



“Wipro Limited Q2FY11 Earnings Conference Call”

Oct 22, 2010
6:45 pm

Operator: Good morning. My name is Steve and I will your conference operator today. At this time, I would like to welcome everyone to the Wipro Second Quarter Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. Thank you.

Mr. Sridhar Ramasubbu, you may begin your conference.

Sridhar Ramasubbu: Thanks, Steve. Good day to all of you. This is Sridhar Ramasubbu and I'm joined by Rajendra, Aravind and other team members from IR team in Bangalore. We are pleased to extend a very warm welcome to all the participants and host the Wipro's quarter two FY'11 results and earnings call. Regarding the materials for this call, we issued the press release yesterday late night, EST. and we'll have time for Q&A at the end.

We have with us today Mr. Azim Premji, Chairman; Mr. Suresh Senapaty, CFO, who will comment on the IFRS results and on key takeaways for the quarter-ended September 30, 2010. They are joined by Joint CEOs of IT business; Suresh Vaswani, Girish Paranjpe and other senior members of the Wipro management team, who will be happy to answer questions.

As always, elements of this call and the management's view may be characterized as forward-looking under the Private Securities Litigation Reform Act, 1995 and are based on management's current expectations and are associated with uncertainty and risks, which could cause actual results to differ materially from those expected. These uncertainties and risk factors have been explained in our filings. We do not undertake any obligations to update forward-looking statements to reflect events or circumstances after the date of filing thereof.

The call is scheduled for an hour. The presentation of the Q2 FY'11 results will be followed by Q&A. The operator will walk you through the Q&A process. The entire earnings call proceedings are being archived and transcripts will be made available after the call at our Company's website.

Replay of today's earnings call proceedings will also be available via telephone post the call. During this call, I am also available on e-mail and through mobile as well to take any questions and table it to the Wipro team, in case you are unable to ask questions for any technical reasons.

Ladies and gentlemen, over to Mr. Azim Premji, Chairman, Wipro.

Azim Premji: Good day and good evening to all of you. Let me just first cover the key points of our IT business. We had a quarter in which we had a 6.6% sequential growth in volumes and a 5.7% sequential growth in revenues. Despite the uncertainty in the macro environments, the micro level customers are spending their budgets and demand environment is very strong. Discretionary spend is picking up. Pricing environment is stable with potential for price increases next year.



Wipro Limited
Oct-22, 2010

As was anticipated, our margins have dropped to 22.2% driven by RSUs and progressions to over 20,000 people, the impact of forex, as well as increased spend on sales and marketing. We remain completely committed to driving operational excellence and margin improvements.

I want to highlight some of the specifics of our results. The Retail & Transportation, Healthcare & Services, Telecom and Energy & Utilities, led the growth among the verticals. Technology Infrastructure Services, Product Engineering Services, Consulting and Package Implementation contributed towards service line growth. We had strong growth in Europe and in the emerging markets.

The industry has seen much stronger volume and revenue growth this quarter, and we recognize this and acknowledge this. We want to assure you that we will rise to the challenge and ensure that we return to be among industry-leading profitable growth. We are putting the entire muscle of our organization behind this.

In the past six months, Wipro Eco Energy has moved from concept to reality, which has sharply narrowed our focus into areas where intellectual property can be leveraged to create a scalable business. We're leveraging Wipro's customer base to offer these services.

I now hand over to Suresh Senapaty, our CFO, to give you the financial highlights.

Suresh Senapaty:

Good day to all of you in the United States, and good evening to all of you here in India.

Before I delve into the financials, please also note that for the convenience of readers, our IFRS financial statement have been translated into dollars at the noon buying rates in New York City on September 30, 2010 for cable transfers in Indian rupee, as certified by the Federal Reserve board of New York, which was \$1 equal to Rs.44.56. Accordingly, revenues of our IT Services segment that was \$1,273 million or in rupee terms Rs.57.47 billion appears in our earnings release as \$1,290 million based on the convenience translation.

Our IT Services revenue for the quarter -ending 30 September was \$1,273 million on a reported basis, a sequential growth of 5.7% and a year-on-year growth of 19.5%. On a constant currency basis, our IT Services revenue was \$1,261 million.

We have had a good quarter for growth driven by specific verticals and service lines. Among the verticals, Retail has led the growth with 9.7%, Healthcare with 8.8%, Telecom with 7.7% and Energy & Utilities, 6.5% on a sequential basis. BFSI had an in-line quarter with 5.7% sequential growth.

