



Wipro Limited Q3 FY17 Earnings Conference Call

January 25, 2017

Edited Transcript

MANAGEMENT:

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Wipro Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aravind Viswanathan. Thank you and over to you, Sir.

Aravind Viswanathan: Thank you, Zaid. A Warm Welcome to our Q3 FY17 Earnings Call. We will begin the call with the Business Highlights and Overview by Abid – our Chief Executive Officer and Member of the Board followed by financial overview by our CFO -- Jatin Dalal. Afterwards, the operator will open the bridge for Q&A with our management team.

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

Ladies and Gentlemen, let me now hand it over to Mr. Abid.

Abidali Z. Neemuchwala: Thanks, Aravind, Good day Ladies and Gentlemen. Since we are talking to you on the eve of India's Republic Day, those of you joining from India a very Happy Republic Day to you. As always it is a pleasure speaking to you. I begin with the comments on the performance of Q3, follow that up a bit of view on the demand scenario and then an update on the execution of our strategic themes that I have been talking about for the last three quarters.

In Q3, we delivered a revenue growth of 0.6% in constant currency which is within our guided range. Operating margins for IT Services has improved by 50 basis points on a sequential basis to 18.3% on the back of strong execution. I believe the demand environment for IT Services is in an interesting period. In 2016, while there was focus on cost efficiency on the RUN side of our business, the spend on CHANGE side had not picked up due to the uncertainties around Brexit and the US election. In this calendar year, we believe clarity will emerge and we expect an uptick in the client investments although it might be a little bit early to call out.

We continue to have a very good funnel and we are engaged in a large number of deals, and we are closely monitoring the decision-making cycles of these deals. However, we are particularly watchful on two specific areas of our business – one is the Healthcare business where we are heavily invested and there is a transition phase and once there is clarity on the regulation of replacement of the Affordable Care Act till then we expect to see certain uncertainties and



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headwind. The second is as I have mentioned last quarter, we are well underway in our restructuring of the India and Middle East business, and in the near term, we will continue to see certain headwinds from that part of our business.

At an overall level, we are making progress on the strategic bets to get a share of the CHANGE business from our clients and we are seeing success in getting a disproportionate share on that part of the business. Our early investments in Digital, in Business-Process-as-a-Service and overall As-A-Service business model, on Wipro HOLMES, our artificial intelligence platform and cloud application services are providing differentiated propositions across our existing clients and new clients.

Let me dwell upon the progress that we have made across the six strategic themes that I have been talking about.

Wipro Digital has been engaged to lead a DevOps transformation initiative of the Global Bank. We continue to see very good traction across our digital offering. Wipro will support for this particular client process consulting, training and coaching their staff, DevOps engineering and enterprise architecture services being provided by us as well as the blueprint definition and implementation. For another leading American Financial Services firm, we have been selected to architect a cloud-based solution to improve the engagement of their consumer across all of their business units. A leading bank in Asia-Pacific has selected Wipro to design and deploy their front office applications using a leading cloud application platform.

In the weeks after the announcement of demonetization, we have worked with a large number of banks and Fintech clients in India to help them address the digital payments opportunity within the Indian market. For NRGI, a Denmark-based utility provider, Wipro has been acknowledged in terms of contributing in implementing the most competitive digital solution in the Danish market in a time-bound manner.

The digital ecosystem captures the entire gamut of digital spends for client, which we have started reporting and when we first reported, it was under 18%. In Q3, it is now 21.7% of our revenues which has grown by 4.5% organically and including a Appirio, it has grown over 9% sequentially. Similarly, our consulting ecosystem is now 5.5% of our revenue growing 7.9% sequentially quarter-on-quarter. The enthusiasm of our employees in re-skilling themselves has surpassed our expectations. In the three quarters of this year, on the Top Gear initiative, we have up-skilled over 30,000 employees and certified them on digital technologies such Big Data, Advanced Analytics, Cloud, Mobility, Usability, Security, and DevOps. In fact, our Employee Perception Service which we do in December every year has shown an improvement of 12.5% in terms of overall employee satisfaction and this is on the back of a significant criterion for employees having the perception of sufficient opportunities to learn and grow in Wipro to help prepare themselves for the future of the industry.



