"Wipro Limited Q4 FY 2013-14 Earnings Conference Call"

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MANAGEMENT:

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Moderator: Ladies and Gentlemen Good Day, and Welcome to the Wipro Limited Earnings Conference Call. As a reminder, all participants' line will be in a 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Aravind Viswanathan. Thank you. And over to you, sir.

Aravind Viswanathan: Thank you, Shyma. Good evening and Good morning to all of you. A warm welcome to our Quarterly Earnings Call. We will begin the call with Business Highlights and Overview by T.K. Kurien – Executive Director and CEO, followed by the Financial Overview by our Executive Director and CFO – Suresh Senapaty. Post that, the operator will open the bridge for Question-and-Answers with all the management team. We have the senior management team of Wipro present here to answer your questions.

Before Mr. Kurien starts, let me draw your attention to the fact that during this call, we may make certain forward-looking statements within the meaning of 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 have been explained in detailed filing with the SEC of USA. Wipro does not undertake any obligations to update forward-looking statements to reflect events and circumstances after the date of filing thereof. The conference call will be archived and the transcript will be available on our website wipro.com. Ladies and Gentlemen, let me now hand it over to Mr. Kurien.

T.K. Kurien: Good Evening to the folks in India, Good Afternoon to the folks in Europe, and Good Morning to all those calling in from North America. It is a pleasure to talk to you.

I am happy to announce our results for the Last Quarter of Fiscal 2014 and for the Full Year. Q4 has gone off well for us as flat. We have achieved a sequential revenue growth of 2.5% for the quarter in line with our guidance. Our investments in the areas of Automation, Platform-based Delivery and Process Simplification have helped us expand our margin by 430 basis points year-on-year to 24.5%, our highest margin in the last 15 quarters. Our EBIT growth year-on-year for the quarter has been 51%. In addition, we saw strong deal closure from the current quarter with an order book being one of the highest we have ever seen. We also see this momentum continuing in Q1. We have a strong funnel in terms of deals coming up for closure.

There is seasonality in our quarterly performance and is playing out in Q1, Q2. We continue to be confident of the momentum that we have built over the last two quarters. As we enter the year, we see the broad demand trends remaining stable both in terms of volume and realization. We also believe the tremendous opportunities around digital transformation right through the network back into the front office.

Within Industry Segments, we see strong demand in Healthcare, Retail Banking, Utilities, Process Manufacturing, Auto and Pharma. We see spending far more constrained in Retail, Insurance and High-Tech.

From a Service line perspective, we see good traction in Global Infrastructure Services and a revival of demand in the Application-based. The proactive investments in Continental Europe is showing early signs of success in terms of deal wins. US has grown ahead of company average.

We see our customers' business environment change significantly in two key areas: There is demand for leveraging new digital technologies for optimizing on technology spends and also differentiate in the marketplace. We have also launched a new business 'Wipro Digital' whose sole focus is the CMO.

As always, our employees are our greatest assets. We continue to drive and focus on employee satisfaction. Our salary hike and promotion would be effective June 1st. Thank you very much for your time and let me hand it over to Senapaty.

Suresh Senapaty: Very good day to all of you, ladies and gentlemen. Before I delve into our financials, please note that for the convenience of readers, our IFRS financial statements have been translated into dollars at the noon buying rates in New York City on 31st March, 2014 for cable transfers in Indian Rupees as certified by the Federal Reserve Board of New York, which was $1 equal to Rs.60. Accordingly, revenue of our IT Services segment that was $1,720 million or in rupee terms 106.2 billion appears in our earnings release as $1,770 million based on the convenience translation. Total revenue for the quarter were Rs.117 billion, an increase of 21.8% year-on-year. Total net income for the quarter was Rs.22.3 billion, an increase of 41.3% year-on-year. In IT Services, our revenue for the quarter was $1,720 million; sequential growth of 2.5% on a reported basis.

Operating margins of the IT Services segment continued the strong improvement. Our efforts towards increasing operational efficiencies in the business yielded a margin improvement of 150 basis points on a quarter-on-quarter basis. We see a stable pricing environment. Our new deals are competitive. Coupon rates are not under pressure, but customers are seeking more value for money.

On the currency front, our realized rate for the quarter was Rs.61.73 Vs a rate of Rs.61.53 realized for the last quarter. As of period end, we had about $1.8 billion of FOREX outstanding contracts.

Our IT Products business grew by 3.2% on a year-on-year basis. The effective tax rate for the quarter was 22.6% as against 23% in the previous quarter.

For the quarter, we generated operating cash flow of Rs.23.6 billion, which was 105% of net income. We generated a free cash flow of Rs.21.6 billion, which was 96% of net income. We will be glad to take questions from here.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin with the question-and-answer session. We have the first question from the line of Joe Foresi from Janney Montgomery Scott. Please go ahead.