Package Implementation and Product Engineering Solutions have driven growth in the quarter with 6.8% and 15% growth, respectively. Technology Infrastructure Services is continuing to seek strong traction with 6.6% sequential growth and 23% year-on-year growth.

Among the Geos, Europe saw a surge with growth of 10.3% on a sequential basis. Our investment in emerging markets are continuing to pay off with strong growth gains in India and Middle-East business and APAC and other emerging markets of 5.3 and 11.1%.

We have 20 customers with revenue greater than \$50 million on a trailing 12 months basis, up from 17 in the previous quarter. We saw another quarter of strong volume growth of 6.6%, our highest volume growth in the last 12 quarters.

Offshore mix went up by 50 basis points on the back of the 7.4% volume growth in offshore. Pricing increased in the current quarter by 1.1% onsite, and 1.2% offshore. It is driven by the benefit of cross currencies.

Our proportion of revenues on fixed-price projects dropped by 0.6% to 44% in current quarter. Attrition on a quarter annualized basis went up by 50 basis points to 23.5%, but we are starting to



Wipro Limited
Oct-22, 2010

see our employee-related initiatives yield results. September attrition was the lowest in the last six months.

Our operating margins for IT Services dropped 250 basis points sequentially, impacted primarily in the account of forex realizations, progression to employee, RSU grants and investment in sales and marketing. This was partially offset by improvement in volume.

As of September 30, 2010, our DSO was at 69 days, up from 65 days in the previous quarter, 84 % of our debtors are less than 30 days old.

Our IT Products business showed sequential growth of 29% in revenue in the current quarter. We grew EBIT sequentially by 58% in the current quarter.

Wipro Consumer Care Limited continued to see good momentum with revenue growth of 20% year-on-year and EBIT growth of 13% on a year-on-year basis.

On the forex front, our realized rate for the quarter was 45.15 versus a rate of 45.69 realized for the quarter-ended 30 June. On a quarter-on-quarter basis, forex gave us a negative impact to margins, including the benefits of cross-currency of 1.2%. As at period-end, we had about \$1.5 billion of forex contracts. Our OCI losses reduced by Rs. 268 Crores in the current quarter to Rs.369 Crores.

The effective tax rate for the quarter is 14.55 and effective tax rate at normalized level is about 16.95%. Net cash balance on the balance sheet was about Rs. 44 billion. We generated free cash flow of Rs. 4.3 billion during the quarter.

We'll be glad to take questions from you.

- Operator:** Your first question comes from the line of Trip Chowd ary from Global Equities. Your line is now open.
- Trip Chowdary:** A very good quarter. Two quick questions. First, regarding the macro conditions, I was wondering, if you guys can provide some color on what kind of services you think are more in demand say in U.S. versus Europe, say versus the Asia -Pacific region? And any color about where certain economies are with new project deployments? That would be helpful. And then I have a follow -up question.
- Girish Paranjpe :** So as the way I understood it is you really want to understand is what's the nature of the business emanating from the United States versus some of the other geographies?
- Trip Chowdary:** That's correct.
- Girish Paranjpe:** So the way we have seen the business shaping up, at least there's been a significant jump in discretionary spend with new development, new application development work that has come up in the United States. And to that extent, it is no different in other geographies, but much more noticeable in the United States. Relatively speaking, I would say that the business process outsourcing has been neutral. And we are waiting to see how that finally shapes up in the United States. But it is fairly robust in the other geographies. I would say broadly, that's the difference, which I've seen in the United States versus other geographies .
- Sridhar Ramasubbu :** The second question was for Girish on the economy in different geographies.
- Girish Paranjpe :** Okay. So, at least the way it affects us, we see not that much difference, because in the various geographies, we still – independent of the level of economic activity. The real issue is at the level of the firm, where we don't see that much difference, because the firms are fairly strong and haven't over-borrowed or overspent or over -hired. And to that extent, they have the capacity to invest.
- Trip Chowdary:** Beautiful. I have a follow -up question regarding the large deals. It seems like they're coming back in vogue. And I was wondering, if you can compare and contrast the current large deals, which are



Wipro Limited
Oct-22, 2010

coming for renewal, how are they different than say what the large deal that you saw before recession? That's all for me. Thanks and again, very good execution.

Suresh Vaswani: I think what has fundamentally changed pre-recession to if I may call it, post-recession, is much more emphasis in terms of system integration, much more emphasis in terms of more strategic value impact, as against just off-shoring.

So I think customers are not looking at only short-term benefits or short-term cost takeouts, but they're really looking at engaging much more meaningfully in terms of service providers like us, partnering with them in terms of creating an impact on their business. So we see a lot of integrated deals. We see a lot of BPO-IT integrated deals. We see a lot of deals, which are not only offshore into India or outsourced, but it is offshore and transformational. So, I think that is something fundamentally that has changed.