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Let me talk about client mining, which continues to be a key focus of our strategy. We have seen success in mining in some of our large clients, one of the example is one of our Utility customers in UK has expanded their business leveraging our acquisition in Germany to now provide them services in Germany as well, which more than doubles our presence with that client. Our initiative to put together our offerings as Integrated Services is gaining traction with our customers. One of the Financial Services clients in Australia has undergone vendor consolidation exercise to choose a single vendor for providing multiple services that they consume. Wipro differentiated by its IP which is ServiceNXT and AssureNXT has won that deal and now we are consolidating services across multiple incumbent service providers for this particular customer.

Our overall customer satisfaction has improved by 230 basis points sequentially. In the beginning of the year, I had announced that we had launched a program for delivery leadership transformation called ADROIT, 700 delivery leaders have now undergone this program across three quarters and we are seeing positive results in terms of proactive propositions being driven by the delivery teams and we winning and starting these engagements completely initiated by the delivery partners. In Q3, we have added one customer in the greater than \$100 million bucket.

Let me talk about nonlinearity:

We continue to drive nonlinearity through investments in intellectual property in the form of products, platforms, frameworks and solutions. Wipro HOLMES, our flagship artificial intelligence platform, continues to be a differentiator in the market place. A large international process manufacturing company has selected Wipro as the preferred IT vendor for their entire IT landscape. HOLMES will be able to deliver a 40% productivity for this particular customer. Wipro's IP solutions are designed to tackle some of the industry vertical process challenges as well and let me give you an example of what we are doing in the Telecom space. As Media and Telecom companies embrace virtualization technologies to help reduce infrastructure cost and time to market and enable a much higher degree of automation, there is a need for these companies to test whether their cloud solution satisfy the needs of carrier grade applications. VEVATO™ is a Wipro's assurance framework which tests the production readiness of telco cloud infrastructure. One of the largest North American telco has chosen Wipro's IP VEVATO™ to help in verification validation of network and cloud infrastructure.

During the quarter, we have filed 140 new patents for intellectual property taking the total number of applications to 1353. Also Hyper-automation continues to deliver significant traction with our customers. We are rapidly increasing the deployment of HOLMES, our automation platform, across our key clients. We have now been able to deliver productivity and redeploy 7000 Wiproites across 120 customer engagements throughout Wipro. We now have 200+ unique bots deployed over 1700 instances in our delivery centers.

On localization, we continue to focus on localization, and primarily in US, we have seen significant sectors. We continue to hire locally and invest in the delivery and innovation centers



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across Indianapolis, Dallas, Mountain View, Atlanta, Tampa and a few other cities within the US and we are seeing some good traction in getting customer deals especially in the digital space in delivering Agile and DevOps distributed Agile from within these local centers. Our investments in key geographies such as Continental Europe, Latin America, South Africa are also in line with our long-term plans to position Wipro as a local player in this markets. Today, we announced the acquisition of InfoSERVER in Latin America, which again provides us a local beachhead within the Brazilian market.

Let me talk about the ecosystem sliver of our strategy. Wipro Ventures is building a strong portfolio of differentiated solutions through our investment in very promising startups. We have now done 9 investments of over \$22 million to-date and are on a pace to invest about \$20 million to \$25 million every year across 8 to 10 investments that we see of value. In, the Venture ecosystem, we have won 5 deals in partnerships with our portfolio companies in some of our key clients as well as in new clients. In addition, we have over 20 ongoing POCs and we expect quite a few of them to result in converting into larger deals. We see a strong desire of our customers to adopt these solutions and bring to them innovative technology that is now available in the market as a strategic provider for them.

I had spoken about the Horizon program, which we commonly call as H2H3 as part of my remarks last quarter. Since the inception of this program, we have evaluated and invested in 80 ideas in areas like AI, Analytics, Software Defined, Open Source platforms such as Managed File Transfer as a Service or MFTaaS as we call it and industry-specific capabilities in various industry vertical. Many of these have grown to be practices of scale and have helped us differentiate with our clients. Horizon is the intrapreneurship initiative for Wipro employees to come up with proactive ideas of IP creation that is funded exactly like a venture fund and has the governance of venture fund, but it is all internally generated ideas and internally encouraging some of our top talent to have a startup like environment within.

In the current fiscal year, we have acquired 34 clients across all of these themes in industry such as Utilities, Banking and Telecom, 6 out of these clients are new logos for Wipro. In addition, we have successfully delivered 25 POCs and pilots from within the Horizon program. In Q3, we have approved and kick started four themes in areas of cyber security and digital.

