasad

So if I heard you right you said that margins would be going up by 2% to 3% ...?



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Suresh Vaswani

I said the market growth, I mean you are right, budgets will go up by 2% to 3%, I heard you said margins and therefore I responded that way.

Balaji Prasad

Okay great. And lastly on the contracts that you have signed, could you give some broad range into what are the deal sizes which were signed over here and also if this is an indication that there is a large total outsourcing deals in the markets that you can bid for?

Suresh Vaswani

Sure, we have signed 2 \$100 million deals this quarter. For the year we have signed 5 \$100 million deals and we signed 14 \$50 million deals so that gives you some sense of the deal wins that we have had. These have been both new deals from new customers and these also include opportunities that we have created in our own customer base so that is the second thing. Certainly, what we are quite excited about, is the quality of business that we have been winning over the last 2 years. These are fairly transformation deals, they are not time and materials, they are fixed price. They cover areas of application integration, application management, infrastructure, and some deals are Wipro IT integrated. So these are truly what I would call as high value-add transformation deals. Going forward so much our thrust is certainly going to be there in this area in terms of driving transformational system integration type of deals. And we are seeing a pick in the market and so far as these opportunities are concerned, there are two ways, (1) you see it in the markets and (2) you create the opportunities in your customer base and we are doing both.

Balaji Prasad

Okay, thanks for your response, good luck.

Moderator

Thank you Mr. Prasad. Our next question is from the line of Ritesh Rathore of UTI Mutual Funds. Please go ahead.

Ritesh Rathore

Yes, I was just looking across the last 2 quarters balance sheet, your gross debt has increased from 4300 Crores to 6200 Crores, considering the cash generation from the operations, what is our intention been in such a large increase in gross debt?

Rajendra Shreemal

If you look at the gross cash increase it is a combination of both the cash flow from operations that has come up as well as the short-term working capital borrowing that we keep doing from time to time basis.

Ritesh Rathore

Yeah that is what I am asking the gross debt has increased from 4200 to 6300, 2000 Crores addition in last 2 quarters, it seems a very big number. Are we looking for some big ticket acquisition or something which was planned out that did not work out?

Suresh Senapaty

These are all short-term so I do not think you should worry about that. That is being used for financing acquisition.

Ritesh Rathore

Okay, that is all from my side, thanks.



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- Moderator** Thank you Mr. Rathore. Our next question is from the line of Vishal Desai of Centrum Broking. Please go ahead.
- Vishal Desai** Good evening gentlemen. Good set of numbers. I just wanted to outlook in terms of ADM what do you see it shaping up as going forward?
- Girish Paranjpe** The way we breakout numbers, ADM covers about 40% of our revenue, but what we should begin to look at is ADM plus package implementation together as a percentage because depending on the lifecycle of different clients, many of our application would have migrated to a packaged application mode, instead of looking at one element alone, if you look at both to understand what's happening to the applications business. So, on that basis we see growth in application business, but clearly on a much bigger base as compared to BPO or infrastructure which is on a much smaller base.
- Vishal Desai** And then how many deals have you won in Q4 alone for this quarter itself, if you could give me quantitative number?
- Girish Paranjpe** Overall deals or the \$100 million deals.
- Vishal Desai** No, I want if you could breakup the deals in terms of geographies that would be perfect and the total number of deals that you have won?
- Suresh Vaswani** Okay, one indication I will give you is we won in terms of total contract value, deals worth \$1 billion in the last quarter. So I am talking only about large deals, I am not talking about all deals, typically we will sum up deals greater than \$30 million in terms of TCV.
- Vishal Desai** Okay. And you were saying that budgets are likely to pick up, how quickly do you see it picking up, I mean what have been the interaction with your clients, as per are they willing to spend those budgets or what because you will have in the statement being 2% to 3% you will see a budget increase from the client end but how far do you see it materializing for your guys?
- Suresh Vaswani** Well it is reflected in the sort of growths we have been having so if you look at the last quarter we had volume growth of 4%, previous quarter we had a volume growth of 4.7%, our sequential guidances have tended to be between 2% and 4% or thereabouts in the last couple of quarters. So clearly there is an uptick in terms of activity. And there is an uptick in terms of customer spending.
- Vishal Desai** Okay. And next in terms of your services, consulting has seen a huge spike from almost 6% growth in the last quarter whereas almost I think about 20% this quarter. How do you see this panning out and is this sustainable going forward?



