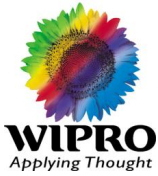




“Wipro Limited Earnings Conference Call”

2 P.M. IST

July 20, 2011



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Moderator

Ladies and gentlemen, good day and welcome to the Wipro Limited Earnings conference call. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should anyone need assistance during the conference call they may signal an operator by pressing '*' and then '0' on their touchtone telephone. Please note that this conference is being recorded. At this time, I would now like to turn the conference over to Mr. Rajendra Shreemal. Thank you and over to you, sir.

Rajendra Shreemal

Good afternoon to all of you and thanks everyone for joining us today. Good day from team Wipro to all the people joining in from different parts of the world. As the operator just mentioned, I am Rajendra Shreemal, I head the Investor Relations along with Sridhar in U.S. and Aravind in Bangalore, we handle the Investor interface for Wipro. It is a great pleasure and I welcome you to the conference call post our results for fiscal quarter June 30th 2011.

In this conference we have got Mr. Azim Premji, Chairman; Suresh Senapaty, CFO, T. K. Kurien, CEO, the SBU heads of the business and other senior management team from Wipro.

This call will be for an hour and so we will start with an address from Mr. Premji, which will be followed by an address by Mr. T. K. Kurien and then financial highlights by Mr. Senapaty and post that we will have a Q&A discussion.

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 uncertainties 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 thereof. This conference call will be archived and the transcript will be available in our website www.wipro.com.

Let me now hand over the floor to Mr. Azim Premji, Chairman, Wipro.

Azim Premji

Good afternoon to all of you. Wipro Limited recorded revenues in Quarter 1 of Rs.86 billion, a year-on-year growth of 18%. Net income for the quarter was Rs. 30.3 billion. Talking about the IT business, the management team has settled into the new structure in the IT business and there is more optimism in the organization than 3 to 6 months back.

We are focusing our energies on deal conversions as well as world-class executions. We are making appropriate investments to create differentiation in the market place and would like to get back to good growth rates.



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We have concluded the acquisition of SAICs oil and gas business which is very strategic to us and which significantly enhances our domain capability in the upstream area making us a strong end to end player in the oil and gas space. I will have TK give a broader overview about the IT business a little later.

Let me talk a little bit about the macro environment as we see it. The environment continues to be volatile, it is impacting various businesses differently and we watch it closely. Customers are prepared for a longer period of economic uncertainty and are looking for avenues of growing their business in such an environment in addition to taking out cost. In IT business we have not seen any change in the decision-making cycles of customer buying, behavior and overall environment continues to be positive.

Consumer care and lighting business continues to do well. Santoor continues to be the number three brand in India in value terms in toilet soap category. Unza has been doing well across geographies we operate in. Yardley has been performing much better than expectations. We will seek leadership positions in personal care in India, Malaysia and Vietnam. In Wipro Infrastructure Engineering, Asia and Latin America are clearly emerging as the highest growth markets for hydraulic cylinders driven by significant investments in infrastructure development. We have entered the Brazilian market through acquisition of RKM. We have set up a new capacity in China. We are excited about the growth potential in this business, particularly in the developing markets.

Eco-energy, we see great opportunity in the eco-energy in our cleantech business as customers becomes increasingly aware of the importance of ecological sustainability. We help our customers reduce the energy footprints, recover energy losses in the energy deployments and replace conventional with renewable energy resources. Overall I see an exciting future for Wipro Limited and I am confident we are on the right path.

I will now request TK to give a brief overview of the IT business followed by Suresh Senapaty to give you the financial highlights.

T. K. Kurien

Good afternoon folks. Our journey towards building the Wipro for tomorrow is truly underway and as we discussed earlier our blue print for change in line with the new business reality where speed, agility and information are not seen as threat but as opportunities. As we go through this transformation of the organization, there are near-term implications in terms of performance. As guided our quarter was literally muted with revenues of USD 1407.5 million at a sequential growth rate of 0.5%. However, we exit the quarter with a much more positive outlook. Let me share the reasons for such optimism. We are starting to see an uptick in the order book in some select momentum businesses that we had kind of called out earlier. Our client engagement management structure is working in these businesses and we have seen account sizes scaling up. Interesting data point that most of you would have probably missed is that the average size of our top 10 customers has crossed \$100 million. And we have four



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customers with revenue contribution of more than 100 million. Again these are early signs but encouraging ones.

From a market perspective we have increasingly seen IT transform from the support function to a source of competitive advantage, across customer organization. Customers are leveraging technology to innovate and differentiate the market place. What this really means is that our ability to call it a business, our ability to interact with business and connect with business, to come up with a set of solutions which really impacts top line is going to be of significant value. Behind these are some mega-themes that we see which are going to play themselves out over the next couple of years. The first mega-theme that we see is innovation to work in a world of constraints. The second one that we see is something that most of you can relate to is around the variabilisation of IT to enhance business agility. The third is consumerization of IT. Basically something that really can surge business value to productivity. And last of all it is driven around analytics which is based upon experimentation and performance improvement. Let me give you an example of how this would work. Let us take analytics for example. Today we work with one very large provider globally in the banking segment to work with them to create risk analytics which can drive back performance measures on a real-time basis. This is not a technology platform that we are selling. What we are really going out there and selling is a point of view from the eyes of the chief risk officer. And technology just happens to be a platform which we are using to enable this.