We continue to invest in TopCoder which is one of the leading platforms of Crowdsourcing, and we are investing in the area of traditional software development lifecycle in distributed Agile and data sciences area. The initial response of our customer to pilot the Crowdsourcing platform is very good and although it is relatively young within the Wipro ecosystem, we are finding very good traction in the Crowdsourcing space.

Wipro continues to gain recognition amongst industry analyst and advisors. In analyst reports, Wipro is in the leadership quadrant in 43 services in 2016 compared to 15 services in 2014,



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which essentially demonstrates the completeness of our vision across various service areas and our ability to execute in-customer situations and get market success for that.

In closing, I would like to say that Wipro is positioning well to be leading Information Technologies Services company of the future, our bold investments in digital, strong investments in key markets of growth, and restructuring parts of our business in line with our strategy is starting to delivery results. With this, I will pause and hand over to Jatin.

Jatin Dalal:

Thank you, Abid. Good day, Ladies and Gentlemen, as always it is a pleasure to speak to you. Let me start my financial commentary with a consolidated Wipro Limited numbers.

The gross revenues for the quarter ended December 31, 2016, grew by 6.4% year-on-year to Rs. 136.9 billion. The net income for the quarter was Rs. 21.1 billion, a decrease of 5.7% year-on-year.

Let me now go to IT Services segment.

IT Services revenue for the quarter grew by 0.6% in constant currency, which was in line with our guidance. The revenues in US dollar term were affected by a strengthening USD leading to reported dollar revenue of \$1902.8 million, a sequential decrease of 0.7%.

IT Services margin for the quarter was 18.3%, an increase of 50 basis points over 17.8% of Quarter-2. The impact of additional leaves, shutdown, and investments in acquisition in form of margin dilution was offset by improvement in our core operations.

We had one-time benefit related to purchase consideration of Designit, which was offset by additional margin impact in India and Middle East business and effectively, therefore, the margin expansion came through core operation.

On FOREX front, our realized rates for Quarter-3 was 69.35 versus the rate of 68.55, which was realized in Quarter-2. As of the period end, we had about \$2.5 billion of FOREX derivatives contracts as our hedges. The effective tax rate for Quarter-3 was 23.3%.

For the quarter, we generated robust operating cash flow of Rs. 26.4 billion, which was 125% of our net income and free cash flow of Rs. 21.9 billion, which was 104% of our net income. For the year-to-date of the current fiscal year, the operating cash flow was 108% of net income as compared to 90% of net income in the corresponding period of previous fiscal. Net cash on balance sheet as at December 31, 2016, was Rs. 175 billion or \$2.6 billion.

As you might have known, we completed acquisition of Appirio, a global cloud services company, on November 23, 2016. There is a lot of encouraging news about the synergies that we are gaining from all across our customer set.



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We also announced an agreement to acquire InfoSERVER, a company based in Brazil for a consideration of \$9 million today. It is a small acquisition, but provides a solid footprint in Brazilian operations for us. The acquisition is subject to customary closing conditions and regulatory approval. We expect it to consummate the transaction by March 31, 2017.

You might have also read about announcement of our divestment of our EcoEnergy division. The revenues of this division were reflected as part of our IT Services segment. We have signed an agreement to divest this to UTC Group at a valuation of \$70 million, the sale is expected to conclude during the course of the current quarter, that is, quarter ending March 31, 2017, and is currently subject to receipt of necessary regulatory approval and closing conditions.

Now, let me talk about the shareholder returns:

We have always strived to enhance the stakeholder value for our investors. The company's policy has been to provide regular, stable and consistent payout / distribution of returns. Our payout ratio for fiscal '14-15 was 41%. The payout ratio for fiscal '15-16 was 48% including the buyback program that we ran during the course of the year. In the Board meeting today, the Board of Directors have approved an interim dividend of Rs. 2 per share. There is no change to our payout philosophy and we will continue to follow it through the course of this year.

Our outlook for the quarter ending March 31, 2017, is as follows:

We have guided for a revenue growth in IT Services within a guidance range of 1-2% sequentially in the constant currency at the exchange rates that we have mentioned in our press release. We do not guide on margin as you are aware. We have a good solid operating rhythm in place that we have been executing on for last few quarters and we are confident and encouraged by the success of the team. As Abid spoke about in his commentary as well as in the press conference, we do have certain revenue headwinds in India and Middle East business led by the restructuring. We are also watching the regulatory development carefully in the Healthcare space in United States because it could impact the client decision making and our ability to earn revenues in that segment. Overall, we are confident that we are making right investments in CHANGE the Business side and generating right productivity benefits on RUN the Business side.