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Suresh Senapaty

See you must understand this is a relatively small base right and consulting assignment typically are 6 to 9 months so you can get some amount of swing just based on what deals were signed, but I think the good news is consulting clearly has got tractions, and we won interesting assignments across the board with some big clients, but going forward apart from the growth that we want to see in consulting per se, our real focus is on seeing how we can integrate consulting with other downstream work. So that consulting creates a multiplier effect and we are not just chasing consulting for the same result.

Vishal Desai

Alright, thanks, that will be all.

Moderator

Thank you Mr. Desai. Our next question is from the line of Pankaj Kapoor of RBS Equities. Please go ahead.

Pankaj Kapoor

I had two questions but first a small clarification, you mentioned \$1 billion TCV of deal wins, was this for the quarter alone or this is for the full year?

Suresh Vaswani

This was for the quarter, last Quarter 4.

Pankaj Kapoor

Okay. And so you mentioned 2 \$100 million plus deals so was there anything which is like significantly higher than 100 million in this as well?

Suresh Vaswani

See I mentioned 2 \$100 million deals, we cannot give me more specifics than that.

Pankaj Kapoor

Correct and you also mentioned 14 \$50 million deals wins that again is not in this quarter alone?

Suresh Vaswani

No that is for the year. So I mentioned 2 \$100 million deals for last quarter, then I mentioned 4 \$100 million deals for the year, and 14 \$50 million deals for the year.

Pankaj Kapoor

Okay, fair enough. Sir I had two questions first our cost of revenues in the IT services have basically gone up just marginally, despite the 5% headcount increase that we did and the 8% to 10% hike that we have given out. So I just want to understand the dynamics there if you could give a sense on where we actually have saved?

Girish Paranjpe

I would say the saving is essentially on the efficiencies that we have on supply chains and how we have been able to improve utilizations at the same time flatten the pyramid so that we are able to manage cost in the certain range.

Manish Dugar

And just to add to that Pankaj, to certain extent the amount we pay in foreign currency also, we get some benefit when the currency moved the other way round. So while it comes in as negative from a currency impact perspective it shows up as a benefit from a people cost perspective.



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Pankaj Kapoor

Okay, fair enough. And secondly post this hike that we gave out this quarter and comparing it with the wage hike that have been announced by the peers, what differential do you see in the salaries at present at the junior to the mid-level, management levels, thanks?

Girish Paranjpe

So we have not yet got the details in terms of what the competitors have done other than the announcements which have been made, but we do not think there is much of a gap as we speak, among the larger Indian IT players. And sometimes it gets determined by the timing of the increases, who does it at what stage and what times and as we get to know the data and information we would be able to establish but I do not think they would be perceivable gaps among the largest three to four players.

Pankaj Kapoor

Okay, sir just one follow-up on that, is there a possibility of any mid-term wage hike during the course of the year, if the gap is found to be material?

Girish Paranjpe

As we speak we have no such plans we are not contemplating one, however, specific to any particular skillset in a specific area if we think we need to do something, we will take a call once we think there is a clear need to do it.

Pankaj Kapoor

Okay, thank you and all the best.

Moderator

Thank you Mr. Kapoor. Our next question is from the line of Kawaljeet Saluja of Kotak. Please go ahead.

Kawaljeet Saluja

Girish how would you basically rate the performance of the entire large account group which you created and that also lead to the creation of mega-gama structure, is that something which is paying off?

Girish Paranjpe

So it is work in progress, I think wherever we have made the investments early they are working, but I cannot say that we have completed our entire investment cycles, in some places we have to put the right people in place but we have clearly intend to continue to invest and make sure that we get the benefits of that.