Last of all, if you look at another mega-theme, it would be around mobility and the third would be around cloud. These are the sub-themes which drive the top four themes we talked about. If you look at cloud and if you look at our manufacturing business, last quarter more than 30% of the total order booked by our manufacturing business, has come from cloud related areas.

So to conclude, at Wipro the foundation of the new Wipro is in place and as we continue to enable our clients do better and this will reflect in a better outlook for us. Thank you. Let me hand it over to Senapaty to make his comments.

Suresh Senapaty

Good day, ladies and gentlemen.

Before I delve into our 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 30th June, 2011, for cable transfers in Indian Rupees, as certified by the Federal Reserve Board of New York, which was \$1 equal to Rs. 44.59. Accordingly, revenues of our IT Services segment that was \$1407.5 million or in Rupee terms Rs. 64 billion appears in our earnings release as \$1436 million based on convenience translation.

However, IT services revenue for the quarter ending 30th June was \$1407.5 million on a reported basis, a sequential growth of 0.5% and a year-on-year growth of 16.9%. Our acquisition of SAIC contributed \$10 million to our revenue in the current quarter. Our



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guidance restated on the basis of actual cross currency realized was \$1389 to \$1417 million and organic revenue of \$1398 million is in the range of our guidance. However, as the organization settled into the new structure there was muted growth across segments which do not necessarily reflect the underlying demand opportunity there. We saw energy and utilities show strong growth of 14.4% of which about 7.5% will be organic. Analytics had a strong quarter with 7.6% sequential growth while APAC and other emerging markets showed a double-digit sequential growth.

I said last quarter that client's engagement is our top priority. In the current quarter on a trailing 12 months we have four accounts which are more than 100 million in revenues up from three. On a quarter annualized basis we have six up from five. In addition to farming our customers we have also opened 49 new logos, this positions us well for growth going forward. Volume growth in the current quarter was 1.8%, 1.4% on an organic basis, however, we saw on-site volume growth much faster at 5.8% and 4.9% organically, as new projects starts increased. We saw drop in revenue productivity with on-site realization dropping by about 0.8% and offshore realization decreasing by about 0.4%. We are seeing stable price environment overall though. The voluntary attrition was flat, we have given our annual cycle of wage revision effective 1st of June, 2011 and we expect attritions to trend down as we look forward including the current quarter. Operating margins for IT services was marginally down at 22% with an impact of salary increase for 1 month and drop in revenue productivity offset by gain in Forex and other operating parameters. As of 30th June our days of sales outstanding was at 77, up from 70 in the previous quarter, this increase is more due to temporary mismatch of milestone billing and revenue recognition which we expect to correct from the current levels going forward.

The IT product business showed a 21% year-on-year growth in revenue in the current quarter and operating profit growth of 26% year-on-year in the current quarter. Consumer care and lighting business continue to see good momentum with revenue growth of 18% year-on-year. On the foreign exchange front our realized rate for the quarter was Rs.45.50 for our IT services business versus a rate of Rs. 44.91 realized for the quarter ended March 31st, 2011. On a quarter-on-quarter basis Forex gave us a positive impact to margins including the benefit of cross currency of 1.7%. As of period end we had about \$1.6 billion of hedges outstanding. Our OCI losses reduced to Rs.96.7 crores which is about \$22 million in the current quarter from about Rs. 1.2 billion in the previous quarter. The effective tax rate for the quarter is 18.9%, that is primarily because of the software technology part going out of the tax holiday and also some of those revenues coming from SEZ becoming taxable because of the lapse of the first five years where it is exempted for 100% versus the second five-years where the exemption is only for 50%. Our net cash balance on the balance sheet was \$1.3 billion. We generated a free cash flow of about \$30 million during the quarter impacted by higher DSO. Our guidance for next quarter is 2% to 4% sequential growth of IT services which includes around 2% contributed by SAIC. We will be glad to take questions from here.



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Moderator

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Ankur Rudra from Ambit Capital. Please go ahead.

Ankur Rudra

I have got three questions, the first one could you clarify what was the margins for SAIC and what are you building into the guidance of 2nd Quarter? And the second is a broader question maybe for TK in terms of compared to the clearly strong seasonality in Q1 and Q2, the guidance underperformance is weaker than the sector. What sort of time frame should we expect as analysts and investors for this to recover to industry levels of growth? And third, can you comment on the challenges in Japan and the points for strength in Europe? Thanks.

T. K. Kurien

May be Senapaty can take the first question, I will continue with the next.

Suresh Senapaty

So the SAIC acquisition has impacted quarter one operating margins by about 0.1%. So far as Quarter 2 is concerned we have not given any guidance for margins except to say that there are some headwinds in terms of the full quarter impact of the compensation increase that we were talking about. But there is no specific guidance that we give for operating margins today.

T. K. Kurien

So the other question you had on growth I think we have been very consistent in terms of messaging when we would come back to growth and that is really we have said 2 to 3 quarters from April of this year, that is really what we have been messaging. There is nothing that we see as of now that makes us believe that it is going to be later than that, there is also on the flipside nothing that we see that makes us believe it is going to be fast than that. So to that extent what we really seeing is we are watching a couple of lead indicators that we believe are important for us to kind of monitor on a regular basis to figure out how that is moving. One of them is the pipeline buildup and the second is our order position. Both these gives us hope and in Quarter 1 a little bit of satisfaction that we are on the right path. That is broadly where we are.