Overall, we are quite happy with the progress we have made. We will be very happy to take questions from here.

Moderator: Thank you, sir. Ladies and Gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Moshe Katri from Wedbush. Please proceed.

Moshe Katri: Just to go back to the acquisition of Appirio, if I remember correctly when that was announced last quarter, it was supposed to close by the end of December, now it has been pushed up to the end of March, is that what is actually going on, is there a reason for that and then just to confirm



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that the guidance for IT Services for the March quarter is all based on organic revenue growth contributions, and if not, maybe you can get some color on that?

Jatin Dalal: As you might have heard, we have concluded this transaction, so this transaction is concluded as of November 23, 2016, and hence we had five weeks' revenues in the quarter ended December 31, 2016 and we will have remaining quantum of revenues that will get consolidated from March quarter, but acquisition is done and completed.

Moshe Katri: So what is the expected contribution from Appirio for March and is there a way to kind of get us some organic sequential growth expectations, so we will know exactly how we are kind of looking at this on an apples-to-apples basis?

Jatin Dalal: Moshe, we have shared our overall guidance and once the acquisition starts getting consolidated, we do not give out separate numbers as you might be aware, but I am sure you can make certain mathematical assumptions around it.

Moshe Katri: That is fair. Middle East and India obviously underperformed during the quarter, you are talking about restructuring. Are we having any specific problem contracts in those areas that we are seeing that weakness, is it an execution issue, maybe we can get some color on that?

Jatin Dalal: Moshe, there are two parts. One is that we are refocusing ourselves to be in the core value operations that we believe we can generate a lot of customer value for ourselves and for customers, and therefore, there is a restructuring in the way we look at this business. For example, earlier India and Middle East was run as a joint ownership, now it is being separated, India would be separate and Middle East would be separate, so there is a whole impact of the new way of doing business there, and second, of course there are contracts where we are investing to complete the customer commitment that we have made in past and come out with a positive feeling with customer and that has also impacted the profitability slightly and this contracts are typically in government domain and that has also had a little bit of impact on our profitability.

Moshe Katri: When do you think we are going to get to a point where Wipro does come out and posts growth rates that are in line with the industry and where are we in that journey?

Abidali Z. Neemuchwala: I feel very comfortable that the strategic path of transforming the organization, that I have been articulating over the past three quarters now in terms of what transformation we are driving within the organization, the execution of that transformation is on track. As I talked about the six themes and some of the other markers within the themes in terms of the improvement on customer satisfaction, improvement on some of our top account, growth in mining, our improvement in employee satisfaction and re-skilling for the digital initiatives, the analyst reviews across our offerings in the market and getting leadership position in a large number of those offerings compared to our peer set, all of those are indicators which enhances our confidence that we will be able to demonstrate industry leading results over the next few

quarters, as I have always said we have not fixed the timeline, but clearly we see improvement. Also at the same time, we are undertaking certain restructuring, we divested our EcoEnergy business, we are restructuring our India business across the product segment, across the small accounts where we were providing AMC and doing reseller activities through franchisees, which was a low-margin business. We have focused on the core business as Jatin mentioned, Middle East we have separated which is better aligned to our global business and we are seeing huge investments in Middle East by individual countries. For example, some of the oil-producing countries are now investing in downstream petrochemical activities where we are participating given our strength in the Oil & Gas and Process Manufacturing space, so that business has a better affinity both from services and business model and margins to a global business, so we have pulled it out of the India business. We have taken some restructuring costs in some of the contracts in India as Jatin mentioned this quarter, and a couple of more quarters, we will see certain headwinds in that, so the core business has organically grown quite well although we do not separate out the numbers and I get a very good feeling across service lines and across vertical on the core business as we are through with some of these restructuring and some of the headwinds which has come after the US elections on the repeal and replace of the ACA. As you know we have significant market share of that business through our HPS acquisition which is providing some near-term uncertainty and potential headwind. Overall, I feel comfortable in the long run for us to return into industry-leading growth.

