



## “Wipro Limited Q3 FY’20 Earnings Conference Call

**January 14, 2020**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Wipro Limited Q3 FY'20 Quarterly Investor 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 an operator by pressing '\*' then '0' on your touchstone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Aparna Iyer – Vice President and Corporate Treasurer. Thank you and over to you.

**Aparna Iyer:** Thank you, Stanford. A very warm welcome to our Q3 FY'20 earnings call. We will begin the call with "Business Highlights and Overview by Abid -- our Chief Executive Officer and Managing Director", 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 made available on our website. Over to you, Abid.

**Abidali Z. Neemuchwala:** Thank you, Aparna. Good evening and good morning, ladies and gentlemen. First of all, Wish You All a Very Happy New Year. I am joined over here by my leadership team and it is a pleasure for us to speak to you all and share the results of the third quarter.

Let me quickly provide an update on Q3 performance, our view of the demand environment and progress on our strategy. We had a strong quarter both on revenues and margin; our revenues grew by 1.8% in constant currency terms at the midpoint of our guidance; on a YTD basis, we grew at 4.3% in constant currency terms.

In Financial Services, we saw slowdown in our growth rate due to continued softness driven by macroeconomic environment. We however remain confident on winning the new deals that we are participating in and leveraging our strong capabilities in digital.

We are pleased with our performance in Consumer which grew 12.1% YoY constant currency this quarter and the sustained rhythm that we have built in this vertical on deal wins.

ENU and Communications continue to grow moderately. We continue to see recovery in manufacturing and are encouraged by the order book and pipeline.

Health saw a seasonal uptick in HPS as Q3 has open enrolment period while the technology business was impacted both by furloughs and slowdown in spend in the semi-conductor vertical.



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The overall demand environment have neither improved nor deteriorated from what I shared last quarter. But we see the same level of uncertainty due to the various geopolitical risks at play.

We delivered a healthy operating margin of 18.4% in Q3 versus 18.1% last quarter, aided by the depreciation of the rupee and some favorable movement of the cross-currency.

Now, let me provide you a quick update on our strategy. Business Transformation: In the past quarter our customers across nearly every industry have chosen us to embed digital transformation within their business. It is no longer just about enabling new customer experience. It is about fundamentally changing a business. And I am pleased to share our wins which show how our customers are turning to us as trusted business transformation partner.

In Digital, our revenue grew 22.8% YoY and now contributes over 40% of our revenues. For example, we have won a service design engagement to define the future vision and establish the strategic foundation for digital transformation at a bank in UK in the mid-market segment, called Cynergy Bank.

On Modernization, we continue to help enterprises through their business first strategy with an industrialized approach and enabling our customers to drive business acceleration, customer experience and connected insights.

Our investments in Cloud Studio is continuing to pay off. We have accelerated cloud journey for our customers by migrating more than 39,000 workloads and 2,900 applications.

A US-based semiconductor company has chosen Wipro to move its current engineering application infrastructure to the cloud. We will leverage our Cloud Studio offering to help the client become more agile, ensure faster time to market and lower the total cost of ownership for the client.

Our strategy on connected intelligence which covers data analytics, artificial intelligence and engineering is delivering good results. The EngineeringNXT set of offering that I had talked about, we continue to invest in it and put the building blocks in place.

We concluded the ITI acquisition this quarter. The acquisition will help us build momentum in Industry 4.0 and IoT offering and will enable us to have a new set of clients to create differentiated value.

We have won a contract from the North American subsidiary of a global automobile company deliver the next gen in-vehicle infotainment software as part of our EngineeringNXT proposition.

The fourth area is around "Trust." Focusing on enhancing our cyber security offerings, we have created a dedicated OT and IoT security practice to address the changing threat landscape due



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to connected systems. We recently launched our 15<sup>th</sup> Cyber Defense Center in Melbourne. As an example, Wipro has won a strategic contract from a leading US-based Financial Services institution to design and implement more effective risk and compliance management process for them leveraging artificial intelligence.

The rapid adoption of HOLMES continues, delivering significant service improvement in IT and Services, Testing as well as our Digital Operations business. Our effort saving in fixed price projects improve from 16.5% in Q2 to 17.8% in Q3. One of the large UK-based global provider of financial markets data and infrastructure has selected Wipro for a data migration contract leveraging, contract intelligence capabilities of Wipro HOLMES.