On the second question on Japan, we saw ability after the tsunami and the earthquake which is a terrible tragedy for the Japanese people. I think what we saw was a lull in terms of demand for some time. But we are seeing demand coming back surprisingly in sectors like manufacturing, in technology and as of now we remain fairly sure about the fact that the Japanese markets for us would grow both in the near-term as well as in the long-term. As far as Europe is concerned I think what is going to happen, number one, the whole debt crisis issue as of now the effect of that we are seeing it not across industries but we are seeing the impact in a very different way. Let me give an example, if you look at manufacturing in Germany it is extremely strong. If you look at banking in continental Europe there aren't many cutbacks in terms of capital expenses happening out there. We are seeing some weakness with Swiss Investment Banks but that is what we are primarily seeing in Europe. We are not seeing a secular trend where debt has become such a big issue where growth is being affected. Overall as far as Europe is concerned and as far as the rest of the world is concerned given the issue that we see every day I think one quality that we are trying to build into the enterprises, is the

ability to react to the market rather than anticipate the market because frankly I do not believe that we can ever be in the position when we can anticipate markets. So our ability to react to the market can kind of transform quickly based upon changing market situations is what is going to differentiate us.

Ankur Rudra

Thanks a lot.

Moderator

Thank you. The next question from the line of Vihang Naik from MF Global. Please go ahead.

Vihang Naik

Good afternoon and thanks for taking my question. The pricing seems to have dropped pretty sharply especially in terms of constant currency. How are we seeing the pricing outlook and what were the reasons for the sharp drop?

T. K. Kurien

Maybe I will take this question. As far as pricing is concerned what we have seen is a drop is 0.9 and 0.4% .0.9% on-site and 0.4% offshore .I would not read too much into those numbers. Last quarter, thanks to the seasonality that we had typically in Quarter 4 which is Quarter 1 for everyone, is really what has affected some of the price declines that we have seen in this quarter. Overall if you look at it the pricing environment in some segments continues to be robust where we believe that pricing would actually go up and there are yet other segments where we believe that pricing should actually come down. So, for example, if you look at areas like analytics, if you look at areas like core services like ERP, especially on some parts of ERP on the consulting side, we see rates actually going up. So overall we see probably a flat pricing environment with in the near-term probably an upward bias.

Vihang Naik

You have said that despite the tepid volume growth during the quarter we have seen that the deal pipeline is shaping up pretty good as we exit the quarter. Which sectors are basically seeing this strong pipeline buildup?

T. K. Kurien

We are seeing the pipeline buildup really today if you look at our momentum verticals we have four momentum verticals that we have called out. One of them is BFSI, the second one is energy and utilities especially in the oil and gas side, the O&G side. The third is retail and consumer products. And the fourth is healthcare. If you look at these four momentum verticals that we have called out each of them are in different stages of evolution. So our pipeline growth really has been in two areas, one is around our oil and gas, primarily E & U vertical. And the second one is around our BFSI business. Both these we have seen pipeline buildup. And the other ones we are waiting for them to kick in, even though healthcare is going to be slightly longer-term, we are not going to expect great growth in the short-term as far as healthcare is concerned. We are right now on investment mode as far as that business is concerned.



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Vihang Naik

Lastly, as against your competitors who have seen even a voluntary TTM attrition come down especially in this quarter, we have seen attrition been quite stubborn. How are we looking at it would you have to probably give a midterm salary hike or anything else?

T. K. Kurien

Let me answer that question, the mid-time salary hike and get it out of the way. I do not think people leave the company because of salary, I mean some of them obviously do but not all of them. And for us I think it is a question of a couple of things. One is, if you have looked at our re-org that we went through, we had a significant number of redundant positions that came up. Positions just went away. When positions go away obviously what happens is the people who are there, who have been manning those positions, also some of them find that they do not have a job within the system. The strange thing is that the good ones always quickly find roads for themselves, some others who are little bit slower in getting roads probably would have to move out. And that is primarily what has happened last quarter. So a data point which may be interesting to you is that our attrition in the month of April, if we compare it with attrition in the month of July, the delta is about 5% points. So I see no reason for giving a salary increase right now. Our salary increase cycle is fixed for 1st of June every year and we are going to stick to that. We do not propose to have interim salary increases.

Vihang Naik

Okay, great, thanks.

Moderator

Thank you. The next question is from the line of Srivatsan Ramachandran from Spark Capitals. Please go ahead.

Srivatsan Ramachandran

Just wanted to get your comments on a few comments you made on media about a couple of \$500 million deals, just wanted to know any more color you could give on verticals or existing clients, just wanted to understand that?

T. K. Kurien

It is primarily BFSI, and it is not one deal which is \$500 million, it is two deals which we said over \$500 million. So just to clarify so we do not want you to carry that impression that it is two \$500 million deals.

Srivatsan Ramachandran

Just wanted to understand how do you see the BPO business, because on a YOY basis also it has not been doing pretty well. Generally we do know that ramp-ups take time there but off late it has been pretty soft, anything specific that is causing this kind of softness?

T. K. Kurien

Srivatsan, we have had a change of management there and Manish Dugar, who was our CFO now runs the business. I will ask Manish to give you some color as to what he is seeing in that business in terms of opportunities and where we see is the potential pitfalls.