- Moderator:** Thank you. The next question is from the line of Ankur Rudra from CLSA. Please proceed.
- Ankur Rudra:** Could you perhaps highlight how long will the impact of this restructuring in India continue and the impact of the cost overruns that we are seeing there?
- Abidali Z. Neemuchwala:** We started in this quarter the plan for completing this over the next two quarters so we should hopefully be done by Q1 of next financial year.
- Ankur Rudra:** So 2Q onwards will be a clean quarter and 1Q will be the last quarter with any impact is that the way to read this?
- Abidali Z. Neemuchwala:** That is the plan. Some of these things are also dependent on some of the customers and contracts that we have and some of those conversations are ongoing with customers or their representatives so yes that is the plan and that is what we are monitoring on execution. Bhanu and the new leadership team for India is quite directly involved in very rigorous execution of that restructuring.
- Ankur Rudra:** And Abid over the last one and half years you have made several acquisitions, you have highlighted them moving you in right direction. Over what period is it fair for investors to expect revenue synergies coming from here?
- Abidali Z. Neemuchwala:** So there are four acquisitions that we have done in the past few quarters. Let me go acquisition-by-acquisition. So, in Designit acquisition that we did in the creative design space in our digital



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business, we are seeing significant synergies. Some of the transformative deals that we are winning are synergy deals in which Designit is an integral component as well as it is a differentiator for us as you might have seen our digital business from a quarter-on-quarter basis has grown very well and as a percentage of overall revenue and part of it is the contribution by the Designit acquisition. Although HPS acquisition we had a very good initial first couple of quarters where we had the earliest synergy deals in that. Right now, we expect certain slowdown and pause in customers spends simply because of the uncertainty that the post-election situation has created but otherwise from a synergy perspective bringing Business-Process-as-a-Service and platform based As-A-Service model has worked very well for us. There are couple of deals in different segments outside of the Healthcare segment where the HPS business model synergy has come into play and we are very positive about being able to close those deals in Q4. So, I feel quite good about the HPS except for the member servicing and member enrollment part which was directly related to the Affordable Care Act. The Cellent acquisition has started delivering results from a synergy perspective to us in Continental Europe especially the Dach market both in Germany and Austria there both we are able provide services to Wipro customers in a more deeper manner as well as expand our joint presence in the historical Cellent accounts. It was almost a year that we have done that integration and we have taken the second step as part of our integration play book of further integrating it as part of the Wipro go-to-market and delivery structure which has just been announced a couple of weeks back. So, we are well on our plan to integrate it and we have embarked on the next stage of complete integration on the front-office and back-office of Cellent. While Appirio is quite early but having learned from Designit, we have done a frontend integration of a Appirio and we have seen some very positive signs already. Actually, there are two deals which even immediately post-closing we have been able to close, although they are small in size but in-Wipro customers where Appirio expertise will be used for providing the services. So, I do see all of these acquisitions delivering as a synergy benefits that we are expecting and we just need to watch the HPS acquisition a little more carefully because of the regulatory uncertainty which has confronted us due to the US elections.

Ankur Rudra: Understand. Just finally your Energy and the Financial Services businesses appear to have done relatively better than the rest, any comments on what demand trend you see there? Do you see signs of turnaround in both of these?

Abidali Z. Neemuchwala: So, as I said in the last couple of quarters that if the oil prices stabilize there is a lot of pent up demand in this segment and we being in leadership position feel quite comfortable in terms of capturing that demand. We are starting to see signs, although the budgeting is not complete in the energy companies but based on my interactions what we have seen is that there is a level of confidence which should enable IT spend because the OPEC agreement on the oil production has been standing its ground. So, I do feel optimistic for the next financial year on our E&U business. We are seeing a good traction in Banking and Financial Services and we are optimistic even given the deregulation happening in the banking space, we have good traction especially in the digital and certain industry utilities Business-Process-as-a-Service platforms HOLMES-



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based, robotic automation based investments that we are doing and acquiring some new BFSI customers which were traditionally not Wipro customers to increase our penetration in this segment.

Moderator: Thank you. The next question is from the line of Ashwin Mehta from Nomura. Please proceed.

Ashwin Mehta: Abid, just wanted to check on our top 2 to 10 clients it seems they have declined by almost 6% sequentially so any clients' specific issues that we should be aware of?

Jatin Dalal: So there is a little bit of impact of the December furloughs which has played out in the growth rate between 2 to 10 and one of the customers is in Healthcare space which is slightly impacted by the slowed decision-making that we are seeing in light of the regulatory environment that is there in US.