Trip Chowdary: Thank you.

Operator: Your next question comes from the line of Joseph Foresi with Janney Montgomery Scott. Your line is now open.

Joseph Foresi: Hello, guys. I was curious you talked about discretionary spending accelerating. Maybe you could talk about what client's thought process is in spending, and what's really driving the growth, if you can give us maybe some examples around that?

Girish Paranjpe: First of all, the discretionary spending is not in big chunks, it is in relevantly smaller bites. And it is again I think a function of all the pent-up demand, things that were not done over the last 18 months or I think from 2008 and 2009, which needs to be done; either for compliance reasons or for integration and M&A or for the purpose of streamlining operations or launch of products. And that's the type of new developments work that we have seen. A lot of it is actually front office type of work and not only the back office types.

Joseph Foresi: Okay. So, I mean – I think you said just in your comments right there that there's some pent-up demand. Does that flush through the system or does that continue, and are you seeing newer projects that are more proactive? Or is this just something that's been held back over for the last 18 months?

Girish Paranjpe: The 2010 trend that we are seeing with parts of the pendency, but it's also to do with – as I said, the fact that the trend that is there today is driven mostly by the companies to get to the next level and move past this period

Martha Bejar: And if I can just add – this is Martha. One of the feedback from our customers had a lot of that is discretionary – that is being driven by the business itself, so the IT organization is becoming a huge enabler of that growth that they're seeing in their business. So, we see a much tighter connection between the IT organization and the business units within the companies that are driving a lot of these transformational initiatives

Joseph Foresi: Okay. And then just also on and looking into the next year 2011, any early indications on what IT budgets look like and any expectations for that going forward? Clearly your hiring guidance would imply that you're expecting things to continue to be healthy.

Martha Béjar: So, I'll tell what – go ahead.

Girish Paranjpe: No, Martha. Go ahead, please.

Martha Béjar: Okay, thanks, Girish. I think in general, we're going to see a lot more of what we're seeing this year. What our customers are doing is, even if their budgets are flat or maybe a little bit higher – 2 to 3% increase, but not by much – they are in the savings that they're able to do, they are reinvesting in transformational opportunities for them within their companies. So, I think that we will still continue to see a bit of that trend.



Wipro Limited
Oct-22, 2010

- Suresh Vaswani:** I think the basic thrust is to save, to spend, or save to invest.
- Martha Bejar:** That's exactly right.
- Joseph Foresi:** Okay. And then just lastly, I wonder if you could remind us on where you're hedged? Obviously, the rupee has moved a little bit here at the end of the quarter. I assume that's probably the major concern right now. Maybe you can remind us how you're hedged, and how that would affect the numbers if the currency stays where it is?
- Rajendra Kumar:** Joe this is Rajendra here. As of the quarter -end, our total hedge book was close to \$1.5 billion. And we have maintained a hedge book, which gives us coverage for 50 to 75% of the net inflows for the next four quarters. And in fact, for the last one year the hedge book that we carried, which is approximately this amount, has set us in a good stead, because we've been able to deliver a consistent performance. In this particular quarter, we did have the – long-term hedges that were taken earlier which had matured and hence, led to a low realization this quarter.
- Joseph Foresi:** And the currency stays where it is, though – I mean, what was the original guidance given out for what currency rate?
- Rajendra Shreemal:** So if you look at the guidance that we provide with respect to the constant currency guidance of the 3.5 to 5.5%, the currencies that we assume in this part of the press release where it is based on the average rates for the quarter two, which were at the 46.32; and then we've got other currencies, which is also stated over there.
- Joseph Foresi:** Okay. Okay, thank you .
- Operator:** Your next question comes from line of Moshe Katri from Cowen and Company. Your line is now open.
- Moshe Katri:** Hey, thanks, good evening. Suresh, can you go over some of the different moving parts that impacted or benefited EBIT margins during the quarter?
- Suresh Senapaty:** Yeah. So, the EBIT was dropped as we had stated in the beginning of the quarter, primarily for two reasons – A, the headwind that we had in the forex; and B, was the compensation increase and the stock grants that we granted in the first week of, on the 1st of July. So, a combination of this was about 2.5%. For example, in terms of compensation it was about 1.3% and on the foreign exchange it was about 1.2%. There were other elements of, say, there was an increase investment in sales and marketing, some improvement in the acquisition area, some improvement in the bulge area. So, all that netted off. These were the two big tickets based on which – they've happened so far as quarter two over quarter one is concerned.
- But the good news about that on the other comprehensive loss that we are carrying, that has come down by about \$60 million. So, while because of the forex we got a operating margin hit of about \$15 million. On the balance sheet the operating other comprehensive loss came down by \$60 million.
- Moshe Katri:** Okay. Then, Mr. Premji, at his opening remarks was indicating that the company aspires obviously to continue to lead in terms of being able to expand margins or at least sustain margins. May be you can talk Suresh about some of the levers in the model and how could we down the road see a margin that's either sustainable or even expanding? What are the levers in the model that you can talk in details on that? Thanks.
- Suresh Senapaty:** Right. I think for us the biggest area is with respect to our people cost where, compared to the best we are behind on that and that is the particular lever that we want to work on in the next four to six quarters to be able to get a substantial part of that disadvantage that we are currently having of the headroom that we have. Apart from that, I think the non-linearity initiatives, which was at 8% level has already increased to 11% and we continue to work on that in a more aggressive manner.