Jeff Rossetti: This is Jeff Rossetti on for Joe Foresi. I was just wondering if you could talk a little bit…T.K., I think you mentioned that deal closures were strong in the quarter and you see the momentum continuing in the June quarter. Just wondering if you could reconcile that with your guidance, for the next quarter, it seems like there is decelerating growth in the seasonally stronger June quarter? Just wanted to see if you could talk also about your hiring plans, I think head count was slightly down for the quarter. Just wanted to see how you are planning to meet the pickup in demand that you saw from deal closures?

T.K. Kurien: Jeff, if you look at our history, you will notice that every time our first quarter is weak. And if you look at it last year, it is kind of interesting. Last year if you look at our June quarter and our year-on-year growth at the end of the June quarter was 4.7%. If you look at this quarter at the lowest end of our guidance, our growth rate year-on-year would be 8%. So, to that extent there is significant improvement in terms of year-on-year sales. #2, the reason for the seasonality that we face that many of our peers do not face is that our proportion of India business is pretty high. And typically, what happens is that India business tends to peak in our Q4, and then dips in Q1. That is primarily because a lot of the orders especially orders from government we do not get it till the middle of the quarter or at the end of the quarter. When we guide, we guide with confirmed orders that are due for execution at the end of March. So I think that is the fundamental issue that we have in terms of both guidance as well as in terms of demand. Our demand environment very broadly has been quite strong. In fact, last quarter we had the highest orders we have ever had. In the next quarter that is in Q1, we expect the demand environment to continue and closures to be also strong. So we really see the next quarter as a quarter when we are going to see pickup in demand, and to that extent translating into sales. In terms of absolute headcount, if you look at our headcount year-on-year, we have really been investing quite a bit in terms of productivity and tools. So overall, we do not expect our headcount to go up significantly in line with sales. We continue to hire in areas where we have lack of skill sets, we continue to hire freshers from campuses, which had continued to be at the same rate as last year, but fundamentally the objective would be to do more with less.

Jeff Rossetti: Just as a follow-up, I believe you have mentioned that pricing you see it as stable and you expect it to continue to remain stable. One of your multinational competitors has talked about some pressure on large deals within Application Services. It seems like that Application Services was healthy for you. I just wanted to see what you are seeing in the environment broadly in pricing and particularly within Application Services?

T.K. Kurien: So for us we see realization is all more or less stable, we do not see great pressure. I guess the question about pressure comes in from where you are starting. If you are starting too high, then I guess the pressure is always going to be there. Sitting where we are we do not see pressure. But, I think the bigger issue which I just wanted kind of talk about for a minute is that if you look at our entire model, our entire model is about driving efficiency through lower and lower headcount and is reflected in our margins. Our margin from where we were, typically what we see is that if you look at our exit as of the end of last year to this year's end, our margins have increased by approximately 430 basis points. So that has been the big jump and it is primarily because of productivity.

Moderator: Thank you. We have the next question from the line of Moshe Katri from Cowen. Please go ahead.

Moshe Katri: So T.K. given the significant increase in pipeline and deal activity, do you think Wipro will be able to produce sector like growth in Fiscal Year 2015, and then I have a follow-up on that?

T.K. Kurien: So, Moshe, we do not guide for the full year. But clearly, if you look at our exit-to-exit the trajectory is better than where it was last year that is all I can say.

Moshe Katri: In that respect, I am assuming, are you basing this on specific assumptions here? Is it better traction with clients? Is it better ability to convert bookings into revenues, better win rates? Is it all the above? I think any color on this will be helpful.

T.K. Kurien: Our win rate has increased substantially over the past years. In fact, I cannot give you exact numbers, but roughly, if you look at a base our win rate has almost improved by close to about 50% in terms of where we were to where we are now. In terms of the absolute pipeline, the absolute pipeline has improved, but fundamentally for us, we are really focused around conversions. Going back to that, our conversion in the first quarter of the calendar, which is the last quarter of the fiscal for us has been one of the highest that we ever had. And we see that same momentum continuing into Q1 this year.

Moshe Katri: And then as a follow-up to the last question about pricing and what IBM said yesterday about pricing pressure in their apps business, which corresponds what Accenture said about pricing pressure in their apps business. From our point of view it seems that a lot of it is related to contract renewal activity for some of the legacy vendors and obviously this year is going to be a pretty big year for contract renewals. Is that something that you are seeing as well where a lot of these contracts are getting renewed, a lot of these contracts are based on legacy maybe Onsite prices and everything has to convert now based on a global delivering network price and this is why I am assuming the likes of Wipro and some of your peers are benefiting from that just given the fact that you have even kind of a potential incremental market share here especially as some of these deals are out there for renewal?