Manish Dugar

What you talked about as a year-on-year number is pretty much in line with what NASSCOM is talking about BPO growing as an industry and BPO is a little lower than what IT is and to some extent they are influenced by the sensitivity around large number of job losses and

joblessness. But having said that, interesting stuff is happening from an overall Wipro perspective as we are talking about IT plus BPO strategy together, we are looking at several opportunities where we are having a platform play and many of these actually are deals which will start small and eventually scale up. And as you rightly said because long decision deals, we will announce a large deal on 26th of July and that will be a significant growth that will come in and there will be opportunities that we will be working on may not be significant in terms of size as we win them but given the vertical oriented solutions and given the kind of deals that we are working on, we believe that the pipeline is much different from what it was before and we should be able to see a momentum coming back from a revenue perspective in 2 to 3 quarters from now.

Srivatsan Ramachandran Thank you.

Moderator Thank you. The next question is from the line of Sandeep Agarwal from Antique Stock Broking. Please go ahead.

Sandeep Agarwal I have a couple of questions, first of all where do you see the utilization rates and the attrition going forward? Second question is on, how will you exit FY12 and FY13 on the effective tax rate? Thirdly, how do you foresee revenue growth from Asia and particularly India?

T. K. Kurien I will pass it on to three of my colleagues. Saurabh would talk a little bit about utilization and attrition. Saurabh runs our HR function. I will pass it on in terms of effective tax rate to Senapaty who is our Corporation CFO and as far as the India business is concerned Anand Sankaran, who runs our India, Middle East and Africa business, will also kind of give you a color of what is happening out there in terms of that business.

Saurabh Govil First on attrition, as TK mentioned sometime back, we are seeing a clear downward trend on attrition and our estimate is for Q2 we will be below sub 20% as far as attrition is concerned. On utilization we think we will remain flat and constant the way we are seeing it, we do not see much change on utilization front.

Suresh Senapaty On the effective tax rate we expect it to be around the MAT rates, which is about 20%.

Sandeep Agarwal For FY12 and FY13 both?

Suresh Senapaty A little too ahead but we do not expect too much of a change to that.

Anand Sankaran In the India business our target as far as IT services is concerned that is always been to grow 50% faster than the market and I think we will be able to sustain that momentum this year. The market growth is expected to be between 16% to 18%.

Sandeep Agarwal Okay, thank you.



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- Moderator** Thank you. The next question is from the line of Hardik Shah from KR Choksey. Please go ahead.
- Hardik Shah** First question is, what is the incremental revenue contribution that you have considered from SAIC Q2 FY12?
- T. K. Kurien** It is about 2% in the guidance. So it is \$40 million.
- Hardik Shah** Second question is are you witnessing any ramp down by top five clients of yours in the coming quarters because in this quarter if we see the revenue from top two to five clients the revenue has come down by almost 10%?
- T. K. Kurien** We have not seen any ramp down in the top five customers. Sometimes this lumpiness in revenue that happens in quarter to quarter is based upon completion of projects so that is what is happening. So to that extent I would not read too much into the revenue of the top 5 customers as being something exceptional.
- Hardik Shah** Final question, because of the large deal wins in BFSI, are we required to make any investment and will this have any impact on the margins in one or two quarters?
- T. K. Kurien** No investment other than normal investments that is done in the course of business but if you ask me am I going to buy over a lot of stuff, the answer is no.
- Hardik Shah** Thanks, that's it from my side.
- Moderator** Thank you. The next question is from the line of Anthony Miller from Tech Market View. Please go ahead.
- Anthony Miller** I have got a couple of questions about Europe, please. Firstly you mentioned that you brought on 49 new logos in the last quarter. Can you tell me how many of those were in Europe?
- T. K. Kurien** Four of them were from Europe, Anthony.
- Anthony Miller** That includes the UK as well?
- T. K. Kurien** I guess it does include the UK.
- Anthony Miller** What would have been the lead services that you used to win those new logos in Europe and is that different in Europe that inside the US?
- T. K. Kurien** See here is what happens in Europe which is a very interesting trend that we see and the trend defers from continental Europe to UK. If you look in UK for example, a lot of all our deals, almost 100% of our deals are consulting led. If you look at Europe most cases what we find is,



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most of them are around platform integration kind of deals and most of them are still in the back office function. We also see some infrastructure deals coming up in Europe and that in continental Europe coming up from sectors like banking and from sectors like utilities.

Suresh Senapaty And another interesting point is that 80% of these additions are in this momentum verticals, retail and transport, energy, utilities, healthcare services and financial services.

T. K. Kurien So if you look at our entire approach handling, what we have done is that we have said in the momentum verticals we really have to push ourselves. And I think that is really where 80% of the business is coming from that particular area. A lot of work is also coming in from things like compliance related activities especially from banking, around Solvency II kind of areas.

Anthony Miller Thanks very much.

Moderator Thank you. The next question is from the line of Amar Mourya from Indianivesh Securities. Please go ahead.

Amar Mourya What was the gross addition in this particular quarter?

Rajendra Shreemal We normally give you the net additions which were there in the PR which was 4100 people.

Amar Mourya Okay, thank you.

Moderator Thank you. The next question is from the line of Girish Pai from Centrum Broking. Please go ahead.

Girish Pai This is regarding pricing and TK you mentioned that in certain verticals, in certain areas you are seeing pricing pressure. Can you tell us which these particular segments are?