Kawaljeet Saluja

I mean, when do you think these investments would pay off, I mean I was just doing that some numbers we have hardly added any \$50 million clients since the last 6 quarters, the revenues from Top 10 customers have remained unchanged for the last 2 years and perhaps trailing other players in the industry and I mean there is hardly any addition to our growth in the large accounts as such. So how much more time perhaps is required before these investments pay off?

Suresh Vaswani

Okay I will answer your question and Martha will also add on to that, Kawaljeet this is Suresh Vaswani here. (1) Is when we are talking about mega and gama accounts we are not talking about 5 accounts, 10 accounts, we are talking about a much larger number of



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accounts and this would be in the range of 60 to 70 accounts that we classify as mega and gamma accounts and we have been investing in these accounts last year, we will continue to drive investments in these accounts this year. Now if I just look at the performance and we normally do not report the segment but what I can share with you is that the growth in the mega and gamma accounts has been significantly higher than the Wipro growth. In terms of the growths that we are planning going forward, here again we will plan growth which was significantly higher than what we would plan across Wipro in terms of growth. So we have seen the results and we are also planning in terms of further investments and further aggressive growth in these mega and gamma accounts. Now I am going to introduce you to Martha Bejar who handles our global sales and she is closer to the ground in terms of driving some of the initiatives here so she will elaborate further.

Martha Bejar

Thanks Suresh, so just a couple of things to expand on what Suresh talked about, the investments that we are making with the CEM structure and account engagement management models. Our investments around skill set that has to do with for example consultancy skills sets, to really minor drive this business which we remains a very strategic focus for us that is (1) so this skill sets are very important. Secondly our investments in tools to ensure that we manage the account process, opportunity, win-loss analysis is that we continue driving a very strong discipline in our company around that and we feel that that would continue to pull itself to give us growth, in these very important customers that we have. Then the last comment that I will make is that these account structures are structures that look at them like mini-CEOs of our company where they are responsible for delivering the sales as well as a delivery part of our business. So it is a very tight structure with the voice of the customer and their satisfactions front and center in the investments that we will make.

Suresh Vaswani

There is just one more point I would like to add up is we spoke about the 5 \$100 million deal, we spoke about 14 \$50 million deals, these are not necessarily from new accounts but a lot of them have come out from our mega and gamma accounts where we have actually proactively created the opportunities and won the deals.

Kawaljeet Saluja

Suresh, the only thing I will say is that when you say that mega/gama is focused on 60 or 70 accounts and if your Top 10 accounts are not growing then there is something different perhaps the way we are interpreting numbers and the way you are interpreting numbers. Presumably if your 10 largest accounts are not growing in the mega and gamma structure, I mean I think there should be some concerns, there would be some concerns at the end of the day?

Suresh Vaswani

So what I would like you to understand is yes there are 10 accounts, some are growing and some are growing really well. Some are not necessarily growing which is why when you look at segments like Top 10, you do not necessarily see the growth that we would like to see and you would like to see, but having said that the Top 10 is not necessarily a permanent list, it keeps churning and we will get in a lot more accounts which were not there in the



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Top 10 in the Top 10 going forward. So it is a dynamic list, all I can tell you is some of the accounts in the Top 10 have grown very well, some have de-grown because of specific issues and challenges related to their business and therefore so far as our thrust is concerned, one would tend to look at where are we driving our focus on, what are the mega and gamma accounts where we are implementing the CEM structure, what are the sort of results that we are getting out of this, I think the results are very encouraging. I think the point you are making is we are not reporting mega and gamma accounts in statement, we are not talking about specific growth in that segment. And maybe we should start looking at that and not by closing that what we have done in the past.

Kawaljeet Saluja

Okay. And second question is that, does the wage increase number of 8% to 10% offshore include the cost of promotions as well?

Pratik Kumar

Kawaljeet, this is Pratik here, no it does not, our promotions cycle will kick in another 2 to 3 months so it is typically around June, July so that is going to be outside of it.

Kawaljeet Saluja

And how much it does that lead to an increase in compensation on an average?

Pratik Kumar

We put together that should add another 2% to 2.5%.

Kawaljeet Saluja

Okay, thank you.