T.K. Kurien: Moshe, you are absolutely right that's why if you look at pressure on realization, it really depends on where you are starting. If you are starting high there will always be pressure, for us we do not see the pressure of where we are sitting. But we do clearly see one thing, when deals get renewed and they go through a competitive bid process, it is common at least from what we have seen over the past year. We have seen reductions in overall pricing of between 30% and 40% in terms of absolute value. Now, the challenge for us is that we have to bring in costs, which at a level which can kind of match that new pricing. And you cannot do that long-term without having significant focus around Automation. Now, I think that is the whole thrust as far as we are concerned.

Moshe Katri: One of your large peers implemented pretty significant wage hikes in India being close to 10%. Is that something that we should worry about in terms of intensifying wage inflation pressure in the domestic market?

T.K. Kurien: So the way we see this, if you look at us as an organization, we have announced that our wage increase would happen on the 1st of June. As it always does, we have not changed from that date, and we continue to do that this year. On the Onsite our salary increase will probably be between 2% to 3% for the eligible population and similarly offshore it would be between 6% and 8% for the eligible population. So that is the band that we are looking at.

Moderator: Thank you. We have the next question from the line of Nitin Mohta from Macquarie. Please go ahead.

Nitin Mohta: I had two questions; firstly, T.K., I did catch your comments on TV about Retail vertical being hurt by your absence in maintenance projects. As you look out for FY 15, would you like to call out any such other vertical or a geography where you think your footprint versus peers could put you at disadvantage?

T.K. Kurien: So, Nitin, I think I called that out also very specifically in my opening remarks. I see Retail clearly as an issue, because just from an execution perspective based upon the demand that we carry is typically being the seasonal demand. We see similar issues happening in Insurance and also in High-Tech. These are the three verticals where we expect to see some pressure going forward if there is a cut in budget. But really, if you look at it, Insurance is not really an industry problem, it is our problem, because we are two small in insurance in terms of overall size. To that extent, we have to play the role of an aggressor. In terms of both High-Tech as well as in terms of Retail we are big, but a significant part of our portfolio sits on the change side of the business and not on the run side of the business and that is affecting us.

Nitin Mohta: And the second question which I had was on utilization, smart uptick over there, but still the utilization ex-trainees appears to be lower as compared to where the peers are. So what is the thought process there and where do you expect to kind of finish by the end of this year?

T.K. Kurien: One year is a long time, I do not want to guess that, but basically if you look at utilization itself we think we have headspace around utilization.

Moderator: Thank you. We have the next question from the line of Edward Caso from Wells Fargo. Please go ahead.

Rick: It is actually Rick on for Ed. The first question is just around discretionary spending. Can you tell us sort of what you are looking at and what you are seeing so far on discretionary spending, how has the year gotten off to start relative to your expectations?

T.K. Kurien: So, on discretionary spending, there is not a secular trend, but what we are seeing is that in the US clearly people are kind of opening up their purse strings much more than what they were last year. If you look at areas like Retail, Banking, we see discretionary spending coming back, if you look at Utilities, we see the same thing happening, we see it in Process Manufacturing, we see it in Auto, we see it in Pharma, and we also see it overall in Healthcare, both in peer side as well as the provider side. But, we have not seen the same level of discretionary spending in other industries. So from that perspective it is an industry issue that we face, which is more or less global, yet, we are seeing certain geographic differences too. So, for example, if you look at Pharma, we are not seeing discretionary spending starting off now in Europe, we are seeing that clearly happening in the US, we are hoping that Europe will follow, because it is in many ways a global business, but we are not seeing it.

Rick: And so would you say that this difference is by industry and geography, broadly speaking is discretionary spending sort of on track with where you would expect it to be?

T.K. Kurien: Pretty much. I think Retail was a surprise for us last quarter in a negative way, and it has continued to be a surprise for us in Q1 again in a negative way.

Rick: Then just to clarify on the 30-40% reduction that you talked about in terms of pricing when they go through a competitive process, is that impacted by deal sizes getting shorter or TCV is contracting as you have fewer years on a deal?

T.K. Kurien: Not necessarily, it is absolute value of the deal coming down for the same TCV same period.

Rick: So it is an apples-to-apples type comparison?

T.K. Kurien: Absolutely. I think what happened is that as customers have gone through one cycle of outsourcing, and as they get more comfortable with the whole model, I think they are willing to try a lot more for cost, because at the end of the day 'run budgets' are under huge cost pressure.

Rick: I saw you had a strong quarter in your Media and Telecom business, but some of your peers have talked about Telecom remaining relatively weak, and I know it is a bigger vertical for Wipro. So, maybe if you could just talk about what you are seeing there?

T.K. Kurien: So, I have Ayan Mukerji with me, Rick, who runs our Global Media and Telecom business and he can talk through it. Ayan?