T. K. Kurien If you look at stressed verticals in terms of pricing, I think it is not necessarily with regard to specific vertical kind of services, more horizontal kind of services. So if I look at application management by itself at service line that clearly is a service line where thanks to different modes of delivery, the pricing has been coming down pretty significantly for vanilla kind of legacy AM. But as you move up into differentiated services like for example analytics, the pricing environment actually improves. It is a trade-off between run rate business that you get and project business that you would like to get for rates. So that is the balance that we have to manage almost on a dynamic basis to make sure that we manage the trade off effectively from a profitability and from a go-to-market perspective.

Girish Pai On those two deals in the BFSI sector, can you give some details regarding who these deals were won against, were these Indian players, global players, and what was the reason why Wipro won those deals?



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T. K. Kurien

So, I will ask my colleague, Soumitro Ghosh, who runs our BFSI business to comment on that but to just give you little bit of color on competition who they were and in both cases we had plenty of competition on a global basis but more than that I think what helped us to win was two things: one was the fact that we were sitting in the client base, our ability to up-sell is something that we would like to clearly kind of capitalize on which is really what we have been messaging all these years as our CEM model. I think these are two examples where they worked and Soumitro can throw some color in terms of the work that we are doing in each of these areas, what they mean from a technology perspective and what they mean from a business perspective?

Soumitro Ghosh

So one of the accounts is the Universal Bank and we are an incumbent out there. So their existing platform is a legacy platform and post the downturn they wanted to really drive their new business growth so the existing platform was not so flexible from a perspective of launching the new products. So what we are doing is a global replacement of their platform with something more contemporary and off-the-shelf product, so that is one. Second is, a buy side company in the asset management and asset servicing space and they are driving a huge initiative in terms of business operations in IT transformation and the role which we are playing there is the ADM partner for making this transformation happen as well as help them in moving a lot of their applications into cloud as well as their R&D areas, for example new products like derivatives clearing or a lot of the asset management companies are really outsourcing the work, the middle-office and the back-office work so there is a platform being created. So we are helping them in R&D, we are helping them in new technologies like cloud as well as on the app maintenance and app development work.

Girish Pai

Lastly, my question is on salaries. What is the quantum for offshore and onsite and did both of them kick-in in the month of June?

T. K. Kurien

Girish the answer is, yes but on what we have done exactly, Saurabh Govil, who is our head of HR can kind of talk on that.

Saurabh Govil

We have communicated earlier in the last call in the same format both onsite and offshore salary increases are effective 1st of June. We have given a range of increases in offshore which is 12% to 15% and 2% to 3% onsite.

Girish Pai

Does the promotions also kick-in from the June quarter?

Saurabh Govil

From 1st June, yes.

Girish Pai

Okay, thank you.

Moderator

Thank you. The next question is from the line of Pankaj Kapoor from Standard Chartered Securities. Please go ahead.



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Pankaj Kapoor Just a couple of clarifications. First if you can give me the number of employees we got in from the SAIC acquisition?

Rajendra Shreemal Some 1500.

Pankaj Kapoor Second if I just look at the available effort for the quarter in the global IT business, there is an increase of less than 1% quarter-on-quarter whereas of course our total employees base even if I exclude this 1500 odd number, has gone up by over 2%. Also looking with the utilization that has increased sequentially and the fact that you mentioned earlier in your media interaction that 70% odd hiring in this quarter has been freshers. Does it mean all put together that the hiring has been more in the BPO / India Middle East business and less so on the global IT?

T. K. Kurien Maybe I will ask, Sambuddha Deb, who is the head of Delivery, to answer that question.

Sambuddha Deb Actually, Pankaj, the main difference is between the average and the exit rates. When we look at the numbers, we look at averages but when you look at headcount, you look at exits. So, there is a difference because certain amount of our recruitment was sort of back-ended.

Pankaj Kapoor Just one final question on the restructuring. In the new BUs that has been created, how has been the fungibility of the employees across verticals? Are they all aligned to a particular vertical or a group or they are all fungible across the verticals?

Sambuddha Deb This is a little more, I would say 'yes' or 'no' type of answer. What we look at is that the lower end, when people are actually dealing more with technology they are sort of BU agnostic but technology specified. As they go up the ladder and they gain more experience, they start specializing in BUs. So if you ask me, how much of the employees are fungible? Well, a large part of our employees are fungible because they are technology oriented so if two BUs use same technology they are fungible across BUs. At the same time we encourage people to actually specialize in BUs because end of the day, the whole idea of BU specialization is to ensure that you align yourself to the customer segments.

Pankaj Kapoor So, is it possible to put a percentage to the base which is actually fungible in nature?

Sambuddha Deb See the thumb rules are like this, like if you take people below five years of experience, they are more in the fungible lot and if you take people above five years in experience they are less fungible as they go up until they take a very senior level when they again become very fungible. So I would say five or less years is the fungible lot.

Pankaj Kapoor Okay and what would that percentage be of our current base?

Jatin Dalal Pankaj, that is not a number that we have sort of shared externally. To your first question of the people who have come on board from SAIC, while 1500 sort of employees who have come

who are in billable positions, the actual people on roll is something like 1320, the rest are sort of sub-contractors, I just wanted to make that clarification.

Pankaj Kapoor

Thank you and all the best.

Moderator

Thank you. The next question is from the line of Omkar Hadkar from Edelweiss Securities. Please go ahead.

Kunal Sangoi

Just wanted to understand, what is driving the near-term weakness for you in maybe this quarter and next quarter?