We continue to drive localization and now our US workforce is over 70% local, enhancing campus hiring, deepening employee engagement and making significant investments in training and skill development in all our markets. This is also reflected in the attrition rates which have improved to 15.7% for the training 12-months.

In conclusion, we remain focused on deepening our customer relationships and converting our funnel winning large deals that are due to close in this quarter.

I will now request Jatin to give the highlights of our financials.

**Jatin Dalal:**

Very good evening, very good morning to the participants. As you know, we delivered at the midpoint of our guidance range. We also delivered sequentially; 30 basis points higher operating margins. Overall, we delivered 3.2% EPS growth YoY. Cash conversion remain very robust. Our operating cash flow was 124% of net income and free cash flow was 101% of our net income. Our FOREX realization remain very robust; our realization rate for Q3 was 72.09 compared to 71.56 for Q2. We have very healthy cash position of balance sheet. Our total cash on the balance sheet is 4.9 billion gross and 3.6 billion net. Our ETR is stable at 20%. We had a slightly lower ETR in Q2 because of the changes in the tax flow as all of you are aware. Our guidance for Q4 is 0% to 2% sequentially in the constant currency that are mentioned in our press release.

We will be very happy to take your questions from here.

**Moderator:**

Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Sandip Agarwal from Edelweiss. Please go ahead.

**Sandip Agarwal:**

I have just couple of questions. First, Abid, as you mentioned that now over 70% of the work for us in US is local, which means that we have done extremely good job in terms of awarding any business relates from a long-term perspective and ideally, it should have given us a lot of advantage on the revenue growth side. Second, the amount of work which we have done in last four, five quarters in terms of deal wins on the digital side which is now like 40% of the revenue, our growth momentum should have now matched by industry level or at least closer to our



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competition, but we are still not seeing that in translating into number. So two things which I wanted to understand, one, are we very close to the point where really start seeing the transitioning into numbers and second, how bad we are on non-digital side which is taking away all the good work or good growth of the digital side?

**Abidali Z. Neemuchwala:** So Sandip, as you rightly mentioned, our ability to fulfill our order book that has been won and execute engagements in the market especially in US with 70% local workforce is clearly differentiated and especially in digital where a lot of work happens in agile, scrum teams onsite, it has been an advantage for us. Clearly, in some of the segments specially in the banking segment, this quarter we saw slight slowdown in digital simply because of furlough and this being the last quarter for a lot of banks, some of the agile projects which typically also have SoWs for a shorter term given out, sometimes to save cost, you may not get those SoWs renewed in the last month or so which may impact digital revenues. But in general, I think quite good about both our digital business as well as the banking segment coming back in the next year and that is why I feel good about our pipeline especially with digital deals becoming larger and coming across various vertical for us. I think the overall business which you mentioned non-digital the 60% is also part of the modernization and other strategy that we talk about where we are enabling that part of the business also so that overall that does not become a track to our overall growth rate and we have been able to rotate our business from the old to the new relatively well. Of course, there are still parts of the business which degrew and there is a productivity that happens over there, but we feel quite good about it on an overall basis.

**Moderator:** Thank you. The next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.

**Parag Gupta:** Just two questions from my side. Abid, getting into 2020, how do you feel about the demand environment relative to what it was when you got into 2019 – are you seeing any sort of client pressures where deal conversions are taking time or projects are being broken up into smaller projects and just getting deferred? And the second question is, you seem to be a little bit more confident on banking for the next 12-months. So just wanted to understand what sub-segments within banking are making you feel more positive and is there any risk that these projects also get pushed out given the kind of pressures your customers may be seeing in their own business? Just wanted to get some sense qualitatively on both of these.

**Abidali Z. Neemuchwala:** On second part of your question on banking and Financial Services, I will have Angan Guha who heads that business, give you some color. Answering the first part of your question, compared to last year, we do not see a significant change in the demand environment either positive or negative. Level of macro uncertainties do continue. But from a Wipro perspective, we had a very robust order booking in Q3, and we are entering the calendar year with a bigger pipeline that we entered last year. Deal closures? We are not seeing any extended time compared to last year. So the time that deal closures are taking is pretty much the same. Actually the deals



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we have a larger component of large deals. So the deals are definitely getting larger especially in digital the deal sizes are bigger than last year.