Wipro Limited
Oct-22, 2010

We told you that today we have about 44% of our revenue coming from fixed price project. So, we will stay focused on enhancing productivity here and drive that more. I think it's – particularly the last quarter has not been so good, but going forward, there is lot of headroom for us to be able to work on that. So, similarly with the outlook on the volume growth looking good, I think there could be lever on the growth parameters, so far as G&A is concerned. So, net-net, We have multiple levers to work on in terms of the cost – people cost, as well as price, utilization improvement to be able to get back the lost ground on margin.

Moshe Katri: Okay. And then final question, pretty big sequential growth in Europe, maybe you kind of dissect to us by sector or by the U.K., and the Continental Europe, and talk about some of the drivers for that very, very significant growth?

Suresh Vaswani: Yes, our Europe growth is driven by – first of all, it's growth fairly well at 10% plus sequential growth, and a lot of the growth is driven by specific sectors. Energy and utilities, for example, is a strong sector for us in Europe and we've had significant deal wins in that sector in the past. And even in this current quarter, we've had very significant deal wins in the energy and utilities sector. So, that is one vertical, which is – which one could single out that is driving growth for us in energy and utilities – in Europe.

On a broader basis, I think the difference between U.S. and Europe is – a lot of Europe is going in for outsourcing deals, virtually for the first time particularly Continental Europe. So, we are seeing a lot of the first time initiatives coming from Continental Europe, which is not so in the case of U.S., which is probably a bit more advanced, a bit more mature, as it relates to outsourcing. So, new potential, first time potential and certain sectors investing heavily in terms of transforming their operations and, therefore, creating the sort of opportunity, which is resulting in our growth in Europe.

Girish Paranjpe: Moshe, just to – hi, Girish here, just to get a data point, the 10.5% growth in Europe is virtually the same, whether it is – the way you take U.K. or you take Continental Europe.

Moshe Katri: Great. Thanks for the color.

Operator: Your next question comes from the line of Nabil Elsheshai from Pacific Crest. Your line is now open.

Nabil Elsheshai: Hi, guys. Thank you for taking my questions. I think you mentioned in your commentary that you see the potential for price increases next year. I think we heard from one of the competitors last – earlier – last week that they weren't sure that companies were going to be willing to accept that. So, what gives you confidence that you could see that next year? Are you having these conversations with your clients at this point? And what kind of feedback have you gotten?

Girish Paranjpe: So Nabil – Girish here, the confidence is really based on two factors. One is based on some early conversations that we have had with clients and of kind of relatively less upfront reaction to those requests. And in some cases we actually have these are some of the five things we agree on and disagree on. So, I think those are kind of first indication that we need to consider conversations worth having. The other is that if you kind of go back in terms of this feedback, when this financial meltdown happened. We were flexible with clients when they wanted us to help them reduce cost, even at the cost our margins. So, we think that – given the fact that we had accommodative at that point of time, so it would be fair for us to go back and ask as the costs are rising as a result to inflation and wage increase.

Nabil Elsheshai: Okay. Thank you. And then, furthermore detail on next year, particularly for budgets and within financial services. In the U.S., there is obviously lot of regulatory changes coming down the pipe. Have you guys gotten a sense what that means in that vertical with your clients, whether it's going to be something that requires a lot of help and it's something like take away from IT investments? What kind of feedback you are getting there?