Ayan Mukerji: We really have not continued to do anything different than what we have been doing for the last three quarters. Our hunting and mining continues or farming continues to be extremely focused. We had very good year for hunting adding some marquee accounts, which have led to some of the upsides that you can see. From a deal perspective, our win rates and deal flows continue to be strong. However, you see some of the seasonality and the fluctuation of quarterly revenues are reflected in the current quarter performance. Moving ahead, I do not see us being behind the rest of the corporation and the market in terms of both sequential and annual growth.

Moderator: Thank you. We have the next question from the line of Sandeep Muthangi from IIFL please go ahead.

Sandeep Muthangi: T.K. could you give us some color on the order book that you have just mentioned, in terms of what industry services they are happening? And what would you attribute the sharp jump in the win rates too?

T.K. Kurien: So, I think the last part of the question is easily answered, I think it is just better execution. But if you look at our pipeline overall and the conversions, I think there are two stand out areas where we have done very well. One is around the Healthcare space and I have got Sangita with me who can kind of talk a little bit about that. The second big area where we have done very well is Manufacturing. I also have Bala on the line, he can talk through both these areas and what they see in terms of demand and what they see in terms of opportunity going forward. Sangita?

Sangita Singh: Yes, it has been a good quarter for Healthcare & Life Sciences, and what we have seen happen is our focus on enabling our customers to drive a more leaner, more productive IT workplace has really helped us win some of the deals at the Infrastructure BPO and our bread-and-butter businesses. Also, what has happened is our focus on moving to more domain-centric solutions for our customers, particularly in the Life Sciences space to move in the patient centricity arena, which is help our clients move beyond the pill has helped us drive some of the wins. In the Healthcare Space, really leveraging, what we are seeing in the client organizations to move towards more implementation of Obamacare that drives more accountable care has helped us drive some of these large wins in Healthcare and Life Sciences. We are confident to see this momentum continue.

N.S. Bala: So, Sandeep, just to give you a color of what has been happening on the Manufacturing side, we have had a good order book in Q4. What workedfor us is the fact that we have been successful in engaging with customers on large scale transformation programs, particularly, in terms of streamlining the cost, and more importantly helping them work as one global organization. There have been large transformation programs, we have had some good order wins in Q4. The pipeline continues to be strong. And particularly in the hunting side, we have opened some good logos particularly in Q4, and as we look at where we stand going forward, we are reasonably confident that we will continue to have a good win ratio in the pipeline. The other color to it is the fact that these deals are annuity deals, which is also helping us from overall portfolio perspective and making the business portfolio much more robust.

Sandeep Muthangi: Now I understand that 1Q will not be reflective of the kind of traction that the company has been seeing. So is it safe to expect that by 2Q the evidence of the traction, everything should be completely in the revenue growth in terms of saying that 2Q revenue growth should not be lagging some of your peers?

T.K. Kurien: I wish I could answer that, I do not know, I have no clue how my peers will do. But, broadly, the ambition would be to certainly do better than what we have done, what we have guided for in Q1.

Moderator: Thank you. We have the next question from the line of Manish Hemrajani from Oppenheimer. Please go ahead.

Manish Hemrajani: On the India business, given your high revenue contribution from there, any impact from the elections either positive or negative on that business?

T.K. Kurien: So I pass it on to Mr. Soumitro Ghosh who runs that business and he can give you some color on what is happening in that particular area.

Soumitro Ghosh: So Q4 has been a good quarter for us. And principally, if I look at it from an industry segment perspective, in India, we saw some good traction in two areas; one is the Financial Services space, and the second one being Telecom. In the Middle East, which is also part of the remit of Wipro Infotech, we saw good traction happening in the Oil & Gas segment and Engineering and Construction. From a service line perspective, we saw some very good growth from our Application Services, which clocked more than 5-6% in terms of sequential growth, and we won two or three fairly marquee deals on the app side both in Financial Services as well as Telecom. In terms of the go-forward piece, of course, especially in government, and over the last six months, there has been a considerable slowdown, and a lot of projects have been really stalled.

Depending on of course, how strong the government which comes in, hopefully things should look much better, and one should see project clearances happening and traction picking up.

Manish Hemrajani: T.K., you talked about highest margin in the last 15 quarters, large order book, win ratessignificantly improving, all those things, how much of it is attributed to disruption at one of your peers and how much of that you will attribute towards shift to offshore on deal renewals? And also if you can talk about why your win rates have risen significantly?

T.K. Kurien: So I think Manish it is pretty simple, our execution has improved clearly. And from our perspective, the way we see it is, there is clearly more movement to offshore, primarily driven by smaller ticket size that are coming through the pipe. And I think from our perspective one of the things that we have done well last year is that we have really focused around customer quality, and our repeat business from existing customers also has kind of gone up that has been a big positive for us. So, if you look at our NPS, which came out just about a couple of weeks ago, we have almost doubled from where we were last year that has been a significant increase. So, in net-net I think it is just better execution.

Moderator: Thank you. We have the next question from the line of Sandeep Shah from CIMB Securities. Please go ahead.