Moderator

Thank you Mr. Saluja. Our next question is from the line of Mitali Ghosh of Bank of America. Please go ahead.

Mitali Ghosh

Hi, good afternoon. I wanted to focus a bit on margins, and just wanted to understand, you have done a great job of margins so far, what further scope do we have in terms of the margin expansion potential firstly in acquisitions so if you could give us a sense of maybe where you expect the margins, you expect to sort of trend to company average and where we are on that journey today. Also what is the optimum level of utilization that possibly you are looking to maintain and again is there further scope to shift work offshore so that would be helpful.

Manish Dugar

If you look at from Q4 last year to Q4 this year or last year or full year to this full year or Q3 to Q4 the numbers are certainly encouraging and we had the headwinds of MSI as well as exchange this quarter and in spite of that we were able to uptake our margins primarily with the help of as you rightly said, significant improvement in or rather our acquisitions delivering significant upside, which we were working on for sometimes. We had benefits of non-linearity and other initiatives to boost our realizations and to boost our revenue per person which is reflected in the rate realizations, if you look at on a constant currency basis. And various initiatives that we have taken to significantly improve our supply chains which kind of reflect in our ability to take in fresh people, which reflect in our ability to improve utilizations. And I will let Deb talk about the utilization piece, but before that to



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answer your second question around what we believe is the view on a going forward basis, very clearly there are opportunities which still exist when the volume growth was not that good and we were constrained to take in fresh people, our average cost per person was something that we could not write and given the volume growth that we have seen in the last two quarters some of which has already resulted in improvement in margins because of lower average cost. We believe with the volume that we expect to get in the future, we will have more advantage and more leverage to believe on the average cost. And continued focus on acquisitions combined will certainly help us improve margins and probably allow us to make the investments that we have planned for ourselves which is something that we had started last year in terms of looking at what we want to invest for future. So those investments we have made we are making investments specifically on the sales side some of which Suresh and Martha alluded to, and believe that despite all of these investments the levers are quite a lot which will help us if not expand for sure maintain the margins in a narrow range. So over to Deb for talking on utilizations.

Sambuddha Deb

Hi, Mitali, I look after delivery. We had a good up tick in utilization primarily because we did a lot of work on the people supply chain to the extent of building systems as well as looking at the competency groups and creating competency models which allow us to have more fungible people, in the sense that people are usable in more number of projects than what they were earlier. So in this process we were able to move the utilization up, we believe there is still some more headspace to make that better. However, there is always a perpetual balance between the technology shift, the availability of talent and the demand patterns so there is a continuous balance which we do and we believe that there is still some more headspace for utilization to become better.

Mitali Ghosh

Thanks Deb for that so you are basically saying that utilization can move up further from here on a steady state basis?

Sambuddha Deb

I think so.

Mitali Ghosh

Okay. And Manish just on the comments that you offered is it possible to you give us a little bit more specific maybe in terms of what is the scopes you have in your employee pyramid or where you think the offshore levels can move up by another 2% to 3% possibly. And how much more is really left in acquisitions?

Manish Dugar

So if we look at a little macro view you would see that there are certain things which indicate towards the kind of quality of business we are driving. So if you look at the way we have driven SI and transformation deals they have helped us take more ownership on projects, they have helped us take more fix price deals, reflected in almost 7.5% increase in contribution of fixed price revenues, that is what is helping us move the meter when it comes to the deployability of freshers into projects that is what is helping us increase the amount of revenues we can deliver from offshore and coupled that with that fact that we are driving our integration in terms of supply chain both in terms of ability to predict what



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is the kind of resources that will become available and the kind of resources we will need in the future and hence leading to reduction in the time people spend waiting for a project, coupled with the fact that we are now trying to train people much faster, we are introducing tagging of people with such ability to deploy them in more than one kind of skills sets. So it is a combination of the quality of sale, better execution of projects, and better execution of supply chains which has helped us to get where we are and I believe that on the supply chain side like Deb said, utilization being one of them, I think that is a significant scope for us to look at how we can reduce the per person cost. So going forward we believe if you look at comparatives with our peer group some of these are one area where you would find the biggest potential will be our ability to drive fresher hiring and hence the average cost reduction. And so far as the various acquisitions that we have done I think there is scope still, there is an action plan. We are tracking on item by item and very clearly we believe it is quite confident view in terms of our ability to push margins up in that side as well.