Wipro Limited
Oct-22, 2010

- Girish Paranjpe:** So, again early indications and last quarter and on budget and you still don't know what the impact of that will be, but at least early indication and we are going to do I think CIOs were thinking on flattish type of budget is what we're expecting for 2011.
- Nabil Elsheshai:** Okay. And then I was wondering if you could draw down a little bit more on the non-linearity, I think you said it went to 11% in this quarter, is that correct?
- Suresh Senapaty:** Yes, you are right.
- Nabil Elsheshai:** Okay. Could you be maybe a little more specific on what's driving that, are there certain packages, templates, verticals where you having the most success with that, and where were the traction come from in the future?
- Sambuddha Deb:** Nabil, this is Deb. I look after the non-linear initiatives. There are three or four key components you see we have adopted as our non-linear strategy. One of them is a flexible delivery model, which is more from an angle of improving productivity and it's based somewhat around shared services, which has an IP built-in. So, that's one block. And that's progressed the maximum and that is today almost more than 50% of our non-linear revenue. I would say over 6% comes from there, 6 of the 11 that we have. And of the balance, we have IP mix, we also have differentiated services and we have, what we call, common platform-based sales. Some of them are in various stages, like, some of the IPs are doing well, some of the IPs are in nascent shape. So, I guess all of them are going through various points in their lifecycle, depending on how and which shape they are. Going forward, we see a larger component coming from the IP-led sales or the platform-oriented sales, as compared to the shared services value.
- Suresh Vaswani:** In terms of specific service lines, we've been able to drive a lot of success in this model, it's a non-linear model, it is our package implementation support business. So, as it relates to application support or SAP support or Oracle support, we've been able to drive a lot of volume out there.
- Nabil Elsheshai:** Okay. Great. And then lastly, you guys have been making significant investments in both building out near shore or onshore resources, but from a go-to-market and a delivery center perspective. In terms of investment going forward, are you comfortable with where you are? Do you see significant investments that need to take place? And I guess, separating the two, one in local go-to-market capabilities and that type of thing, and then maybe on the local delivery centers?
- Sambuddha Deb:** I'll answer the delivery part first. Most of the centers are starting to reach critical mass. And most of the centers have become so much self-sustaining and self-funding, in the sense that their billing is funding their own growth, rather than the go-to-market side. I think Suresh can add some color there.
- Suresh Vaswani:** Clearly, our delivery model is transforming, is moving towards less on-site, more near shore, and then the offshore model or the global delivery model that you all are familiar with. And we see that as an integral part of our go-to-market approach and our differentiation with respect to what we offer our customers. I think at the end of the day, you need all those three components seamlessly tied and strongly executed to be able to give the best value proposition to customers.
- Girish Paranjpe:** Nabil, Girish here, just to add, I think on the go-to-market side for local markets, especially markets in South America and in China, I think we are at the beginning of the investment cycle. I think it will require significant multi-year investment before we can declare success as far as go-to-market investments are concerned.
- Nabil Elsheshai:** Okay, great. That's helpful. Thank you, guys, for taking my questions.
- Operator:** Your next question comes from the line of Ashish Thadhani with Gilford Securities. Your line is now open.
- Ashish Thadhani:** Yes. Thank you. The constant currency sequential growth at Wipro has approximated 4 to 5% for the last couple of quarters, compared with 7 to 8% or perhaps even higher for some of your competitors. So, to what would you attribute this recent loss of market share?