**Angan Guha:**

This is Angan Guha. As you know, Parag, over the last three years, BFSI has delivered industry-leading growth. Now this quarter we had a challenge because of furloughs, because of certain clients in the capital markets space insourcing and that is why we saw a little bit of headwind. But I am confident because our funnel is probably bigger than ever and if we can close some large deals like Abid mentioned, next year will be much better. And the confidence comes in from the funnel size. I think our deal size has gone up and the funnel size is significantly higher than what it was in the same period last year.

**Parag Gupta:**

I do remember you are talking about digital work also being discretionary in nature which potentially runs the risk of either getting pushed out or made smaller if there is any issue in the market or in the demand environment. So just wanted to understand is that still the case, are you still seeing some sort of those conversations happening or do you think digital is a lot more strategic right now and hence is likely to come through even though there may be other challenges faced by your customers?

**Abidali Z. Neemuchwala:**

We have Rajan who is the President of Wipro Digital and let him throw some color.

**Rajan Kohli:**

This is Rajan. Actually, both the statements you made are sort of true. It is discretionary to the extent up to the client to really spend it, but it is essentially because this is the long-term future of enterprises. So to that extent, change is becoming the new entity. So we feel that they have no option but to spend it. But as Abid said in the opening, certain segments sort of this quarter tightened the belt, but we believe that is a very short-term phenomena because they will come back and spend the money on digital because that is the only way out for them to optimize their overall street. Thank you.

**Moderator:**

Thank you. The next question is from the line of Sudheer Guntupalli from Motilal Oswal. Please go ahead.

**Sudheer Guntupalli:**

Within the Consumer BU if I may ask, what are the sub-segments driving growth because the strong reported growth seems to be at odds with commentary of some of our competitors especially in the sub-segment of let us say Retail, so within the Consumer BU what are the areas where you are seeing strong growth and what is your take on the specific segment of Retail?

**Abidali Z. Neemuchwala:**

Sudheer, I let Srini Pallia, the President for our Consumer business to throw some color. But essentially our growth in consumer is led by digital and also we work with a lot of our customers in the eCommerce space which is the part of consumer which is growing and we have a fair mix and share of that business where we are seeing growth primarily through lot of discretionary spending on project work. Srini, can you elaborate a little bit more by vertical?



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**Srinivas Pallia:**

Thanks, Abid. Hi Sudhir! This is Srini Pallia here. So there are two parts to this industry that we see. So specifically on the Retailers, obviously, you would have seen the news that they had a good holiday season in the US. Thanks to the consumer confidence. And if you look at overall Retail, last quarter grew 3.4% during the holiday season. And of course, like Abid mentioned, eCommerce grew almost 19%. While eCommerce still contribute 15% of the overall Retail; however, second quarter actually declined by 1.8%. So net-net what we are seeing is Retailers investing in technology to kind of create the core differentiation above context which is eCommerce picking up quite a bit and whoever is investing in technology are doing well. We also see a traction in modernization and the digital transformation that again Abid talked about. Overall Retail market from my point of view will continue to be choppy and volatile. We are with our customers and specifically focus on executing to their strategic priorities. Now, the other part of Retail is changing behavior of consumers, right, and if you look at, there are a lot of dynamics around that and specifically on the consumer business in addition to digital transformation, brand companies are looking at going by B2C which is direct to consumer and they are also investing significantly on their supply chain modernization. So, both Retail companies and CPG companies to my mind will continue to invest significantly on technology. And if you look at the growth of some of the CPG companies that we have seen, they are actually growing in emerging markets and they continue to invest in that which is the next way of growth and our presence outside of the US is also helping us to go after that part of the business. So, net-net, the industry will continue to be volatile and choppy. We will stay focused on where the customers are investing especially on the technology transformation. I think that is the right way to go in my point of view, Sudhir.

**Sudheer Guntupalli:**

And the other question is there seems to be a sharp improvement in the vertical margins in communications, almost 450 basis points or so and this came despite revenue remaining more or less the same. So any color on the same will be helpful?

**Jatin Dalal:**

I would not see too much into the quarterly variation. We had one-time collection which reversed a provision for doubtful debt and that has improved the quarterly operating margin. I would look at a four-quarter trend for a normalized sustainable margin.

