



# “Wipro Limited Q3 FY’21 Quarterly Investor Conference Call”

**January 13, 2021**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Wipro Limited Q3 FY'21 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 touch tone phone. Please note that this conference is being recorded. I now 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'21 Earnings Call. We will begin the call with the "Business Highlights and Overview by Thierry Delaporte -- our Chief Executive Officer and Managing Director" followed by "Financial Overview from our CFO – Jatin Dalal." Afterwards, the operator will open the bridge for Q&A with our management team.

Before Thierry start, 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. These uncertainties and risk factors are explained in our detail filings with 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, Thierry.

**Thierry Delaporte:** Aparna, thank you, and good evening, ladies and gentlemen. Really Wishing You A Very Happy New Year. It's a true pleasure to speak with you today. Last year, we witnessed some very unprecedented times and now with improved vaccine prospects, we are filled with optimism for 2021 and sincerely are hopeful that it will be a much better year for the society, for businesses, our clients and for us.

I'm also very happy to share with you that effective January 1, so just literally 15-days ago, we have gone live with our new organization structure, an important moment for our company.

Let me now give you an "Update on our Q3 Performance." I'm pleased to share with you that we've had a second consecutive quarter of strong performance with healthy growth in revenues, acceleration in order bookings, expansion of margins, sustain lower employee turnover and solid operating cash flows. Looking at it one-by-one, the revenue growth 3.9% in reported terms, 3.4% on constant currency terms, is at the upper end of our guidance. Our growth was the highest in 36-quarters. The growth in revenues was broad-based across sectors and market and led by a surge in volumes.

On operating margins, we expanded ROM during the quarter by 240 basis points to 21.7%. This again is the highest we have achieved in the last 22-quarters. Expansion was led by driving excellence in operations, focusing on improving the quality of revenues. Several operating



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metrics are at all-time best including offshore mix, utilization, attrition and optimized subcontracting.

Third, our overall order booking for the quarter grew double-digit on a year-on-year basis. Order book was strong across sectors and service offerings and had a good mix of both large and small deals, which is always important for us. We closed 12-deals with more than 30 million TCV each and the TCV booked of this was over \$1.2 billion. We also as you know closed our largest deal ever in Continental Europe with Metro now. All of this was achieved while implementing the biggest transformation that the organization has seen in recent years. It's a real testimony to the stake that execution capabilities and the committed one Wipro team that we have in place whose relentless efforts are paying off.

Now, let me provide "Some color on the Underlying Business Performance." There is significant traction in market across all our key geographies. We saw good order booking across major geographies. In the US, the growth funnel was very healthy, and the order booking grew double-digit year-on-year. We have consistently converted some of the large deals in Europe which has resulted in Europe growing faster on a year-on-year basis at 1.4% in constant currency terms. We see demand in Europe being particularly strong and mostly driven by acceleration in the adoption of cloud, digital transformation, and driving efficiencies in the core leading to optimize cost.

Now, from a "Sector view", I'm pleased to report that we had all cylinders firing; five out of seven sectors grew over 4% sequentially. Consumer sector continues to trail blaze on the back of solid deal wins. Growth in financial services is driven by demand across pretty much all sub verticals, led by demand in digital operations primarily. Cloud infrastructure services also and digital transformation. The momentum in energy and utility was led by utilities. However, we are beginning to see a ramp up in demand in oil and gas customers as well and encouraged by the deal wins we have. Technology bounced back this quarter with a healthy growth despite deferrals, Communications and manufacturing continued to build on the momentum and finally, healthcare and life sciences performance was truly aided by a seasonal uptick in our health plan services business.

Now, looking at the demand environment, it has shown steady improvement in the last six months. The intensity of the sales activity continues to rise, and the pipeline is robust. We are seeing heightened demand for service offerings in digital transformation in digital operations, and in cloud infrastructure services.

Now, let me give you a few examples of some of our wins in digital operations and cloud infrastructure services space: First example, Wipro won a multi-year multi-million dollar engagement from a US-based mortgage lender to provide customer service to the lenders rapidly growing retail mortgage client base. Wipro will leverage best-in-class mortgage centers in the



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US and in India. Business operation services and application development to power the customer aggressive growth strategy.