- Girish Paranjpe:** So, I would say there are primarily two or three factors. One is that we have a certain basket of, I would say, client and industry exposure. And that is a great thing when it comes to resilience and being able to handle upside as well as downside. But in a high-growth situation, it tends to be a little bit like increased more focus on the key verticals.
- The second thing is I think to some extent we under-invested or under-anticipated in responding to the discretionary spend. So, to that extent, while we've got a significant chunk, but we could have got more as far as discretionary spend is concerned. So, I would say that, you could not have captured all the discretionary spend that we could have covered.
- Ashish Thadhani:** Okay. That's very helpful. And a couple of clarifications from some of your recent questions. Your response to the pricing question, this excludes the impact of non-linear initiatives. In other words, you are anticipating next year an increase in like-for-like pricing. Is that correct?
- Girish Paranjpe:** Yes. It's a coupon price hike.
- Ashish Thadhani:** Okay. And any magnitude that you can share?
- Girish Paranjpe:** It's tough because it is – there are wide diversions, and it depends a lot on the market situation and different clients. Also depends on the work history has been and how accommodating we were in the past.
- Ashish Thadhani:** Okay. And then a further clarification with respect to the reference to pent-up demand, for how many quarters do you expect this pent-up demand to be a significant driver of growth, as opposed to a more normal and sustainable rate?
- Girish Paranjpe:** So this is again early. We will have to see how the 2011 budget gets set. But I would say that 2011 spend would more or less be a kind of normal spend.
- Ashish Thadhani:** Okay. And a question for Mr. Senapaty, the very near-term margin outlook, would you expect a quick bounce back or are we expecting the next few quarters to be closer to this level?
- Suresh Senapaty:** Can I ask Manish to answer
- Manish Dugar:** So, Ashish, hi, Manish Dugar here. I'll respond on behalf of Senapaty. As we articulated earlier, the primary reasons for why we had toughness on margin in this quarter is investment on the people side, the investment on the sales and marketing side and the hedges which had an impact from a currency perspective. Currency is something which is still unknown. So, if we were to leave that aside, I think rest of the other things are investments planned with a certain return and certain time for us to recover. So, we certainly see a bias towards positivity in the medium to short-term. But since we don't give guidance, I would refrain from mentioning whether it would be in how many quarters from now.
- Ashish Thadhani:** Okay. But it would be safe to say that the bias is clearly on the upside from here?
- Manish Dugar:** That is right.
- Ashish Thadhani:** Okay. Thank you very much.
- Operator:** Your next question comes from the line of Rick Eskelsen with Wells Fargo. Your line is now open.
- Richard Eskelsen:** Thanks. Just a couple of quick questions around protectionism, and then also on attrition, first, with protectionism, what are your thoughts on sort of the increases in protectionism, especially the visa increases, and some of the more negative anti-outsourcing comments coming out of Washington?
- Girish Paranjpe:** I think, it's a fact of life we have to deal with what happened in the environment. It impedes business, it creates anxiety. But I think the good news on that score is that most of it is more in the



Wipro Limited
Oct-22, 2010

environment than the minds of the clients. So, as long as clients are open-minded and see the benefit of globalization and free trade, I think we'll have mitigated a lot of the risk.

Suresh Vaswani: I would say from a customer perspective, we don't see the comments on protectionism really coming into it. Clearly, customers are looking at their business, what is good for their business, and looking at saving cost to invest. And what we've seen is manifestation of all that, clearly. It is the demand pick-up that we are seeing for IT services, which are based on global delivery. So, we could say that the overall IT services market globally, demand is flat or demand is 2% to 3% growth. But, as it relates to global delivery type of services, the growth is significantly higher than that. So, that gives you a sense of the acceptability and the desire for customers to do what is right for their business in terms of their future.

Richard Eskelsen: And just sort of to follow up on that, do you anticipate continuing to add local employees, or doing anything like that to combat any more negative sentiment for off-shoring? Is that part of your strategy? And what would that mean for margin profile going forward?

Suresh Vaswani: I didn't pick up your question, but –

Girish Paranjpe: We have a globalization strategy for our workforce and already 36% of our workforce outside India is local. And that is independent of what is happening on the protectionism side. It is simply that we feel that if we are a global organization with global client base, then we need to have a global workforce as well. And that's not simply at the entry level or at the worker level, but at the management level as well. So, I think that's simply what we want to be as far as we are kind of progressing on that.

As far as the impact on commercial is concerned, we anyways whether – if we hire locally or we assign people from here, our endeavor is to have the same pay scale, and whether depending on the location of people working. So, commercially, that is no major disadvantage in terms of hiring local versus similar kind. There are some other issues on flexibility and rotation and integration. So, apart from that that, there is really not much difference between local hiring and working from here

Suresh Vaswani: On a broad basis, I think our entire strategy of near shore, our entire strategy of driving globalization of our workforce and in a way also our non-linearity strategy whereby we eventually will make our business much less people-dependent than what it is today, some of this may result to some of the protectionism wave that could be there. So, if I – so just to give you an example, if my non-linear model is able to give higher margin and reduced the dependence on people, I could be implementing, or I could be delivering services from anywhere in the world, and the people cost would be much less impactful than what it is today by driving non-linearity.

Richard Eskelsen: Okay. And then, I guess just the last thing is on the attrition, I think you mentioned in the opening comments that September was the lowest attrition quarter, or month for you guys, and we've heard others in the industry saying that they think attrition has peaked, do you agree? And what's your outlook for attrition going forward?

Saurabh Govil: This is Saurabh here. So, attrition if you see, compared to Q1 and Q2, the voluntary attrition as more or less being similar, but clearly during the quarter we have seen a downward trend. And the outlook as we move forward would very clearly be, we've seen the entire attrition stabilizing going forward and coming down.

Richard Eskelsen: Okay. Thanks a lot.