Mitali Ghosh

Sure, thanks. Just would it be possible to share the number of percentage of employees less than 3 years?

Manish Dugar

I am not too sure, Mitali if we can share that number, but Rajendra will probably be able to get back in case we are able to share that number.

Mitali Ghosh

Sure. And Infocrossing what is the capacity utilizations right now?

Manish Dugar

So if you were to look at existing utilization in terms of what is already being billed and delivered, it is significantly up from when we acquired. However, given that we are also in the process of selling and migrating customers if I were to look at the pipeline and the wins that we had probably we will already start thinking about making further investments in creating more capacity, but if you were to look at a number in terms of what it is exactly as of now in terms of work that is already been delivered it will be in the range of 75% to 80%.

Mitali Ghosh

Okay.

Manish Dugar

And another thing you need to remember Mitali is that, utilizations will really depend on whether you are looking at Tier 3, Tier 2 kind of capacity so typically what we look at is more on overall, but Tier 3 would be probably even more.

Mitali Ghosh

Okay, thanks that is very helpful. And just one quick question on the revenue side, you discussed communication service provider revenues earlier, one follow-up there, should we expect this segment to remain lumpy even going ahead or if you could give us the sense of how the annuity revenues in the segment of moving. And the second vertical really I wanted to discuss with manufacturing if you could give us the sense of what are



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the trends you are seeing there because we have seen very mixed results from this vertical across players, maybe because the subvertical mix is very different.

Girish Paranjpe

On the CMSP side it is one of the few verticals which has a large percentage of system integration work, because so many build outs that are taking place in the wireless area and we are well-represented in the emerging market as well. So that business because it tends to be large ticket deals and have a build up sales tend to be lumpy in nature, but in both of these deals we also have to operate deals with the provider so after that the built out is completed we then have a chance to manage that or operate that kind of over the next several years. So it is not that the lumpy business disappears and then we have to go hunt, it has declined because once the build out is done but then there is a steady state revenues that comes in afterwards, which is the operate business. The other part business which is less lumpy and more predictable is our traditional annuity business mostly for large existing clients who are not in this build out or where we are doing some of the legacy work which tends to be much more than steady.

Suresh Vaswani

Specifically on the manufacturing sector, manufacturing vertical, I think there has been growth in the sector, it's not being one of the leading vertical in terms of growth in the last quarter, but certainly going forward, we do see demand beginning to pick up in this sector and we do see the manufacturing SBU of ours probably being in line with what we would expect with Wipro growth to be.

Mitali Ghosh

Sure and anything on the sub-verticals within this?

Suresh Vaswani

Well you know manufacturing comprises of automotive, which is a big challenge. Manufacturing comprises of the pharma sector, the pharma sector certainly holds out strongly in terms of promise. Manufacturing also comprises of certain sectors which we call the high-tech sector and that sector has potential in context of more R&D business we need to build up or demand from R&D service to begin to build up and more importantly, a lot of headroom in terms of IT and BPO services in that specific sector. So net-net, one would certainly not see manufacturing being a laggard in terms of growth compared to the overall business growth that we would be driving at.

Mitali Ghosh

Sure, okay, thank you very much.

Moderator

Thank you Ms. Ghosh. Our next question is from the line of Divya Nagarajan of UBS. Please go ahead.

Divya Nagarajan

Hi congrats on the quarter. Manish you had mentioned that you know how your fixed price productivity has helped so far. We had seen it move up admirably to the current levels of around 44%. My question to you is where do you see this headed, do you think you have space to move this up further or do you think you will be able to place it comfortable at current level?