Ashwin Mehta: And secondly Jatin you mentioned in your opening remarks that there was some one-off benefit which came in from the Designit, what was the nature and quantum of this benefit?

Jatin Dalal: So, there are agreed plans and related to that there are earnout computation that we do when we do the acquisition and specific to a particular plan that earnout component has not fructified and that has flown through P&L and we had corresponding offset of that in terms of the India-Middle East lower profitability so they have offset. So, the core operations have delivered the higher margins but I do want to underline the fact that overall, we are quite encouraged by what we have been able to do with the Design and Digital capability that has come in and how we are able to leverage it in the larger conversation but this particular plan was predicated on a particular methodology and accordingly we have taken the right accounting treatment for that.

Moderator: Thank you very much. The next question is from the line of Sandip Agarwal from Edelweiss. Please proceed.

Sandip Agarwal: Sir, just wanted to understand one thing I know this question has been asked earlier as well, we have done some good work on the acquisition side and also on the execution side and the wait for the revenue growth is getting slightly elongated, what will you assign this to? Will you assign this to the macro factor and related delays in decision making or will you assign this to some impact of uncertainty which may not be true but which is holding the client to spend due to fear of cloud how it will playout? Or you think that our mix of portfolio is not exactly in line with where the demand is currently coming and we are trying to obviously align it in that direction by doing this acquisition? And second part is that the weak guidance basically for the next quarter, is it do with the restructuring which his happening in India totally or do you think there is some other component attached to it, as well?

Abidali Z. Neemuchwala: Sandeep on the first question it is all of the above as you know. There is a level of uncertainty in the macro environment but importantly there are certain areas specifically which have impacted Wipro which we have talked about in the past and the Energy segment, the telecom

equipment provider and telecom service provider segment where we have historically had significant exposure and market leadership. Also, there is a part where when I talk about the HOLMES deployment and automation it does help us with consolidation of the share of the wallet but in some cases, it is also cannibalizing our own revenue and we have taken a bold move to proactively go to customers and do that to position ourselves as strategic provider for them so that is the only one more reason that I would add to the reasons that you mentioned. Again, from a guidance perspective one we don't breakout the core of our business is chugging along based on the strategy and transformation that we have embarked on within the organization in the right direction and meeting the metrics we have internally set for ourselves. The guidance does incorporate certain headwinds that we foresee in the restructuring of the India-Middle East business as well as the impact that might have due to the regulatory uncertainty in the Healthcare space in the US market.

Moderator: Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please proceed.

Nitin Padmanabhan: Just wanted to understand what would have been the impact from the India-Middle East business on margins this quarter and the second question was on Jatin I think you mentioned the EcoEnergy business being sold out and that being part of the IT Services business, what could have been the impact on the revenue there or are we likely to see that impact next quarter?

Jatin Dalal: We have not broken up the impact of India-Middle East but the benefit that we had which came from Designit was broadly offset coincidentally because of the impact that we had on India-Middle East. Your second question on EcoEnergy, EcoEnergy is continuing to be part of Wipro until the transaction is completed and to that extent assuming that we will complete the transaction by 31st March, 2017, it will till the date of sell out will be part of Wipro and subsequently it will not. So, it will impact quarter 4 and assuming we complete in quarter 4, from quarter 1 onwards it will go away.

Nitin Padmanabhan: So basically, Q1 we will see the revenue impact because of that, is it?

Jatin Dalal: But it is a small business Nitin and we have already factored that in our guidance for current quarter and we will also factor in our guidance for quarter 1.

Nitin Padmanabhan: Lastly just wanted to understand your thoughts on the Communication business this has been pain point for us for quite some time and when do you see this sort of coming off because the equipment side of the business has been a very long-term impact for us. When do you see this changing structurally for us on this side?

Abidali Z. Neemuchwala: So as part of the strategic transformation of this business we have made some aggressive bets on the Digital part of the communication service provider transformation and that is how we have aligned our offerings in this segment, we do expect to continue to see some pressure on the traditional part of our business in this segment, while the Digital and future part, Cloud part of

the business is increasing but the growth of that in absolute terms is just about offsetting or just a little less than offsetting the impact that we are having on the traditional part of the business, that is why we see a little bit of headwind in that business.