Operator: Your next question comes from the line Swami Shanmugasundaram from Morningstar. Your line is now open.

Swami

Shanmugasundaram: Hi, guys, good morning. I have a question on manufacturing sector, if you look at it in terms of beginning of the recession; manufacturing has been one of success stories. But of late, it is losing the steam, but if I look at the performance of Infosys and others, they have actually relatively done



Wipro Limited
Oct-22, 2010

better. So, I just wanted to get your understanding, your opinion on manufacturing, what kind of demand are you seeing, and what's your outlook in the industry sector?

Suresh Vaswani: Compare to the rest we would believe that manufacturing would be above the Wipro average or lower than the Wipro average of growth, energy and utilities, for example, looks much more robust in terms of demand, healthcare and services sector looks much more robust in terms of demand. Manufacturing is challenged, and our results for this quarter point out 4% sequential growth. So, it is below the Wipro average.

I think the growth in our manufacturing sector is more stronger than the European markets where there is higher growth than currently that we are getting from the U.S. market. So, in a nutshell, it is a challenged sector, but it will be a growth sector for us and hopefully, we'll be in line with the Wipro average growth.

Swami

Shanmugasundaram: Okay. And the other one is technology, media and telecom and of late, its performance has been as great as it used to be and I think the industry average has been impacted. So, I just wanted to get your take on that aspect. What kind of pipeline are you guys seeing and any idea how it's going to pan out in the future?

Girish Paranjpe: Totally a mixed picture there. I think we have seen good traction after several quarters in the telecom equipment vendor segment. This quarter, we grew 7% sequentially in that area. On the other two sides of the media, service provider side where growth was probably muted, our view is that it's probably a quarter -to-quarter average but in a longer term view on that is much more positive.

Swami

Shanmugasundaram: Okay. Thanks, guys.

Operator: Your next question comes from the line of Moshe Katri with Cowen and Company. Your line is now open.

Moshe Katri : Hey thanks. You had a pretty significant growth on the discretionary stuff during the quarter, the package implementation piece, et c. Maybe you can talk about what's driving the spending there in that area? And then are you planning to expand investments even more there down the road?

Suresh Vaswani: The package implementation business has been doing very well for us and has been high in terms of growth quadrant consistently over the last few quarters. There is a lot more business transformation type implementation that are happening there as against operation transformation, so that is one thing. There are a lot more, I would say, smaller projects, but very impactful in terms of the results, and a lot of that is happening to many, many small projects against big heavy implementations.

Third is, there is a lot more, I would say, action happening on the cloud services front or software-as-a-services front in terms of customers adopting to that model. That creates opportunity for us in terms of implementation of the software-as-a-service model for customers. One example of that is the uptick we have seen in the SAP implementation that we are doing on salesforce.com, and also, the uptick that we are seeing in terms of the emerging markets, and the SAP by design implementations.

Moshe Katri: And then can you talk a bit about some of your initiatives that you have in France and Germany as well?

Suresh Vaswani: Yes, I'll start and I'll have Martha, our Global Sales Head to cover it in a bit more detail. Clearly, France and Germany, this was roughly planned 15 months back, where we took a conscious decision that we will invest in those markets. One of the first steps that we did was to really get strong country heads into those geographies and then build a structure, which you need to be able to address those markets effectively.



Wipro Limited
Oct-22, 2010

So whether it is in terms of program management, whether it is in terms of business development, whether it is in terms of the legal framework of Germany and France, we sort of created a super-structure to be able to effectively address both markets strategically than tactically.

We've had good success in both of those markets. The growth rates of those markets have been reasons higher growth in Europe in terms of sequential growth, and our growth has been consistently higher, has been the newer investments that we've made in these markets. The demand here is more on applications, more on package implementation and I would also say the BPO services business is beginning to see opportunities there in that market.

Martha Béjar: The only thing that I would add is that we also see those markets opening more from a global sourcing perspective. So, the opportunity now is becoming very interesting. A lot of the customer drivers has to do around process efficiencies and taking cost out to reinvest in new IT-led services for their customers, a lot of driver on customer experience. So, we see that market really opening up in that sense and so, we've invested and we're in place, and we are beginning now to see the reap the fruits and based on the work that we've been doing in those 2 markets.

Sridhar : Martha you can talk about our Meerbusch data center as well.

Martha Béjar: Which we just – so, along with our Infocrossing players as you know, we just opened our first data center in Germany as well to be able to service our customers in a way that is integrated from a BPO, IT perspective. And so that's all playing well to our strategy in Europe.

Moshe Katri: Okay. Thanks.