Second example, a US-based multinational food manufacturing company has awarded Wipro a strategic multi-year global managed services contract for cloud and infrastructure for service desks and IT services management. As part of this engagement, Wipro will also provide end-to-end infrastructure services including multilingual service desk side support, workplace optimization, cloud on AWS, cross functional coordination and tools, ServiceNow, ScienceLogic. In addition, Wipro will consolidate all infrastructure projects globally.

Now, in digital transformation, we are witnessing significant business traction across three broad areas: One, clients are embracing the transformation of the IT side. They are moving away from traditional IT models and adopting business tech operating models and shifting the discussion to a halted view.

Second, our clients are investing significantly on digital business solutions. Customer experience transformation programs are becoming front-to-back initiatives, including core transformation and not just on omni-channel experience.

And third, clients are moving beyond the lift and shift of the workloads to the cloud to exploit the automation native capabilities and we are helping them link these directly to business goals.

You know of the partnership with our strategic alliance to create joint solutions, are leading to wins where we are helping clients transform their IT and create business solutions.

Let me give you a few examples: With Metro AG, a leading global wholesale food company, we've signed a five year and over \$700 million, by the way, with the intention to extend up to four additional years for potential spend of \$1 billion. Strategic digital and IT partnership with Metro AG. We hope will deliver a complete technology engineering solutions transformation program for Metro as it positions itself as a wholesale 360-degree provider in the trading the cash and carry the hotel, restaurant, and catering food industry.

Wipro's transformation program will encompass cloud, data center services, workplace and network services, along with application development and operations to provide an integrated, flexible and robust digital infrastructure. Partnering with Wipro allows Metro to again simplify and streamline the IT landscape and critically give access to innovation and the best digital practices.

Next example, we are being chosen as the transformation partner for a bank in the UK to reimagine the customer journey and transform to be more a digital relationship bank delivered with cloud first that architecture. Our cloud institute continue to build and leverage industry and horizontal patterns enabling us to deliver business outcomes rapidly.



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Final example, for a leading healthcare provider we have leveraged AWS containerized solution to deliver complex data application in four months to meet the regulatory requirements.

Now on our “Outlook for Q4 ’21.” We guided for revenue growth of 1.5% to 3.5%, which reflects the current demand environment, we feel and considers that we will deliver this in our new and improved operating model. The last 90 days have been very busy for us as an organization as you can imagine. But the good news is that we are moving in the right direction, the team is in place and our focus now is only on growth, in accelerating the momentum. In our analyst day commentary, we had said that we see margins sustainable in medium-term. As you’ve observed, we have delivered significant margin expansion in Q3. Growth remains our top priority. We have begun to make investments in our frontline sales and domain specials.

For 80% of our employees, we completed the promotion cycle effective December 1. And we will also be rolling out salary increases for them effective January 1. We’ve also announced a 100% variable payout for Q3 and for Q4, which will make it three consecutive quarters of full payout. Our margins for Q4, we will have headwinds of these investments, but we will remain elevated.

To summarize, I must say I’m very excited by the acceleration in the business momentum. We have seen in the quarter and optimistic about the year ahead of us.

With that I hand it over to you, Jatin for your comments on the financial performance for Q3’21. Jatin, over to you.

**Jatin Dalal:**

Thank you very much, Thierry. Good evening, good morning, ladies and gentlemen. As always great to talk to all of you. We had an excellent quarter of execution. Our revenue growth was just at the upper end of our guidance at 3.4% versus 3.5%. Margin expansion of approximately 240 basis points resulted in our operating profit growth year-on-year of robust 24%. We had a higher ETR this quarter compared to Q3 of last year; 22.1%, resultant our net income growth was 20.8% that too improved significantly from our prior quarters.

Let me now talk about the “Cash Conversion.” Our cash conversion during the quarter was very robust. We improved our DSO days by approximately six days. Overall, after first two quarters of robust performance, we continued one more quarter, where we delivered free cash flow at 133% of our net income and operating cash flow at 106% of our EBITDA. At the end of the Q3, we had \$6.2 billion of cash on the balance sheet and net of debt our cash was \$5.2 billion.