Sandeep Shah: What I am saying is the exit rate is 24.5% and the full year has been at 22.6%, and when we enter the FY '15, I think, yes, there are headwinds through the wage. At the same time, we have tailwinds in terms of utilization, and also T.K. in his opening remarks, had said that most of the reorganization has been done. So, in that scenario, the investment in terms of sales and marketing will not be that big going forward. So, is it fair to say that we have quite a good visibility to carry-forward the exit rate with the plus or minus of a narrow band going forward?

Jatin Dalal: So Sandeep, if you see, we have made substantial improvement over last four quarters compared to Q4 of last year to current Q4, we have 430 basis points improved. We have also always maintained that our priority has been growth, and to that extent, if we need to invest we will continue to invest. For Q1 specifically, we will have the investment in form of the salary increase that we will give to our employees. And to that extent there will be a headwind. Also, as we have spoken about, we have had some deal wins and typically in such deal wins you have investment in terms of hiring of key employees, etc., which happens before the revenue comes in. So, to that extent, you would have a little bit of volatility in margin also on account of that. So this quarterly volatility or fluctuation will play through in Q1, but we feel that we have improved our execution in form of a higher automation, productivity, etc., and some of those gains are definitely we are hopeful and confident of continuing as we get into fiscal '14 and '15.

Sandeep Shah: Just in terms of the solid order book which we had in the fourth quarter, is it fair to say that we are now the selected vendors in most of those deals or still there is some contracting stages pending in many of those deals?

Jatin Dalal: Yes, so Sandeep, it is both; the deals have come in the latter half of Q4; some of them are contracted and concluded as on 31st of March, and some of them are in progress of completion, but we have been clearly selected as a vendor who would provide the services, and therefore we have articulated those as wins, and that is the statistics around.

Sandeep Shah: And just T.K, hypothetically, if we assume that Retail would not have been a problem area for the first quarter, do you believe that the guidance for the first quarter could have been better than what it is currently?

T.K. Kurien: I wish, I could say, Sandeep, I do not want to start getting into details. I think we have given a guidance, I do not want to say anything more than that. Let me put it this way; this Retail has hurt us.

Sandeep Shah: Why I am asking is maybe the India business decline may not have a significant impact in terms of the growth rates where the growth in the other verticals cannot able to compensate that?

T.K. Kurien: Anyway, I cannot say anything more than that.

Moderator: Thank you. We have the next question from the line of Keith Bachman from Bank of Montreal. Please go ahead

Keith Bachman: You talked about a couple of practice areas; one that was good was BPO, in terms of sequential growth. The other was consulting, which was fairly weak? What were the reasons behind that and does that trend continue?

T.K. Kurien So Keith on consulting, I guess there is some level of lumpiness in terms of revenue the way it comes and goes. As far as India business is concerned typically what happens is our Q1 has always been weak. And Q2, Q3, Q4, if you look at last year, we have grown sequentially at a 5% clip quarter-on-quarter. So that extent I think what happens is that, this has been a traditionally weak quarter for us, and we see that weakness continuing this year too.

Keith Bachman: In terms of the attrition picked up a little bit, do you see it stay at these levels, you see it going higher, you see it going lower, particularly given that your wage rates that you talked about versus at least one of your peers is a little bit higher, where do you think your attrition will move to?

T.K. Kurien: So, let me hand that over to Saurabh Govil, who is the Head of HR, And he can talk through that.

Saurabh Govil: If you look at our attrition numbers for the quarter. I think it is actually quarter annualized numbers have come down. So it has dropped there. And we have been operating in this band, and as we look forward I do not think so we will see anything different, we will continue to operate in this similar band. The last two, three quarters we were in this narrow band of 1-1.5%. On wage hike, as TK mentioned that it will be effective June, we are looking at offshore increases to 6% to 8% and 2% to 3% onsite population of the covered population.

T.K. Kurien: So the way we see it is, Keith, I do not think we are in a market where talent is short across all levels, there is certain skills where clearly we see shortages, and yet others where we see plenty. So from our perspective, while we run a band I think where we have to pay more to get and keep talent we will absolutely do that. But we do not see too much of pressure on absolute wages.

Keith Bachman: The last one I have then is going back to the pricing issue. As you look over the last couple of years there is always renewal sort of come up, there has always been a number of competitors, particularly competing for those renewals. Why do you think there is more aggressive pricing at this juncture? Is the behavior of the vendors being more aggressive? Is this the companies looking for more price concessions? What is really driving the increased pricing pressure that a number of different service providers have talked about in the last few weeks?