**Sudheer Guntupalli:**

So this quarter if I adjust for that provision, what would be the normalized adjusted margins?

**Jatin Dalal:**

Well, that would be difficult to break out but if you see the trend, you should be able to see that additional which is sitting there.

**Moderator:**

Thank you. The next question is from the line of Sandeep Shah from CGS-CIMB. Please go ahead.

**Sandeep Shah:**

Just Abid, is it fair to say most of the portfolio specific issue in the global markets outside of India is largely behind because last quarter we called out manufacturing, now you are foreseeing some amount of green suits and tailwinds also coming out of manufacturing, so is it fair to say outside India most of the client-specific or portfolio-specific issues are behind for Wipro?



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**Abidali Z. Neemuchwala:** Sandeep, I would say including India PRE, most of the portfolio issues that we had that we were working on the turnaround are behind us. Of course, the state run enterprises, which is a segment outside, still has a restructuring work to do and there also we are making a lot of progress. Having said that, obviously, in our health business, again based on some of our portfolio mix of higher exposure to ACA, does continue to be an area of uncertainty and that will drive volatility. But otherwise, overall if you look at the portfolio, I do feel good that things that we had set out to both reengineer our portfolio and address Wipro-specific issues as well as a lot of the investment in capability that we have been doing where we get the mind share and traction with customers which are very robust set of deal wins give the confidence that those issues are behind us.

**Sandeep Shah:** Just a follow-up, Abid, around three, four quarters back, we said that the growth outperformance in the banking, financial service is largely driven through higher penetration of digital offerings in the banking as a vertical. So, if you need to put that number in terms of penetration, are we able to replicate that success which we have done in terms of digital penetration in banking and other segments or still that is a work-in progress?

**Abidali Z. Neemuchwala:** I think learning from what we did in the banking and Financial Services segment, you see the evidence of replicating that in the consumer segment. Also, it is a function of both the horizontal capabilities that go with digital as well as the vertical capabilities that each one of the business units are building to be able to contextualize digital to their own vertical. And the second part of that is also the uptick in spend that these companies in particular industry verticals have in terms of investment on digital. So I feel good, for example, we are seeing good deal traction in the healthcare piece outside of HPS in our health business, where healthcare companies are investing in patient experience, which essentially is part of digital. And we are getting a fair share of our business. In the ENU business, in the energy space there is a lot of investment happening in digital and cloud and we are running a fair share of our business. So you know, I can go vertical by vertical. But essentially, to answer your question, yes, we have been able to take our expertise, our horizontal capability, banking lead, because banks were the first to invest, but we are able to translate those capabilities in each one of the verticals. And each vertical, I would say, at a different level of readiness as well as industry uptake to be able to take digital.

**Participant:** Okay. And just last two questions. If I look at the commentary on the funnel, it looks really positive, especially on the banking financial service. So can you throw some light in terms of the sales cycle here and where are we standing in terms of the number of competitors? Is it more proactive, reactive? And the last question to Jatin, this is the fourth quarter where the EBIT margin on IT service has been close to 18% despite the headwinds on the margins. So do you believe that this is a sustainable levels to look for and there could be a further improvement if the growth pick-ups?

**Abidali Z. Neemuchwala:** So, Sandeep, the funnel looks good. It has a combination of both, what I would call as, deals of large size as well as the average size deals. We have not seen any change in the time it takes to close a deal, but typically a large deal takes almost six to eight months to close, small deals obviously close faster so that the pace continues. And we see a good share, we are getting our fair





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share of deals in terms of both in our funnel, as well as getting into the last two or three, where we then really have a chance to win the deal.

**Jatin Dalal:** Sandeep, Jatin here. So as you know, we have delivered for this fiscal 18.4% in first quarter, 18.1% in second and 18.4% in third quarter. So that we have demonstrated the discipline of execution, even as you continue to invest incrementally in our big bets through the course of the year.

As we always maintain, our priority is to get a superior growth trajectory for the organization, because we believe that is the source of margin expansion or margin sustenance in medium-term. And therefore, we will remain always committed to initiatives and investments that we need to do to get the growth trajectory up. So far we have been quite successful at finding those dollars by squeezing the costs that we believe we can squeeze out, and that would be our endeavor going forward. We are not guiding on margins, as I said, we will remain committed on getting the growth trajectory further improved from where we are.