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Manish Dugar

Divya, fixed price as a percentage of overall revenue is more a derivative in terms of how we execute rather than a determinant. So our focus very clearly is trying to get non-linear, transformational, and SI kind of work. And keeping in mind that we would like to be not a commodity player but somebody who can deliver value, which helps us also execute the way we want to execute and at the same time ensure that we are not challenged so much on price, because then we are not talking price and price, but we are talking value. But having said that, most of that kind of work gets converted into a fixed price in which the delivery is what a customer looks at and not necessarily on a T&M basis. And I would believe that as we keep our focus on non-linearity and transformational kind of deals, fixed price is a percentage of overall, we will see a northward movement. We haven't put a number to it, we haven't said whether we will limit to X% or we will ensure it goes to Y%, but I mean 44.3% is certainly not the maximum we believe we can. It has a potential to go up.

Suresh Senapaty

Also Divya, I think as long as the fixed price projects are long term, we are less sensitive in terms of putting any kind of caps for fixed projects.

Divya Nagarajan

Thanks, just one more question on the technology and telecom verticals which has seen a smart up move this quarter. I just wanted to check how we should read this into the coming quarter, do you expect this momentum to continue and see a revival in these two segments?

Girish Paranjpe

I think after several quarters of decline flattish growth what we have seen up take. So broadly speaking in some ways these verticals have turned upon and especially some of this which has been helped by the fact that we have widened service offering in these verticals. Originally we used to offer just engineering services, but now we offer traditional IT services and BPO also, so we see this more kind of broad based service portfolio there. So to that extent, one should expect that we have stable revenue stream form in those verticals.

Divya Nagarajan

Thanks and all the best for the year.

Moderator

Thank you Ms. Nagarajan. Our next question is from the line of Yograj Joshi of the Everest Group. Please go ahead.

Yograj Joshi

Okay, so I just have some questions on the infrastructure business. Can you throw some light on any sort of client that you are talking about who are asking you to take on their IT assets?

Suresh Vaswani

I didn't read the question too well, but I can tell you that the infrastructure business is one of our higher growth business in terms of service line growth; two, is we are getting extremely strong synergy between our infrastructure business and our Infocrossing business which is our managed data center services business in terms of putting together end-to-end infrastructure outsourcing type of proposition. And we have had some very



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good solid wins through the year at the combination of the managed data center services capability of Infocrossing and the remote infrastructure management capability that has been our traditional strength.

Suresh Senapaty

To answer your specific question there, we have been very selective, so it remains an asset light services intensive business.

Yograj Joshi

Just one follow up, when you say Infocrossing about managing the IT infrastructure, does it include taking over assets or not?

Suresh Vaswani

More often than not. It means that we sort of lift and shift the customers' servers into our data centers and manage their servers out of our data centers.

Suresh Senapaty

But this cross movement of the CAPEX does not come into our balance sheet.

Suresh Vaswani

We do not own the assets.

Suresh Senapaty

This continues to remain on the books of the customers.

Yograj Joshi

Like supplier to the buyer.

Suresh Vaswani

Yes, that is supply to the buyer, but we move them into the data centers and we manage the servers out of our data center, in fact we manage the entire IT infrastructure, so to speak, with the servers in our data centers and the rest of it being managed through our global delivery capability on infrastructure services, desktops and networks and security and so on.

Yograj Joshi

Okay, thanks that's from my side.

Moderator

Thank you Mr. Joshi. Our next question is from the line of Anthony Miller of TechMarketView. Please go ahead.

Anthony Miller

It's just a part of clarification for my question, you said that the offshore salary increase is 8%-10%, can you just tell me what the onsite increases were again?

Suresh Vaswani

2% was the onsite increase.

Anthony Miller

Okay. Now related to that is the question on attrition again, can you tell me which types of staff you have experienced most attrition with in this past quarter and those which have seemed more stable?

Pratik Kumar

Bulk of the attritions which we have experienced at least in this quarter have been experience band of two to four years.