T.K. Kurien: I think there are a couple of reasons why that is happening. # 1 is that if you look at the Run business that is the business that typically goes out for competitive bidding. In case of the Run business, I think there is huge pressure in most CIO organizations to cut their budgets. That is one trend that we are clearly seeing. I think most organizations especially CIOs have realized that if they take a large contract that is typically sitting with the multinational vendor if they go out, they can get substantial reductions in prices in absolute cost. So some of that is driven by a behavior, which is, "Let me go and get better costs." The second big driver for that is better quality. So I think from our perspective the way we see it is that typically a large part of the work that is migrating to vendors who are coming out of this particular geography is primarily driven by better quality. So it is quality and price. And #3, within the vendor base, I think clearly people have decided that if you had to do forward pricing based upon automation and based upon some level of productivity, then they believe to get price, to go in with lower prices significantly higher than you wish, you went in with today's costs. So, to that extent some people are taking a view of forward pricing too. And I think it is a combination of all this that is kind of playing itself out.

Keith Bachman: So, your opinion that this pricing pressure is here to stay then?

T.K. Kurien: Absolutely. On the Run side of the business, I would say it is here to stay. I do not think it is going to go away in a hurry.

Keith Bachman: And do you see a risk that spreads to other areas beyond the run business?

T.K. Kurien: Not really. What I am seeing in other parts of the businesses that if you look at some of our other businesses, we are seeing ticket prices is actually going up. If you look at our Analytics business, if you look at our business that we have called Advanced Technologies, we actually see ticket prices moving up, we do not see it is coming down. So to that extent it is a mixed bag. Skills and technologies where you are able to integrate solutions for folks especially on the digital side clearly even today command a premium.

Moderator: Thank you. The next question is from the line of Ravi Menon from Centrum Broking. Please go ahead.

Ravi Menon: I just wanted a little more color on the order book that you won, and I was not sure whether you meant that you won this in Q4 or Q3. I wanted to know if this is more run-the-business or change-the-business, and are these like really large deals or this is a kind of penetrate and really it is kind of model that you opened at some accounts and started smaller projects? That is one.

T.K. Kurien: Ravi, it is pretty simple. I think to a large extent the business that we have won and it has all been won in Q4, typically has been most of the deals that we have won have been on the Run side of the business. And it is a combination of small deals and also a significant portion are actually large deals, so it is a mixed bag. But, when we book order book… just to give you a sense, what we recognize is order book within, is really TCV of the orders that we received. So if it is a tiny order, then the impact on order book is not very substantial.

Ravi Menon: And second question is the go-to-market strategy forward for Digital. Are you looking at using the same sales force or what about the internal organization for deliveries, is it going to be completely separate?

T.K. Kurien: No, the way we actually sell is kind of a little different. So the delivery heads who are expected to deliver their services to the customers that they are already delivering and expand their services within the customer for the same range of services. If it is a new service client, we expect that it is done by the account head in conjunction with the delivery guy, but the primary responsibility is that of the account head. If it is going to be completely new account and a completely new service, it has a dedicated team under the vertical head, and the service line head, they are transit and goes and get that business that is the way we have kind of broken-up in terms of responsibilities.

Moderator: Thank you. We have the next question from the line of Nitin Padmanabhan from Espirito Santo. Please go ahead.

Nitin Padmanabhan: T.K., just two questions actually; one is, if we just look at the last two years, we went through the face of cutting those tail accounts and that in some form sort of tempered our revenue growth. And we have always had this telecom equipment vendors, which sort of popped up at some point or the other which sort of hampered revenue growth. Do you think portfolio issues have largely been sorted out looking at or the next year versus what we have seen in the past?

T.K. Kurien: So, Nitin, on the portfolio side, I do not think there is anything substantial out there that can impact us in terms of growth. There will always be bits and pieces, but I do not think that should affect our push towards growth.

Nitin Padmanabhan: And the second one was, T.K., I think this was the last quarter the quarter before, you spoke about how the proportion of hunting-led deals for us versus industry was far lower. How do you see that having improved recently?

T.K. Kurien: So, it is kind of interesting that you asked that question. If you look at our entire hunting approach it has taken us about two years, but we are very satisfied with what we have got there. Of course, there is lots of work to be done. But, basically what has happened is that we have substantially improved our win rates in the hunting side.

Jatin Dalal: Nitin, Jatin here, even the deal wins that we are talking about, a quantum of that has come through hunting as much as it is from the core business through Pharma.

Nitin Padmanabhan: On the Retail vertical, your comments on the discretionary side, is that more backward looking in terms of what has already happened, because I think there has been a talk about incremental Retail sales that have been pretty good, the best since 2012 and things by that. So, I am just wondering, looking forward, do you sort of have a feeling that things could improve or it is similar to what you saw in the last two quarters?

T.K. Kurien: I will put it in this way, I am not betting on any improvement at the future as far as guidance is concerned on Retail.

Nitin Padmanabhan: Would that be specific to our client portfolio or do you think it is an industry-wide phenomenon?

T.K. Kurien: I think it is a bit of both, because if you are sitting in weaker retailers you would have that problem primarily because people cut budgets. And I also think from industry perspective we have a problem kind of played itself out for some of our other peers.