**Moderator:** Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.

**Madhu Babu:** last one year we have been going slow and acquisitions. So, currently around Rs. 25,000 crores is the net cash on balance sheet, and we generate almost Rs. 10,000 crores of free cash flow per year. So, would we start looking to increase the payout ratio more of interim dividends, because anyways the buyback or the next buyback would be only for September of this year? So, with such a high cash component on the balance sheet, would you look for more interim dividend from here on?

**Jatin Dalal:** So, as you know, we have had two cash events in the year, and I think that is optimal. We have declared an interim dividend in this quarter. The Board will continue to evaluate as we move forward on what should be the way of returning cash to the shareholders. For last two years, if you see, we have gone significantly ahead of our commentary of paying 45 to 50% of net income over a block of years. And, therefore, our philosophy has been around what we don't need for our growth we will certainly look at returning, but in the guided range that we have spoken about. So we will continue to look at opportunity and Board will make decisions as it deems fit based on our requirement of funds.

**Madhu Babu:** And one more on the top two clients in the banking, I think the top accounts have been weakened, one of that is a banking account. And even within the top five there are two banking accounts. So what are the outlook on those two accounts for next year?

**Jatin Dalal:** Well, we cannot talk specifically about which two, because your two could be different now in this quarter compared to the two that we had in previous quarter. But, overall, I wouldn't worry about the commentary specific to customer. Abid and Angan have spoken about our overall outlook on BFSI space and I would see that as an important step forward from our side, because individual times can always go up or down but what I am sure you are looking at is the portfolio outcome from the BFSI.



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**Madhu Babu:** And last one on the engineering side, I think we bought in a new team. And also, could you elaborate more on to next year, what is the target growth? Because that segment, actually some of the pure play vendors are growing at a much faster pace.

**Jatin Dalal:** Yes. So as I mentioned in my opening remarks, we are making significant investments, we just closed an acquisition. Also over there I will let Harmeet Chauhan, who heads our engineering business and give a little more detailed color on how we feel about our engineering business.

**Harmeet Chauhan:** Hi, this is Harmeet here. As you know, we have been operationalizing our new strategy for last two to three quarters, including the acquisition of ITI which we completed in Q3. We also rolled out new engineering NXT offerings, which is to truly enable innovation for clients across 11 different industries for both accelerating time to market and also delivering efficiencies. So, based on where we are, we believe that we are ahead in phase where we have a complete stack of engineering offerings to really sharpen our value creation for customers. And that should position us in the industry leading growth, even if you see in quarter three we are delivered Q-on-Q growth and we believe that momentum to continue going forward.

And of course, the other data point I would like to share as far as our operationalizing strategy is, customers are really engaging us across 5G, across IoT, across Industry 4.0, across connected products, across software products. So, the breadth and depth we are seeing in terms of addressing, and we are winning against competition. We have seen in Q3 as well a significant traction of growth across geographies, North America, Europe and in Japan as well. So I remain bullish, my team remains bullish to deliver on industry leading growth going forward.

**Moderator:** Thank you. The next question is from the line of Abhinav G from SBI Pension Funds. Please go ahead.

**Abhinav G:** First, our digital platforms are doing better, so is there any tailwind coming from homes? And the second part is, can we give more color on the AI, how are our capabilities vis-à-vis our peers? Are we doing some work on cognitive AI as such? Thanks.

**Abidali Z. Neemuchwala:** Yes, so homes, both as part of a lot of the run deals that we bid for becomes an essential part of our solutions and it is a differentiator for us. If you remember, a couple of years back as we engineered homes we had picked up some of our large accounts and run engagements in those accounts to deploy homes, to build use cases, to build interfaces so that they can be deployed at an enterprise level. Those deployments as well as that IP, along with the overall homes framework has helped us win a large number of run deals and deliver productivity and margin within those deals.

As AI technology has become available primarily also from the cloud providers, we have identified use cases where we can inherit technology from each one of the cloud providers, whether it is Azure, whether it is AWS or GCP. And we have created use cases across platforms so that we can deploy homes in a cloud environment in the work that we do for them. So I feel pretty good. Over



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280 customers now have owned homes deployed with use cases, we have about 17.8% of our work being done in FTE equivalent terms through automation, which is primarily driven by homes.