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

Sandeep Shah: Just on the guidance, I think the two main reasons you are citing for muted growth is the India, Middle East as well as in terms of the Healthcare especially coming through HPS, both of which we are uncertain about turning around maybe by the next quarter or may take couple of quarters. Is it fair to say that if that continues, then the muted growth may continue even beyond 4Q of FY2017 and that may also impact the margins because the tailwinds which were one-time in this quarter may not be there in the coming quarters?

Jatin Dalal: We have shared what we think would be the timeframe by which India and Middle East restructuring should be complete and we should start seeing normal profitability and that is by end of June quarter. For Healthcare business, as you rightly pointed out, it is difficult to make an estimate of when and how the whole situation will pan out. Having said that, you are aware we guide only for Q4 and our endeavor would be that while this uncertainty plays out then, we create sufficient momentum on rest of the business. So I would not carry this sentiment beyond Q4 because that is what we guide for and we will come back and give you fresh commentary in Q1.

Sandeep Shah: Just a clarification regarding the India profitability. While you mentioned this as a one-off, is it more to do with any write-offs of receivables or there are some restructuring cost apart from that?

Jatin Dalal: No, it is principally completing the troubled contract where we want to really put out our might behind, invest right amount of effort, time and manpower to be able to create right amount of customer satisfaction and for that what we need to do, we are doing. If it is fixed price project and if we are investing more effort, it will reflect in revenue as well as in cost side and accordingly that impact has been taken in Q3 that we have concluded.

Sandeep Shah: On the BFSI, there has been growth in this quarter, but at the same time earlier we were citing some client-specific issue for some of the European BFSI clients. So whether one can say that those issues are behind and BFSI is on a growth path going forward?

Jatin Dalal: I will request Abid to answer that but just before that, I wanted to clarify that Q3 the expansion in margins was driven by core operations, then there was no one-timer that were sitting in Q3. I am just referring to your earlier comment saying what happens if the one-time benefit goes away from margin run rate, but what I wanted to clarify is that Q3 we did not have in the eventual outcome any one-time benefit.



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- Sandeep Shah:** Yes, Jatin, what I meant to say is that compensation may not be there because you had impact on India profitability and got compensated through one-time benefit. But coming into fourth quarter that profitability issue may continue in India and you may not have that one-time benefit. So is it fair to say margin may have been challenged in the 4Q as well?
- Jatin Dalal:** If that was so, I would have said so. We do not guide on margin and our endeavor is that we will put our best foot forward when we execute for quarter.
- Sandeep Shah:** On the question on BFSI, if we get some ...?
- Abidali Z Neemuchwala:** On the BFSI, yes, as we had highlighted, we had seen some headwinds last quarter and we are past that and I think we are in the process of closing some contracts there which are getting signed through January. So we feel comfortable on the European BFSI clients.
- Sandeep Shah:** Brexit is not creating any impact in terms of the ramp ups of some of the large Digital wins which we had from European clients in the BFSI, large deal is on track in terms of ramp up?
- Abidali Z Neemuchwala:** Yes.
- Moderator:** Thank you. The next question is from the line of Sudheer Guntupalli from Ambit Capital. Please go ahead.
- Sudheer Guntupalli:** I have two questions; first one being, there are many sections of mainstream media in US have been reporting that this repeal and replace Obamacare is going to take a significantly longer time as in at least two or three years. So can we expect that till that point of time the clients will be in wait-and-watch mode on this healthcare spending? My question #2 is can you please quantify the impact of margins because of both profitability impact in Middle East and India and one-off benefits because of Designit?
- Abidali Z Neemuchwala:** So let me take the first question and then I am sure Jatin will say that he cannot break it out but I will pass it to him for the second question. If you look at especially the Healthcare business that we have is around both the affordable care at where we provide a platform-based service on member registration and member servicing and second is we have Medicare, Medicaid business which is again where we have market leadership. I think as we see this panning out, there were number of clients' acquisitions that we have had after the acquisition of HPS on being able to onboard additional clients on the ACA platform. In those clients definitely the decision making and spend is going to slow down. But the RUN business of providing the member servicing for that our share of the 22-odd million ACA members will continue as business as usual but the change project in terms of what the new regime is going to be will start only after there is clarity on what that replace is going to be in... anybody's guess is as good as mine, that could take a couple of quarters to the time you mentioned. Personally, the way we have seen at the speed at which the administration has moved, the chances are that it will be earlier than later and once we know what is the clarity, we do expect project work coming in and given our deep domain

expertise in this space. Having said that, HPS also has a lot of work in some of the other areas of group insurance and ASO and all and Medicare which is not impacted by this. So the impact is limited to the project work of onboarding new customers in their member origination and member services.