Moderator: We have the next question from the line of Viju George from JP Morgan. Please go ahead.

Viju George: I was just trying to get a sense of whether you have a target margin band in mind, because your margins are certainly improving with productivity, would you say that would like to manage the business for a certain target margin, and may be the invest excess back into the business?

T.K. Kurien: Here is what we will do… I cannot specifically talk about a margin band, we have margin band internally. But here are two areas where we will never cut back in terms of investment; our sales and marketing and our domain consulting is an area that we are never going to cut back on. We will try as hard as we can to kind of spend what we need to make sure that we penetrate customers. The second area that we will not cut back on is developing intellectual property, especially around process automation that is the other big area that we are going to keep investing in. So that is broadly where our investments are going to go. Besides that everything else is fair game.

Viju George: The other question I had was looking at your head count addition over the year…thanks to productivity, there is disconnect between your revenue growth and head count addition. Do you think that this disconnect can continue going forward, and therefore we should not look at any signals of head count addition as an indicator of growth potential?

Jatin Dalal: So, if you see our full year utilization on gross basis, it is flat vis-à-vis fiscal '14 and in fiscal '13. So, we have as much space to support growth as we had last year, and that is despite the growth that we had through the year. So, in some form at no point we are constraining ourselves vis-à-vis the growth that we can generate by deployment of resources. Having said that we are constantly focused on driving productivity and doing the same amount of work with much lower level content than what we used to do years back or what we have been doing traditionally. And that itself creates additional head space for us to invest our efforts in. So, fundamentally, we do not see any reason for us to worry about whether we have right capacity, and that is reflecting in the utilization number.

Moderator: Thank you. Next question is from the line of Mukul Garg from Societe Generale. Please go ahead.

Mukul Garg: T.K., I have again a question on the guidance for the next quarter. You mentioned that you are seeing weakness in India business. Can you comment on the similar lines on what are the seasonal issues which will call slower growth in other regions, specifically Americas?

T.K. Kurien: I think I talked about that a little bit already, but just to kind of give you a sense, what we expect to see in India business… Soumitro and me both talked about it in terms of how typically in Q1 we see seasonal weakness in India. Similarly, we have weakness in Retail, and the weakness in retail has been really felt by us both in Q4 and it continues into Q1. So those are the two that we clearly see. Besides that we do not see anything else today. There are some areas of strength, which I again called out earlier, and pretty much these are the two areas that we are seeing.

Mukul Garg: You also commented that the Q2 will be better. So should we take it as a better than Q-o-Q or better than the Q-o-Q growth last year, any thought process on that?

T.K. Kurien: I do not give guidance for Q2. So I am not giving guidance for Q2 right now. All I can tell you is sitting where we are we see Q2 better than Q1.

Moderator: Thank you. Next question is from the line of Pinku Pappan from Nomura. Please go ahead.

Pinku Pappan: T.K., you had three good quarters for nearly 3% growth from the US which was kind of problem area for you in the past. Will you say today that you have turned the corner here and can help us, how do you look at growth at 1Q and beyond say for the full year?

T.K. Kurien: Pinku, all I can tell you is that as far as US is concerned if you look at our absolute percentage of US business has actually gone up over the past couple of quarters. So the US business for us has been doing well primarily based upon the recovery that we have seen there. Overall, in terms of the demand environment, I see the demand environment is stable. And for us I think what we are seeing is we are seeing improved win rates vis-à-vis the previous year. Now, you know that we do not guide full year numbers. But all I can tell you is that if you look at this Q1 compared to Q1 last year, last year our Q1 year-on-year growth was 4.7%, this year our Q1 growth at the lowest end of our guidance was close to 8%, and that should give you an indication of what is going to look like next year.

Pinku Pappan: You mentioned that you do not really look at cutting your sales and marketing expenditures, but this quarter if you look at your absolute sales and marketing expenses came down sequentially?

T.K. Kurien: Yes that is an aberration. So typically what happens is that towards the end of the quarter, we start doing performance management of people who have not performed over the previous year. Some of that will continue during this year first quarter too, but pretty much otherwise we should really be spending more in sales and marketing.

Jatin Dalal: And also there is a little bit of forex impact there, because it is predominantly dollar-denominated cost and there is always a little bit of delta between the realization of revenue and actual cost rate at which the foreign currency cost gets booked. So there is a little bit of play there too.

Pinku Pappan: And lastly, across the service lines, T.K., could you tell us kind of give us a gradation where you have been able to achieve the maximum employee productivity and where you are still facing challenges to improve the productivity?