T. K. Kurien

Kunal, it is very simple, we have gone through a restructuring a couple of quarters ago. The sales team has been realigned along the vertical axis. I think there has been a little bit of churn as far as the field is concerned to make sure everything is stable and we are working effectively and that I think is over. It is a little early to see results and that is why we believe that we did a restructuring we were clear that we will have a couple of quarters and we would get affected. I think we communicated that with street. We are living by our commitments and we expect to see that the timeframe that we had committed also are kept. That is primarily where we are today.

Kunal Sangoi

The other question is that in terms of the account management structure for the top 20 or 25 accounts, how has that been re-aligned or re-furbished if you can throw some light on that?

T. K. Kurien

So what I will do, I will ask my colleague, Bhanumurthy who runs the retail business to come in and talk through that.

Bhanumurthy B. M.

Hi, this is Bhanu and I manage the retail consumer goods stock transportation and government business. We have been talking to you a little bit about the account mining strategy that we have been adopting and the account structures that we have been putting in place. We specifically focused on a set of accounts across the board and we implemented the client engagement management structure for that. So within my group definitely we can talk about some of the accounts where we won the accounts by themselves we see good potential today, they are already big and we keep those potentials and there are some accounts where, even though they are small today, we see a huge growth potential. So consequently we have implemented a dedicated account management structure for each one of them. The results are easy to see already in the pipeline that we are seeing. The quality of our pipeline within RCTG if I look at in terms of additions, the percentage has definitely trended towards higher in terms of the focused accounts that we have put the account management structure in. So the initial results from the account management structure, one, the pipeline is trending towards most favorably to customers where we want to invest in. The second element that we are seeing is that because the structure is very clear and there is an assigned responsibility for various people, our ability to understand the customer better and consequently create a lot of proactive

proposal for the customer which is relevant that has increased. So in the pipeline the proactive proposals percentage has increased as well. The last result which is another visible result that we could see is that the quality of our conversations has tended more towards the discussion on possibilities rather than a discussion on a deal in the specific situation. So those are the three big things that have happened and we see a good reason to continue to invest in that structure.

Kunal Sanghvi

So of the new deal wins, I think you earlier mentioned 5 to 6 large deals win among them how many of them would be from your existing top accounts?

Bhanumurthy B. M.

From a deal in perspective, all of them.

Kunal Sangoi

In the BFSI you did mention that two deals cumulatively TCV of about 500 million plus. How much of revenues we are already getting?

T. K. Kurien

We cannot comment on that specifically but most of the business that we get there would be incremental.

Kunal Sangoi

Lastly, if you can share your margin outlook for the rest of the year or going forward next quarter suddenly salary hikes come, so what kind of leverage you have and what kind of investments you would be making against that?

T. K. Kurien

I will just hand the call to Jatin but I will just leave two data points with you. This quarter we have taken one month of compensation increase already in and second data point I will leave you with is that this quarter if you look at our financials, 0.6% has been the increase in sales and marketing cost. So we have increased our sales and marketing cost, we have taken one month compensation. Jatin, you can now talk about the levels going forward.

Jatin Dalal

So Kunal, you are aware that we do not give any specific guidance for next quarter or future with respect to the profitability. As TK mentioned, we have taken a one-month impact in the current quarter and still sustained our margins in the current quarter. Going forward we will have a two month impact, so that is a headwind. We will continue to remain invested in sales and marketing, we have increased it this quarter and we will continue to remain invested. So we have had wins, at the same time we have sort of levers in terms of bulge, per person cost improvement, the subcontracting cost. So we will continue to work on all of that and see how much of that can be mitigated but having said that we do not have a specific guidance for you.

Kunal Sangoi

All right. Thanks a lot.

Moderator

Thank you. The next question is from the line of Sandeep Shah from RBS Equities. Please go ahead.



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Sandeep Shah

If you look at the ex of the Forex or the hedging reserve, the margins have declined in this quarter by close to around 68 to 70 bps and if you look at in the coming quarter we will have an additional two months impact through wage and even coming quarter on organic basis the growth may not be that big. So is it fair to assume that the impact of the wages will be proportionately higher in the coming quarter ex of Forex?

Suresh Senapaty

In the current quarter, salary impact was only one month and next quarter will be three months, there will be. But we have seen in the industry whenever this compensation increases take place margin drops but then it gets recovered over a period of few quarters thereafter.

Sandeep Shah

So most of the levers which Jatin has spoken maybe coming in the 2nd half rather than coming in 2Q?

Suresh Senapaty

Well, if you look at it even in the current quarter itself some of the levers have come in. For example while the compensation has gone up there has been an improvement in the bulge in the current quarter itself because there has been a substantial intake of campus hires in the current quarter itself. So as we have said we will increase the mix as we go forward and some of that balancing will happen. Plus the non-linearity initiative continues to kick in so we will get some stuff there. Some softness that we saw in terms of the price realization in Quarter 1 our endeavor will be to see some recovery fast enough in future quarters. So there are multiple areas that we need to look at it but definitely the headwinds of Quarter 2 are much more stronger.

Sandeep Shah

Secondly, in terms of the SAIC, the 2nd Quarter run rate is 40 million than the full year revenue could be 160 million so it looks like a decline of 15% from 188 million which we have announced at the time of acquisition. Is it more to do a seasonality or is there any change in the growth rate?