The second area where we see attraction with homes is what we call as Homes for Business. One of the examples that I gave in my opening remarks is an example of Homs for Business. We have identified about 12 industry use cases where the applicability of artificial intelligence and cognitive technologies delivers business transformation and we have deployed one or more instances of those use cases with our customers. A lot of those deals are also proactive, they are also part of our business transformation offerings, and including change management we are able to do those deployments. Although the size of those deals are small right now, but we see quite a lot of traction and we are building more accelerators leveraging homes across different industry verticals.

**Moderator:** Thank you. The next question is from the line of Harit Shah from IndiaNivesh Shares and Securities. Please go ahead.

**Harit Shah:** I just want to get a sense of what is happening on your top clients. Your revenue in dollar terms down at the slowest level in more than two years. So some sort of color on what is happening over there, the trends that are playing out in that space? That would be helpful. Thank you.

**Jatin Dalal:** So Harit, we have been talking about the cross-sell and client mining across our top clients for the last many quarters. And as you saw, we saw double-digit growth in the last two or three years, which we have seen as a little bit of slowdown in the last couple of quarters. If I give some color on the mix of the top clients for Wipro, our top clients are primarily from banking and Financial Services industry and technology industry verticals. And both of these, as we have discussed, Financial Services, last year because of, as you guys know better than anybody else, because of the interest rate change, a lot of banks did curtail their spend. We had some challenges at a macro level in the capital market space, and that has impacted because they form part of our top 10 planes.

Similarly in the technology space, of course, Q3 always is a difficult quarter for technology because of furloughs. But apart from that we are seeing, again, due to macro issues, challenges in the silicon segment of our tech business unit, primarily driven by the U.S. - China trade, and the slowness of the uptick of 5G with telecommunication service providers, which has an impact on the network equipment providers. Which both of which in banking and Financial Services as well as in the tech BU, I see are mid-term or short-term temporary. And next year we feel that it will be back to growth and there will be uptick in both of these.

So the relationship with our top clients are very robust. We are gaining market share even when sometimes our revenue goes down as they consolidate, as they renew. So we feel quite good about our overall top-line portfolio.

**Harit Shah:** Sure. That's helpful. You had mentioned last quarter that you do a lot of digital and engineering work for your top clients. And you had mentioned that some digital projects had ended and renewal is taking a little bit of time. So have you seen that trend continue this quarter also, in any kind of



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way are renewals taking time maybe because of budget, the new budgets being decided or any other reason?

**Abidali Z. Neemuchwala:** Yes. So specifically in our Q3 which was the last quarter for a lot of banks, we did see customers holding their spend back sometimes to address their own internal budget challenges. Because as you rightly mentioned, digital work is also a lot of discretionary spend. And they may decide to pause work and not renew the SOWs and we did see that. Coming into January, we are starting to see that demand is coming back, but it's too early to call right now. So, we have built that uncertainty in our 0% to 2% guidance that we have given.

**Harit Shah:** And my last question, a bookkeeping question. What is the outstanding FOREX hedges that you have at the end of the quarter?

**Jatin Dalal:** So we have \$2.6 billion of outstanding hedges as of December end.

**Harit Shah:** And what rate would that be on an average?

**Jatin Dalal:** As you know, we have stopped sharing those rates. But we typically hedge at any point in time for 50% of our next four quarters' net inflow. And you can gauge what rates we would have booked those at.

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

**Nitin Padmanabhan:** Abid, you clearly highlighted that there's an improved funnel that's driving confidence of growth sort of improving going forward. And also the fact that there is a potential deceleration of headwinds from the existing client buckets and at some point they would actually start spending. So, I just wanted your thoughts on two things. One is, in terms of the funnel, are these more cost takeout kind of spends or are these higher on the digital side of spends?

And second, something that's at loggerheads with the broader thought process, if you could clarify that, maybe broader market environment continues to be weak, at least if you look at banks and their own profitability and so on so forth. So what in your mind is sort of changing that they will actually come back and really spend, and what is the confidence of that really happening?

**Abidali Z. Neemuchwala:** So, there are three areas that I would kind of like to touch upon. One is, banks and all other industries, but especially banks continue to invest in digital. So, that gives us optimism because as that digital spend happens, we are able to participate in that. The second is, as you rightly mentioned, there are challenges as the macro economy slows down and it impacts banks, banks will normally lead some of these areas of slowdown and cost efficiency as well. And we have a significant play in the area of helping banks deliver a better revenue to cost ratio and we participate in that.