Let me talk about the “FOREX.” Our realized rate for the quarter was 74.04. We delivered 0.3% positive margin uptick on account of FOREX. We had hedges of \$2.7 billion at the end of Q3.

As you are aware, we are in the middle of a buyback program, and we expect the overall process of buyback to get completed by the end of this month.



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The board of directors have also approved an interim dividend of Re.1 per share in today's board meeting.

These were my financial highlights, and we'll be very happy to take your questions from here on.

**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 Moshe Katri from Wedbush Securities. Please go ahead.

**Moshe Katri:** I just wanted to kind of get your feel on how long will in your view take for Wipro to be able to show growth rates that are comparable with some of their peers. And at this point, obviously, you've had better than expected results for the quarter, quarter has been strong for many other peers in the sector. Are you still growing probably at half a rate compared to some of your larger peers? And what do you need to do to get there at this point?

**Thierry Delaporte:** Thanks for your question. I think it's very fully understood the equation. This is clear that we have defined a strategy to really go back to the leading board in terms of growth, we know it's going to take some time, it takes first to work before you run and what we've said is that we would go from a situation where we hadn't steady as a business in Q2 to a growth pattern, and then accelerate, get to the same level of growth than our competitors and then accelerate. It's going to take several quarters to get there. How many? I cannot tell you now, but what is clear is that we are seeing the journey, we are seeing the trajectory and we are executing step-after-step. align along these lines. What we see as well is that the increased focus on growth, with the focused investments into areas that we believe are going to drive higher growth than others, by investing in some of the markets that are key to our success, by investing in talent and so on, we will continue to support our journey and our roadmap. So, bear with us, we will not be matching new promise one or two years ahead of time, we are going to execute consistently, and you will see the consistency of the trajectory quarter-after-quarter. For now it's clear that the demand is good, the market is good, and our level of optimism is easier.

**Moshe Katri:** Just to confirm what I heard, are you comfortable that some of the margin gains that you had in fiscal '21 are sustainable looking to fiscal '22 and obviously, the new pandemic driven working or work from home model has given you guys a lot of flexibility and the real question here is what sustainable until next year, what's not?

**Jatin Dalal:** Moshe, as you know, the margin momentum has three effective levers for Wipro, we spoke about it earlier in the day: One is the revenue improvement, the sheer revenue growth creates operating leverage on fixed expenses, that has helped certainly. Second is a significant offshoring over the course of last four quarters. Our offshore mix as you can see in our data sheet has improved by approximately six percentage over the course of last four quarters. And the third is we have been able to manage our utilization in a very tight range, especially in Q3, I just said fully, we have done quite well. So, the first component of the saving which is related with



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fixed expenses remaining at a lower level, given the situation of pandemic will slowly go away during next six to nine months. And that is the reality that we must prepare ourselves for. But the revenue momentum if it continues and offshoring it remains, then some of those advantages may stay within the operating margin. We'll have to see how situation pans out, Moshe.

**Moderator:** Thank you. Next question is from the line of Sandeep Shaw from Macquarie Securities. Please go ahead.

**Sandeep Shaw:** The first question is any quick learning in terms of a change in the operating model, which helps Wipro in terms of a faster creation of the pipeline, or a conversion of a pipeline into deal wins? And just a related question. This quarter, we have won 12 deals with a TCV of 1.2. So, if I exclude the Metro AG, the deal wins at 5 million includes the average tenure of close to \$45, \$50 million. So, Thierry, just wanted to understand whether the deal wins on larger size, are we making a practice to win every quarter, otherwise, it may become sporadic, and the deal win momentum may die down in the coming quarter?