Suresh Senapaty

We have not given the annual run rate. All we are saying is the revenue in the current quarter is expected around that. So as you know that it is a consummation just about on the 10th of June we do have a plan in place but as we go forward we will be able to communicate much more clearly but we do not have a guidance for you for the whole year basis.

Sandeep Shah

And sir, the last question if you look at the YOY growth in terms of the US it has been as low as 8%. Is it fair to say that most of the restructuring impact has been more seen in the US versus rest of the market?

Suresh Senapaty

The restructuring impact in the United States?

Sandeep Shah

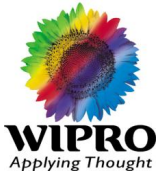
What I am trying to say is maybe more restructuring might have happened in a client facing staff within the US?



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- T. K. Kurien** Not necessarily. I think what happened was that if you looked at our past, how US growth rate has been a little stressed out over the past couple of quarters and fundamentally you are seeing the effect of that. The new deals that we have won are all from the US. So current sense we do not see this continuing on a going forward basis.
- Sandeep Shah** Thanks and all the best.
- Moderator** Thank you. The next question is from the line of Dipesh Mehta from the line of SBI Cap Securities. Please go ahead.
- Dipesh Shah** First I need some data points. If I see this quarter DSO as well unbilled revenue it is showing sizable increase, your comment on that because your operating cash flow is showing subdued performance for this quarter? Second is about rent expenses, it is showing some kind of aberration so any reversal or any change in that and third can you provide some data points which gives us confidence of above average industry growth in CY12?
- Suresh Senapaty** When we come to the last one, Dipesh, the very fact that we had a softer quarter last than current one, it will not be fair for us to look at FY12 as any kind of sacrosanct number but what we look at is, how this next four quarters is looking as opposed to the fiscal FY12 is looking. So that is where we should look at and otherwise there is no sacrosanct kind of FY12. The other thing you talked about is unbilled revenue, so we have seen typically the kind of contract that we are taking in terms of transformational deals, longer term contracts, there are fixed-price projects, milestone billing and so on. So there are certain stages of the projects where you tend to have the milestones of billing little delayed as opposed to the effort that follows. So from that point of view there is a little bit of investment there, there is a little bit of unbilled component there which is sort of wind down as you go forward into the subsequent phases of the project. But at this point in time since these are the kind of contracts that are undertaken, you see the impact in terms of an adverse happening. But when you get into more or more of contracts of that nature you will get to see much more averaging out taking place. So this point in time we would expect that in coming quarters there will be much more moderation that will happen to those kind of unbilled outstandings.
- Dipesh Mehta** Last is about rent expenses?
- Suresh Senapaty** There is no specific explanation we give on line high items because more and more were getting into owned buildings, there are very lesser number of cases which we use rental properties, unless there are some kind of emergency kind of cases typically we buy land and build the buildings otherwise rent is not a very significant line item for us as we get into committing more and more space.
- Dipesh Mehta** Can you provide Capex for FY12, what we have planned out?

- Suresh Senapaty** Again we don't give Capex specific guidance because if you look at the overall dynamics, it is the quality of the revenue and the speed at which you will them to be able to execute and neither do we talk about the Capex guidelines nor do we talk about the headcount addition that we have planned for because they are as much as just in time to be able to make sure that you have an optimum utilization and similarly optimized with the additions of facility but we definitely build facilities ahead of time. For example, land is something that you typically try and buy bigger pieces of land and shell is the one which takes the maximum time and therefore you try to keep them ready and thereafter if you take three to four months to stop the balance to be able to start production. And that is how it operates. So olden days while it had a significant bearing, with the kind of scales that have gone up, the intensity of that in terms of overall cash flow is not that much high.
- Dipesh Mehta** And the last question is, is there any seasonality in tech business or revenue generating quarter-to-quarter or there is no seasonality?
- Jatin Dalal** It is an IT services business as such there is no different seasonality to that compared to what we see in the rest of our business.
- Suresh Senapaty** Dipesh if you are looking for actual Capex for Quarter 1, it was 250 crores.
- Dipesh Mehta** Thank you.
- Moderator** Thank you. The next question is from the line of Ashwin Mehta from Nomura. Please go ahead.
- Ashwin Mehta** There is a 20% jump in terms of employee expenses under S&M and there is a corresponding 17% decline in employee expenses in G&A. So is there a re-allocation out there or some savings that we have done on G&A and significant investments on the sales side that we have done?
- T. K. Kurien** The second is more relevant. So while we have gone through the restructuring we have been very clear that we maintain a ratio within that we call it deal-to-fat ratio. So the idea was to see what we can do with the fat and how we can add more deal.
- Ashwin Mehta** The second one is in terms of internal subcontracting cost, we have seen almost a 9 million drop in this quarter. Is this largely related to reduction in onsite contractors and have they consequently been replaced by our own employees onsite?
- Suresh Senapaty** When you look at the onsite contract it has components of our own expenditure and certain things that you do for the customer as a pass through. For example, you pick up a project and part of the project you sub-contract. So that is what also happens. So we feel this component that you have is a combination of both. So to the extent of the pass through it has declined but



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otherwise our subcontracting cost has actually gone up. And that is one of the levers that we will want to use for Quarter 2 onwards to be able to help mitigate some of the headwinds on the margins.

Ashwin Mehta Lastly, in terms of SAIC acquisition out of the 1500 people what would be the proportion onsite?