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- Anthony Miller** Okay. Second question on Europe, I think you said that you had 8.6% sequential increase in constant currency in Europe, which country markets was driving that?
- Suresh Vaswani** Well you know I think the growth has been broad based, but we had some very special attention and focus on the markets of Germany and France and those have begun to pay dividends.
- Anthony Miller** And what sorts of deals then have you been doing in Germany and France?
- Suresh Vaswani** These are typical, I mean various types of deals like application outsourcing, infrastructure management, BPO, and Business Process Outsourcing.
- Anthony Miller** And so these being with French owned and German owned companies or have they been with the sort of German and French subsidiaries of US multinationals?
- Suresh Vaswani** With more French owned and German owned companies, global customers are present in Germany and France, we do execute there as well, but most of the growth has come from domestic or German and French owned companies in Germany and France.
- Suresh Senapaty** Anthony since you are on the line and you asked the question about attrition, I just want to clarify one part that while we have reported 17% attrition on quarter annualized basis, very often Tier II reports on the last 12 months basis. On the last 12 month basis, our attrition percentage is 12.
- Anthony Miller** Yes, in fact I was aware of that and had previously gone through strictures trying to convert other players attrition rates into quarterly annualized. I don't do that now, but I do appreciate you letting me know that and I must tell you I do make that point in my notes. Just coming back finally on the Europe growth, how has growth in UK been going?
- Suresh Vaswani** Well I would say there is growth in UK, there is growth in Germany, there is growth in France. Germany and France have been higher in terms of growth, but on a much lower base. But yes there has been strong growth in UK. We have won some good deals in the UK market and we announced that in the last couple of quarters.
- Anthony Miller** That's great. Okay gentlemen, thank you very much.
- Suresh Vaswani** Thank you.
- Moderator** Thank you Mr. Miller. Our next question is from the line of Priya Rohira of Enam Securities. Please go ahead.
- Priya Rohira** Yeah hi good afternoon and congratulations on good set of numbers. My first question relates to the IMS practice, if you could just give us some breakup into how much of the



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top line here would be linear based and how much of it would be transaction based. And second thing - what role IMS has played in signing up deals to the extent of one billion dollar TCW in the current quarter. And third if you could just share on the hiring plans for the next year or maybe for the quarter that would be helpful? And the last question while we have got a good flavor in terms of how margin improvement has happened in IT services, how much of it would you attribute in to the fixed price productivity and how would margins be between fixed price revenues and time and material revenues?

What are the IMS practices in terms of how much is linear based and second, you know how much is it more transaction based and what will be your two to three year target in terms of transaction based pricing over here?

Suresh Vaswani

You asked about whether any of the deals that we won in the last quarter were infrastructure based, so one of the deals that we have been speaking of has a large infrastructure components, so that is one. Two is most of our pricing in the infrastructure services is based on service outcome, so it is typically in the infrastructure sector, we do not do too much of time and material contracts, most of them are service outcome based, element based. And particularly so now that we have Infocrossing which couples with our remote infrastructure management capability, it is becoming more and more service outcome based. So that was the second answer. What were your other questions?

Priya Rohira

The second one was on margin, how much of your margin improvement you would attribute to the fixed price contract. And if you could just share with us the margins which you would typically have in time and material and fixed price?

Suresh Vaswani

So we don't normally break that out, but yes in premises of fixed price projects, given the flexibility that we have in terms of tools that we use and in terms of some of the shared services concept that we would drive in fixed price projects, they do tend to have higher margins than time and material contracts.

Priya Rohira

By what percentage do you think it'd be high, even if a range is given, it would be helpful.

Suresh Vaswani

We don't normally call that out. I can only tell you that we make more margins of fixed price projects than what we do in time and material contracts, because we have no flexibility there and we have a lot more leverage there.

Priya Rohira

Sure, and on the hiring plans, the employment?

Suresh Senapaty

Yeah we do not provide the hiring plan for the quarter (ahead along the year ahead).

Priya Rohira

The year ahead.



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Girish Paranjpe

But we don't share that number and I think broadly we have said that we believe in improving the efficiency of the supply chain and making sure that we are never constrained in terms of meeting demands because of the hiring.

Priya Rohira

If you just help us on the campus hire, you know that also would be useful.

Pratik Kumar

You know of this campus hire, I am talking about IT business, because the BPO campus hire is different. Just to give you some numbers, BPO campus hire will be almost 80% - 85% of the BPO intake. In case of the IT campus hire, we plan to hire between 11,000 to 12,000.