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And those deals are cost takeout deals, consolidation deals, those deals have a component of large deal, but none of them come without a transformation component. So to answer your third question, or the third part of my answer is that invariably those deals are the digital in nature. In some cases, they may be more on the business transformation and experience front, in some cases it may be more of automation and AI led business transformation. So digital is essentially part of all of that. I wouldn't imagine a pipeline which is not 60%, 70% digital in today's IT services environment.

**Nitin Padmanabhan:** Sure, that's helpful. Just one follow up there is, do you think looking at the funnel do customers really expect vendors to really invest upfront on for them considering what they are going through? Is that something that is sort of there out in the landscape or that is not really the case?

**Abidali Z. Neemuchwala:** Actually nothing has changed much. If I look at some of the large deals we have done in the last 8, 10 years, invariably large deals have a component of skin in the game, they have a component of upfront capital investment on transformation, and the gains coming over a few years. And invariably, those deals sometimes require deal structuring depending on the customers' cash flow needs as well as the ability for us to leverage our balance sheet if it makes sense.

As you would remember, as part of our strategy we have sharpened our ability to do gain share deals, element based pricing deals where we take the risk of transformation upfront and commit to a certain amount of savings, which given our balance sheet gives us the ability to structure the deal. But I would answer that question on a deal by deal basis, I wouldn't generalize it. And the last deal that we have done, in some of those deals we had to do some kind of an upfront investment and others we did not have to. And wherever we had to do that upfront investment it is priced in, the cost of that capital is priced in to the deal financially. If we look at our unbilled revenues over the past few quarters, it has shown a steady improvement. So we have maintained a lot of discipline in how we leverage our balance sheet so that our quality of revenues are not impacted in the near-term.

**Nitin Padmanabhan:** Sure, that's very helpful. Just one data point, if I may, what was the contribution from ITI this quarter?

**Jatin Dalal:** 0.3% of our 1.8% sequential growth came from ITI.

**Moderator:** Thank you. The next question is from the line of Shashi Bhushan from Axis Capital. Please go ahead.

**Shashi Bhushan:** Our margin performance, despite growth, volatility has been very stable. And we have invested in building localized talent pool, despite any major impact on the same. So shall we assume that margin gains through automation or high margin digital deals could be reinvested in the business for growth going forward? And we are comfortable at the current level of margin profile and not eyeing for expansion?



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**Abidali Z. Neemuchwala:** Shashi, you articulated well how we have delivered first three quarters of this fiscal where we have continually invested especially in our articulated big bets to get a superior growth trajectory. And we have been able to find those dollars from automation, AI and our traditional operating leavers. However, we will remain very focused on growth, the priority number one for us is growth and for that we will continue to invest. So, we don't want to guide forward, but our effort is to go ahead and invest and also squeeze that dollars out of the other cost levers that we have

**Moderator:** Thank you. The next question is from the line of Ruchi Burde from Bank of Baroda. Please go ahead.

**Ruchi Burde:** My question is on your Retail and consumer vertical. You identify the growth in the vertical was led largely by your association with the ecommerce name. So, what I am trying to understand here is, was this function of more strong seasonality of the ecommerce player that one witnessed? Or this is more structural growth uptick that Wipro witnessed and can sustain in the future?

**Abidali Z. Neemuchwala:** I will let Srini address that.

**Srinivas Pallia:** Thanks, Abid. Now, if you look at the last few quarters of where we were with a consumer PO, I think one of the point that I made in the previous question as well is, Retail CPG companies are definitely going through turbulent transition and transformation at the same time. What is important is to look at those customers who are trying to transition and look at those customers who are trying to transform themselves and be part of that journey. And if then your part of the strategic priorities, and that actually has been helping us. So in the context of the industry itself, yes, it is going to be choppy and volatile. But from our point of view, trying to focus on those investment areas and executing to the day priorities I think is what will sustain the growth and momentum in the few quarters ahead as well.

**Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to Ms. Aparna Iyer for closing comments.

**Aparna Iyer:** Hi. Thank you all for joining the call. In case we could not take your 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. Ladies and gentlemen, on behalf of Wipro Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.