T.K. Kurien: I think from a productivity side pretty much we have kind of pushed the lever right across. In terms of sales if I had to answer the question, I think our Global Infrastructure business is doing very well, and we clearly see growth back in that segment. We were lagging industry growth for a couple of years in that particular area, we have come back in that particular area. As far as our Application business is concerned, we still see signs of hope in that particular area I have Bhanu here with me and he can talk through what we have done there, and over to you, Bhanu

B.M. Bhanumurthy: I manage the Application Services business. In the Application Services business a couple of trends we watch very carefully right now; one is everything that is digital, either the digital transformation or the digital way of interacting with customers that is where we see the demand picking up from our customers and that segment is discretionary in nature, but we do see investments coming up in those areas. The second area that we see very strongly is in all things related to security. We have seen significant number of events, you would have watched in terms of both the threats and the data losses for some of the organizations. Consequently, there is a lot more attention to that area of both Infrastructure as well as the Application security and Data security there. So we see a significant amount of attraction coming in that business. The third area which is the core of the application space which is both third-party product implementations and the Testing Services, they have been pretty traditional businesses. Our approach to that business has been to get lot more productive, lot more effective in the way we manage those services. So broadly, if I look at it all things that related to customer-facing applications we see a significant traction coming in, all things related to security and resilience, we see a significant traction coming in. The core spaces we see significant effectiveness coming into the play there.

Moderator: Thank you. We will take the next question from the line of Ankit Panchmatia from Dalal & Broacha. Please go ahead.

Ankit Panchmatia: I just wanted to know the ideology of the management of forming this improved digital SBU. So actually I just wanted to know that what target the management have set in sort to bring in some range?

T.K. Kurien: I will pass the question on to Bhanu and he can talk through specifically the goal of Wipro Digital and what we expect to achieve in that particular area.

B.M. Bhanumurthy: Yes, Ankit, this is Bhanu here. As you know we announced Wipro Digital Solutions as a unit. The focus of this unit is going to be to help customers on a couple of areas that I outlined in my previous answer. One big area that we want to focus on is to help customers with their chief marketing officers in interacting with the end consumers using omni-channel capabilities. Today, if you see the majority of these organizations, those processes are pretty fragmented, and there is a lot more opportunity for improving the effectiveness of those processes. So the first focus of this division is going to be on the chief marketing officer to ensure that the chief marketing officers leverage the technologies that are available today. That implies that the marketing officers will have the capability to do online real-time micro segmentation that is required for running their campaigns. They have the capability to do live analysis of their effectiveness of their campaigns. They have the capability to watch trends and adjust their campaigns based upon the trend that they see. So the intention here is to make the chief marketing officers budgets much more effective. That is the first step. The second area that this division will focus on is in terms of helping organizations on their digital journeys. So if you look at every business process, obviously, there is an element of digital in every business process; however, the leverage of technology can be increased substantially. And as you increase the leverage of technology, the processes can be redesigned substantially, and hence the business itself can be redesigned. So in two steps, we are going to approach this area. First one, we will focus on the chief marketing officer, and the second one we will focus on the digital journeys of our customer organizations.

And to do this, we will bring in the capabilities from our creative capabilities, we will bring in capabilities on analytics, we will bring in the capabilities of front-end consumer experience design, and the capabilities around core process changes that need to be done. So, the focus of this look will be to bring in all those areas together.

Ankit Panchmatia: But, what I see it into is, I hope there would not be any cannibalization of the current revenue streams which the company have with Wipro Digital?

B.M. Bhanumurthy: Our view is that I do not, we have noticed the chief marketing officers that closely, and that is going to be another way of entering into the customer organizations. So we have done bits and pieces of that already, you would have seen some of the work that we do along with Promax, along with the analytics team that we do already. Our intention is to keep this is as a new way of entering into our customer segments.

T.K. Kurien: And last, the biggest thing really is if you have to redistribute revenue from one bucket to the other and yet spend money to do that, frankly, does not make business sense.

Moderator: Participants that was the last question. I now hand the conference over to Mr. Sridhar Ramasubbu for a short announcement. Thank you. And over to you, sir.

Sridhar Ramasubbu: Hi, this is Sridhar. Thank you very much for your active participation in our Q4 '14 Earnings Call. After 25 years in Wipro, I am moving and taking up the role of CFO in Opera Solutions, (A Leading Big Data Analytics Company) where Wipro has made a strategic minority investment. I want to thank you all for the support you provided during my tenure at the Investor Interface in North America and I will stay connected.

I also want to take pleasure in introducing my colleague Vaibhav Saha who will take over from me as the IR Interface and request your support to him as well. Vaibhav is a seasoned Finance Executive. He has been in the industry for more than eight years and last role has been that of the Finance Leadership for Wipro Consulting Business. He will operate our New Jersey office.

As always on this call, Wipro IR Team both in India and US are available for any additional clarifications you may need. Thank you so much.

Moderator: Thank you sir. Ladies and Gentlemen, on behalf of Wipro Limited that concludes this conference. Thank you for joining us. You may disconnect your lines.