Moderator: Thank you. The next question is from the line of Shankar Avsb from JMD Capital. Please go ahead.

Shankar Avsb: Folks, I have a couple of questions, slightly longer-term questions not on the near-term guidance on margin at all. I am trying to assess the fitness that Wipro as a company or engine has for growth and market share capture when the actual opportunities of projects which have been in pipeline or in the shelf, actually do come out because they will come out at some point and I am fairly confident having seen business cycles in the past, there will be a rush of work across the board. So my first question for both Abid, Jatin is that how confident are you that when customers start releasing projects in multiple industries, how confident are you that one, you would not lose customers to competitors and two, capture customers from competitors?

Abidali Z Neemuchwala: Shankar, we have executed with a lot of discipline on what we think is the strategic imperatives of being a provider of the future for our customers and these are across the themes that I have been talking around. Our execution has been on track, I am very proud of our Digital business, I am very proud of our Artificial Intelligence HOLMES platform, our teams are creating platforms and IP not only in the IT operations space to deliver cost efficiencies but also in the business space where by vertical we have created platforms and we have 12 platforms with 12 anchor customers where the platforms are under development and in pilot and deployment state. So from a long-term perspective, I think we are very well positioned to capture the spend of the future that comes from our customers and gain market share. We are investing currently very heavily in our existing customers to proactively go in and propose those solutions and those customers have seen those solutions relevant and that is what is helping us improve our customer satisfaction within those customers which has gone up by about 230 basis points in the last quarter alone and throughout the year it has been increasing. So overall in the long run, I do feel that we are well positioned to capture market share and defend our share of the wallet and expand it within our existing customers.

Shankar Avsb: So you are very confident that you will defend your market share for sure when the growth happens in the industry?

Abidali Z Neemuchwala: Absolutely. Almost a billion dollar of investments that we have done through acquisitions to onboard those capabilities which could have taken longer for us to build or difficult for us to build makes us actually better prepared in the market to capture the spend when it opens up.

Shankar Avsb: Yes because for sure I think we will have definite readjustment or realignment of market shares when the actual growth happens, I think you know that from experience. So that was my first

question. My second question is related to what you just answered. How many customers does Wipro have today and of those customers how many approximately have used any of your Digital or new products or platforms?

Abidali Z Neemuchwala: In my opening remarks as I mentioned, HOLMES platform has been deployed either in pilot or production...when I say either in pilot or production because there is a certification, etc., which happen, so it is a cycle which runs, on the average takes about 5-6-months in our experience. In 120 accounts, our target was to cover the top-100 accounts, I think 60% of our top-100 accounts are covered but the uptake is so good that while we are focused on the top-100 accounts, our client partners and customers have deployed it beyond that. Similarly, for Digital, we have proactively positioned ourselves across the buyer in all of our key clients and we are seeing good traction over there as well. For certain clients, these are point solutions that we have been able to take; for certain clients we have been empaneled as the Digital Center for Excellence and are ramping up significant Digital deal. So both Digital as well the platform space, I feel quite comfortable, although this is an ongoing activity if you remember I talked about the OneVoice program where we have in over four sessions trained about 1,000 plus of our sales force which are in the field, engaging with these customers to be able to proactively take these propositions at least to a pilot or a proof of concept level, after which the experts teams comes in and convert that into a production instance of these platforms and offerings.

Shankar Avsb: If you can summarize what would be the approximate percentage of overall customer base who have at least tried a pilot or a full project with any of the new solutions that you have on offer?

Abidali Z Neemuchwala: So as I said, we do measure it from our top customers' perspective and it is 120 customers overall and 60 out of the 100 top customers.

Shankar Avsb: Jatin, what percentage of Wipro workforce currently is based out of the US?

Abidali Z Neemuchwala: About roughly 10% of the global workforce.

Saurabh Govil: 14,500 people.

Moderator: Thank you. Ladies and gentlemen, that was the last question due to time constraints. I now hand the conference over to Mr. Viswanathan for closing comments. Over to you, sir.

Aravind Viswanathan: Thank you all for joining the call. In case we could not take any questions due to time constraints, please feel free to reach out to the Investor Relations team. Have a nice day.

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