**Thierry Delaporte:** Thanks, Sandeep. So, question on the operating model first. The operating model we have built has the following strengths: one it is a leaner model, it has many less P&L, we've reduced the number of P&L from something like 26 down to four, adding up at my level, four. So, that means a lot less walls inside the organization, a lot less silos and a lot more opportunity for people to work together. Second, we have put in place an innovation where strategic market you need to are the one managing the account and managing the client relationship in a given market, are working hand-in-hand with the global business line who owns the expertise, who owns the solutions, who we invest in talent, right, and owns delivery. And those key work together and that is the logic of One Wipro. What it does is that you have actually less people focusing on managing or controlling the internal, you have more people involved on deals, more people working on opportunities and working with clients, more people exposed to clients, less need to manage operation in the organization. So, you are nimble. So, the efficiency, I mean, obviously, we've moved into this model on January 1, so it's going to be a little bit early stage to see visibly the results. But what is clear is the following: One, we are only on January 13, but the whole organization is already in place under the new model, and that's the proof that the model was well designed and well implemented. Second is the level of intensity that we've had over the last three months, on the way we are working on the bottom of these, mobilizing forces around the group, leveraging the capabilities and the references we are even there has been very, very high, very high intensity. Third is, we have moved from a quarterly tracking of sales activities to a monthly tracking of sales activities, and that has undoubtedly driven a change, shift in level of intensity and discussions around deals. Just to give you more examples, we hold executive committee every week. More than 50% of it is focused on deals and on these exclusively. So, we are not focusing time on internal discussions, but really looking at connecting with our clients, I have never one day without talking to a client, and I know the team is doing the same, has the same level of intensity. And from that standpoint, I think we are more present in the market, more ambitious and more active than ever. Second is, I see the possibility that we've



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already started to implement in Q3 to focus investments and make some bold moves in some areas where we are convinced, this is strategy. Instead of having an organization where every unit was deciding its own priorities, we have now in alignment of priorities, it helps us to move faster and stronger. We've made also some decisions in order to respond proactively to situations, our clients were exposed to in the context of COVID, and I think it's been well received as well. So, I would say, it's the beginning of this journey in the new operating model. But this is promising. And the last thing I would say is that based on the survey we ran internally, the feedback and the level of adoption and understanding and support of the teams and leaders on this new operating model is very high. So, the momentum is here.

**Sandeep Shaw:**

Just a follow up, a deal like the size of Metro AG, most of the deals are in the pipeline? And just a question to Jatin. Regarding the margins, with Q4 also there could be wage hikes has an impact and peers are also announcing another round of wage hikes maybe in the next couple of quarters, as one of your large peers has said next year will be a normal year, and Thierry also said that our margins will continue to remain aggravated. So, Jatin, is it possible to believe that the current quarter margins may continue with a narrow band, which means generally you make a statement around that?

**Thierry Delaporte:**

Jatin, maybe before you respond, I just take the big deal question, the first part and I let you the second one. So, your question on the big deal was, okay, you won Metro, does it mean you're going to win one Metro per quarter? Okay, that's the plan. So, here again, we have moved from a place where we didn't have largely to a place where we have won and now, we are going to systematize. That is the logic of having created this big deal team. This large deal team we have, we are structuring it, we are putting expert's knowledge, you do not go after large deals the way you go after a smaller deal, you need to bring different type of talent experts, caliber and we are putting that in place with the objective to obviously have a true vigil machine. For now we have some in the pipe and we are getting more. So, this is good news. But we are not yet at the place where we will have one every quarter.

**Jatin Dalal:**

So, Sandeep, here is what we have articulated; we had a great quarter in Q3 with a 21.7% operating margin. We have investments in a frontline sales capability consulting domain, where we are hiring this cadre. We also have a host of investments on talent, which Thierry and Saurabh have articulated since this morning, which means that Q3 margins were on higher side and in Q4 we will not see those even these headwinds that we spoke about in terms of investments. Having said that, some of the benefits that we have seen during last few months, which is that we have lower travel spend, we have lower facilities costs, those benefits will continue. We have an additional lever in terms of increased revenue momentum, that should also play out. Offshoring has increased significantly over the last few quarters, that will also hopefully sustain, it cannot go out overnight in Q4. So, some of the benefits will also continue compared to where we were in the beginning of the year. And hence, our articulation is that we will see a headwind of this investment. However, we will not go back to the levels that we were at the beginning of the year, but we will remain elevated from those levels.