Priya Rohira

Sure thanks very much and wish you all the best.

Moderator

Thank you Ms. Rohira. Our next question is from the line of Mr. Viju George from JP Morgan. Please go ahead.

Viju George

Yeah hi, sorry lost you last time. You are the among the first to sound positive about the environment, if I recollect right and in fact, a couple our peers were quite surprised that you have turned positive so early. Yet if I look at your FY10 performance, your YOY revenue growth rate has lagged behind your peers, even if I do adjust for the acquisitions that may be inherent in the revenues of your peers. So any pointers as to why this happened and what are you doing to arrest this, because you did have a good year in the year prior to that, but you seemed to have lost that momentum during FY10.

Manish Dugar

Viju, hi this is Manish Dugar here. To some extent I think we need to take a little longer view to appreciate this, because it is all a matter of who gets into the years with the momentum and who gets out first. So if you see last when the recession hit we were able to sustain our revenues for one quarter more than our competition did and which is why, the 2008-2009 numbers were much depressed to give them a higher growth number in 2009-2010. So our good performance in 2008-2009 is actually what reduced our sequential year-on-year growth in 09-10, so if you take a two year view, you will find that our numbers on a cumulative basis will do better than this.

Suresh Vaswani

Viju, if I may add to this, I think the last two quarters have been good for us from a sequential growth perspective and the real acid test in terms of more mid term -long term growth is what is the sort of order booking that your getting into the system. And we have started now looking very, very actively at an order booking based model. So we spoke about a billion dollars worth of orders booked the last quarter. Then we spoke about 5 \$100 million deals and 14 \$15 million deals booked through the year, so that gives you an indication of the type of the quality of the deals that we are winning and what is the sort of revenue uptick you could possibly see from a market growth perspective going forward. The point I am making is true measure really is the deals that you are winning, where are



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you winning deals from and the quality of the deals and therefore what long term impact that to have on the volumes.

Viju George

Sure if you can have room for one more question. You have talked about coming to a more normal environment and I want to know what's your definition of a normal environment is, is it going to be current sequential growth phase or do you see a sharp uptick in the quarterly run rate from going forward?

Suresh Vaswani

So it's slightly difficult to define what a normal environment is, but if you have to look at what we are expecting the market growth to be and these are published numbers. We are getting into a market situation of between 13% to 15% growth as published by NASSCOM-McKinsey which is much, much larger than what the growth was last year. So normalcy is returning, growth is happening and that is getting manifested in the sort of sequential growth that you are seeing from us.

Suresh Senapaty

The normalcy that we see in terms of the customer spend.

Suresh Vaswani

Budgets are coming back, customers are spending their budgets and customers are increasing their budgets. There is much lesser pressure on pricing, much more focus of what value that you can deliver to customers, all these are talking about return of the normal environment.

Viju George

Okay. So you are by no means suggesting a return to pre-recession kind of a situation?

Suresh Vaswani

You can never go back too much in the past, I think it's in the past the growth was between 25% to 30%. This is what we are talking about in terms of industry growth being between 13% to 17%. And so far we are concerned, our drive is to make sure that we lead industry growth, lead industry growth on an overall basis and in the market in which we operate in.

Viju George

Sure thank you.

Moderator

Thank you Mr. George. Ladies and gentlemen due to time constraints that was the last question and I will hand the conference over to Mr. Rajendra Shreemal and the management for their closing comments.

Rajendra Shreemal

Rochelle thank you and I would also like to thank all the participants. I do believe that we have not yet answered all the questions for people who were in queue and would suggest that either they can get in touch with me soon or write me an e-mail. What we are also doing is that we will be doing audio archive of this call and which will be available in our website very soon. And if you need any clarification, do give us a call and have a wonderful evening. Thanks.



Moderator

Thank you Mr. Shree mal, thank you gentlemen of the management. Ladies and gentlemen on behalf of Wipro Technologies Limited that concludes this conference call. Thank you for joining us on the Chorus Call conferencing service and you may now disconnect your lines. Thank you.

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