Martha Béjar: Thanks.

Operator: Your next question comes from Mark Zgutowicz with Piper Jaffray. Your line is now open.

Mark Zgutowicz: Well, I was just hoping, if you could provide a little more color on your comment about an investment on the discretionary side. I think you said that you will be working on that over the next 4 to 6 quarters, and I'm just curious why it might take that period of time to sort of get back in balance here? And then on the consulting side, I'm curious where your head count levels are today, and where you expect them or need them to be to meet the strategic value that your clients are demanding, which you mentioned? Thanks.

Girish Paranjpe: Mark, Girish here. Let me start with the consulting, and then I'll come back to the first question. On the consulting side, we have about 1,000 people who are doing pure consulting work. And these are spread, I would say, fairly proportionately in the three geographies, that is North America, Europe, as well as in India. And we have consciously invested in the last two years in bringing in senior folks with past consulting backgrounds into our team. So, this quarter, we added about 18 consulting partners, we already had a team of 38 consulting partners beforehand. So, that really, kind of, bulk-up our overall consulting client-facing capabilities.

And what we expect to achieve from this is not simply consulting revenue which has done nicely at 14% sequential growth, but to create both involvement in upstream work, as well as potential to do downstream, IT or BPO work. We do measure that in the form of what we think is value engineering, which kind to create some leverage, which is what we had achieved from the Wipro Consulting Group.

Suresh Senapaty: On the discretionary spending per se and I just like to throw some sort of color on that. There are two types of discretionary spending. One is customers investing in projects or more value-adding investments, which in tougher times they probably wouldn't have, but they want to do that in context of driving business transformation in future. So, those type of opportunities I think will be very, very well geared to address that and a lot of the contracts and lot of the work that we've got across the board, across all vertical service lines has been in that space.

The other type of discretionary spending is when customers have some projects to execute and give it to service providers for 50 resources or 100 resources of a particular profile and of a particular



Wipro Limited
Oct-22, 2010

skill set. Now, our push traditionally to back that sort of requirement from customers is to address it only on a very selective basis, address it on a very strategic basis, but not necessarily go after that market. Because, yes, you can get quick growth and you can get quick ramp-ups, but both from our perspective and a customer perspective it is not where the strategic value add that we are delivering to customer.

Now, we had not been able to address that demand, which has come up in the market over the last couple of quarters effectively. Now, going forward, we certainly want to look at some of our strategic accounts, whether we can leverage on that opportunity and whether eventually we can take on such call it staffing contracts, but converted into more fixed priced engagements on a steady-state basis. So, I thought I would give that perspective in terms of discretionary spending.

Mark Zgutowicz: Great. That's helpful. Thanks very much.

Operator: And your next question comes from the line of Joseph Foresi with Janney Montgomery Scott. Your line is now open.

Joseph Foresi: Hello. Just one quick follow-up. I wanted to ask about your client base. Maybe can you just talk about how spending is trending in your top client base? And any additions that you're seeing in recent quarters of maybe what vertical or geography those are coming from?

Suresh Vaswani: Yeah. Okay, this is Suresh Vaswani here. I think the client base additions that we had pretty much span across sectors and across geographies, so it is not that 50% of our client acquisition is in U.S. or Europe, it's roughly evenly set out across all geographies. One comment I would like to make on our client base is very, very clearly, our top 25 account growth is coming out strong, and it's coming out higher than the average Wipro growth rate. So, if you look at last quarter's data, the growth was around 7% as against the Wipro's growth of 5.7% in terms of top 25 accounts.

And the other factor that I'd like to bring your attention to is, how we've been able to grow the number of \$50 million customers, there's been an uptick in that, the number of \$20 million customers and the number of \$10 million customers, and this is really annuity revenue, which also gives you a sense of how our customer base is developing, our customer base is growing, both from a medium term and long-term perspective. In terms of very specific data on the 29 customers that we acquired this quarter, 14 were from the U.S., 7 were from the India and Middle-East, 4 from Europe, and 4 from Asia-Pac and other emerging markets. So, it is roughly spread across the geographies in terms of our revenues on these markets.

Joseph Foresi: Okay. Thank you.

Sridhar Ramasubbu: If there are no questions, we can close the call. Just check if there're any other questions and I will give my concluding comments.

Operator: There are no further questions at this time.

Sridhar Ramasubbu: Okay. Thank you very much for your participation. We'll post the transcripts post this call on our website and replay is also available. We're – IR team is available for any calls and I'll speak to each one of you. Thank you very much.

Operator: Ladies and gentlemen this concludes today's conference call. You may now disconnect.