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**Moderator:** Thank you. The next question is from the line of Sandip Agarwal from Edelweiss. Please go ahead.

**Sandip Agarwal:** So, I have only one question, Thierry, is that what is our strategy towards these hyper scalars? How are we seeing the whole opportunity of the cloud? And, are you seeing early signs of strong CAPEX being pushed by the banking industry after a long period of gap? Are you seeing these two trends and what would be your strategy to get this delta for our revenue growth?

**Thierry Delaporte:** So, cloud for us is a big part, it is right at the center of our growth strategy, right. One, because, we had a position on the infrastructure side, significant investments have been made over the last years, we have strong relationship with companies like, AWS, Google or Microsoft, even company like ServiceNow, like Salesforce and so on. We have invested, and we want to really continue to accelerate on the cloud. So at the heart of our strategy, what do we see? We see an acceleration, a significant pickup in different markets, one in America where, the cloud journey has started some years ago, we see an acceleration from pretty much every industry, including from the BFSI sector, and banking and insurance. In Europe, traditionally, a lot of companies were a little bit suspicious or careful with the public cloud adoption, and therefore, was going a little slower on the cloud transformation. And, I believe with the pandemic, they've realized the necessity to accelerate, and therefore we see now an increased volume of business in the pipeline of cloud transformation in America, in Europe and in Asia.

The relationship we have built with our partners are critical. I have actually gone to several clients, together with the CEO of one of these large companies as together, and I think there is an equal understanding on both sides, on the technology side, on service side that when we are together able to offer a cohesive unified proposal to a client, we reduce the level of risks for him. And this is what has been happening. So, I would say you probably, I don't know if you realized also, that in our five priority strategy laid out and presented to the market in October actually, we have presented a point around the way we want to leverage our relationship with partners.

We have created a very tall partner relationship team inside Wipro, with a very senior leader managing this and Vice President managing each of these relationships, so that we are taking them to another level. There is huge appetite on both sides. In the first discussions I have engaged with all of them obviously on deals, not only at the corporate level but on deals. This equal appetite on both sides to work and you will hear more about the type of partnership that we will build together with several of them.

**Moderator:** Thank you. The next question is from the line of Sudheer Guntupalli from ICICI Securities. Please go ahead.

**Sudheer Guntupalli:** Congrats on a good quarter and thanks for giving me this opportunity. Thierry, for Wipro, historically H2 has been relatively better versus industry. Secondly, given the drop in the revenue run rate over the first six months of this calendar and the subsequent recovery over September and December, mathematically there look some more scope for residual recovery in March. In



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addition, you have also been talking about strong deals in momentum over the previous six months. So, if you put these things into perspective, it looks like the outlook for the next quarter could have been a tad higher. Would be glad to know your thoughts if we are being conservative here or if there is some other element.

**Thierry Delaporte:**

No, I don't try to be conservative. I really try to define, together with Jatin and the leadership team, where we believe we will learn. So, don't read any gain here. I think I just realized the context we are in, we have had certainly a good quarter, we continued to have a good quarter four as well. We are in the context of the transition into the new model. This is going swiftly, but those are conditions that feel that probably we feel comfortable with the 1.5% to 2.5% growth for Q4, which I believe is a good one. And more importantly, Sudheer, also for us we have the ambition, we don't want to shine one quarter, we want to build a solidly quarter-after-quarter and be consistent. And I think this is the rationale behind our communication as well. So, we are building solidly this growth engine.

**Sudheer Guntupalli:**

Certainly. And just one question for Jatin. In terms of margins, of course, as you rightly pointed out earlier, some of the factors like when travel will resume and all might not be under our control, so we may not be able to hazard a guess over there. But in terms of some of the aspects like utilization, how comfortable are we at the current levels? Because are we comfortable that this will sustain or probably there will be a round of hiring which can bring down the utilizations to an extent?

**Jatin Dalal:**

So, we have done a good job on utilization over, I think last six to seven quarters and we continue to do a good job. I will request Saurabh to share our talent planning strategy and how he sees the score.