T. K. Kurien AP, you want to answer that? Anand, who runs our energy and E&U business will answer that.

Anand Padmanabhan Roughly about two-thirds would be onsite, close to about 750 to 800 people would be onsite both in US and Europe.

Ashwin Mehta So in terms of our onsite volume growth then almost 40% of our onsite volumes growth would actually have happened because of SAIC in that case?

Rajendra Shreemal No, if you look at the overall volumes growth of 5.8% and excluding SAIC it was 4.9%, organic volume.

Ashwin Mehta Thanks a lot.

Moderator Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain My question is, if you can share some input on the arrangement we have with Temenos, because I believe we have some committed revenue of \$18 million and considering the status of the recent guidance cut but considering these slow sales cycle in Europe?

T. K. Kurien I will ask my colleague, Soumitro, to talk about that. We will not be able to talk specifically about committed pipeline and things like that. What we can do is, Soumitro can give you some color about Temenos and where are these plans at this point of time.

Soumitro As you know we have an exclusive tie up with Temenos for setting up a core banking utility and we also have a partnership arrangement for selling the license to the Tier-1 customers. So as per plan the utility is supposed to be commissioned by the end of this quarter and we are well on way to achieving that. Second, we have also been talking about the initial customers and we have already identified three and we are engaged with them. So overall we are very much aligned to the plan which we had shared earlier.

Rahul Jain In a way we are saying that the utility is specifically for the SMB segment.

Soumitro That is right. That is for the Tier-2, Tier-3 bank.



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Rahul Jain But anything we can read considering the recent sharp cut in their guidance specifically for the Europe?

T. K. Kurien Nothing particular that we are seeing.

Rahul Jain That's it from my side, thanks.

T. K. Kurien And we would like to take Mr. N.S. Bala, who runs our manufacturing hi-tech business to give you a little bit of color about what we see in demand and also Sangita Singh who runs our healthcare business who can come in and talk a little bit about what is happening in the health care business.

N.S. Bala Hi Rahul, this is Bala, I run the manufacturing and the hi-tech business. So couple of things are worth noting in the segment that I manage. One is that from a design cycle perspective there is a lot of activity in manufacturing. One is through with increasing number of products being introduced to the emerging markets which is leading to a lot of design. And the other is the whole trend towards device convergence because of which there is a lot of focus on product design. So that is an area where there is an increased amount of activity and demand testing from customers. The other part of it is that as the segment comes out of the recession that we saw in 2008-2009, a lot of the enterprises now want to build an asset-lite base that allows them to flex with the cyclical nature of their business and, therefore, we see a lot of discussions around the clouds which are not just around the infrastructure but more around the apps and the infrastructure combined in the form of a cloud service offering. So we have had a fair amount of success this quarter in terms of the order book on cloud based offerings. So those are two trends I was mentioning and as we go through the quarters we expect to see more and more discussions with the business side of the segment. I may add one more comment, the third thing perhaps is worth mentioning is on the devices, as devices become more intelligent we have been seeing a lot of action in the area of smart devices and integration of the controllers into the main enterprise for data gathering and data analytics. Over to Sangita.

Sangita Singh I am Sangita and I head the healthcare and life sciences business unit. We are part of a momentum business unit and we continue to invest for growth in newer geographies. We continue to invest for growth into our existing customers and focus on implementing the client engagement model that would ensure that we represent the best clients. We have invested in acquisition of senior leadership talent to grow the domain in the payer and provider and in the pharma space. We continue to invest in our existing leaders in the pharma space to make sure that they represent the growth accounts in the portfolio. We are seeing a lot of promise around the payer and provider space largely in the B2C enablement of the payer business in the expansion of the Medicare and Medicaid BPO services and as far as pharma is concerned we have a great portfolio of customers and we continue to invest in them in driving some of the newer areas of investments like digital marketing, clinical platform, compliance and in the areas of virtualization of their R&D. Thanks Rahul.

- Rahul Jain** Just if I can squeeze in one to the point of what about Bala highlighted, we are obviously working on the enterprise apps or deployment. Just trying to understand, are the size of the deal right now in this space tangible enough to go with the kind of profitability we may be looking?
- NS Bala** Your specific question was around ERP?
- Rahul Jain** Anything related to the enterprise on the cloud side?
- NS Bala** I think obviously the overall profitability, if I may comment on it, is over the period of the contract we do not see any significant difference perhaps it could be only more on the positive side as far as profitability is concerned but the difference would be that it will be a little bit more skewed in the way the upfront cost versus the payback will turn out to be. But at this point in time most of the cloud deals we see are definitely more profitable given the overall contract period.
- Rahul Jain** But from the year perspective, do the current size support the kind of profitability we may be looking at?
- NS Bala** I cannot comment on the specific profitability for this business unit but at this point I can tell you that has not caused any dent in the performance as far as the bottom line is concerned.
- Rahul Jain** That's it from my side.
- Moderator** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to Mr. Rajendra Shreemal and the management for closing comments. Please go ahead sir.
- Rajendra Shreemal** Thank you all for participating in this call and should you have missed anything during the call, the audio archive of this call will be available on our website and we would also be putting up the transcript of this call pretty soon. Both myself and Aravind are available for any questions that you might have further which we can clarify one on one with you and have a wonderful afternoon. Thank you.
- Moderator** Thank you gentlemen of the management. Ladies and gentlemen on behalf of Wipro Ltd. that concludes this conference call. Thank you for joining us and you may now disconnect your lines.