**Saurabh Govil:**

Thanks, Jatin. So, from a people supply chain, three aspects. One is on the hiring that I think is very robust hiring we had, 5,000 plus net-adds, 14,000 gross hiring. And we see that momentum continuing. We onboard freshers in Q3 and we will continue in Q4. And it's very broad-based across the globe, so that's one.

Second is, attrition has held up for the last two quarters, has been flat. But given the momentum in the market, I see this could be a rising trend in the coming quarter. And so keeping these two in mind, if you look at our utilization for Q4, net of leave, its typically a seasonal quarter of leave, Q3 was same as Q2. And if you look at it from a year-on-year basis, it's a nearly 4% increase. So, I personally believe we could also have some head space of another person to two to look up in this area. So, this is a strong operation lever for us. But from a supply side, I am comfortable that we will make sure that we manage the growth momentum with no hiccups.

**Moderator:**

Thank you. The next question is from the line of Girish Pai from Nirmal Bang. Please go ahead.

**Girish Pai:**

Thierry, just wanted to do understand the nature of demand regarding cloud services. Do you see this being compressed over, say, the next 24 months to 36 months and after that it's kind of



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going to fall off? I am basically talking about infrastructure as a service demand. That's question number one, and then I have subsequent question on the TCV.

**Thierry Delaporte:**

I was smiling listening to your question at the beginning because I feel I have heard this question for several years already. My conviction is contrary, Girish. So, I think, in my mind it's going to be a lot more demand. The cloud environment is creating so much opportunity that companies will realize the potential of a true cloud environment on which they will want to develop new services, new solutions, new platforms and so on. And so I think for the foreseeable future we will serve on the cloud wave, but this is not a small wave, it's a very big wave. And we are not at 30% of it.

**Girish Pai:**

Okay. Jatin, a couple of points. This \$1.2 billion TCV, is this completely net new? And the other question I had was, you were talking about restructuring of your collapsing the management structure from about people being reporting to like 24, 25 people to 4 people. How much of gains do you think you can extract from these two points, \$1.2 billion TCV, is this completely net new and the gains from the restructuring?

**Jatin Dalal:**

Yes, Girish. So, first is, no, it has both components in it, which means that our renewal as well as the new deals are a part of this, and we are not sharing the mix. But Girish, especially for this quarter it is easy for you to see a component of new, because Metronom, which is sitting as part of this number and that you know is completely new. So, even in the rest you apply a normal percentage, you will see that there is a significant component of new in this \$1.2 billion. I am just sharing a color on this quarter, we probably will not give that mix, I mean, as a data point, but this quarter is obvious for everyone to decipher. Sorry, your second question was, Girish?

**Girish Pai:**

The gains from this collapsing of the management structure, people reporting to just four top-level managers compared to, say, 24, 26 people. How much of gains do you see from that?

**Jatin Dalal:**

Sure. As we have said, for us this is around creating a simpler structure for a greater revenue momentum, a superior investment focus and sharper accountability. It's not around cost, I will request Saurabh to also add his perspective.

**Saurabh Govil:**

Yes. I think the reorganization is about making the organization agile and more client centric. So, that's been the focus, because our intent is to reinvest and we will be seeing a lot of leaders' onboarding in the coming quarter as early as next quarter, as Thierry called out earlier. So, don't see it as a cost exercise, it is the more about how we make the organization more agile and client centric.

**Moderator:**

Thank you. The next question is from the line of Abhishek Shindadkar from Elara Capital. Please go ahead.

**Abhishek Shindadkar:**

My question is, the revenue per employee now despite shift in the offshoring, that number is flat on a quarter-on-quarter basis. So, it seems may have helped on the gross margins as well. So,



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just wanted to understand, how sustainable these gross margins are once we shift back to non-work from home environment?

And the second question is for Thierry. Whenever a large organization of the Wipro's size goes through a reorg, there is a substantial amount of margin lever. Now how much of the current quarter margins are coming from this reorganization and how much of it is kind of going to come over the next two, three-year period? Thank you.

**Thierry Delaporte:**

Abhishek, I will take that one. So one, we have shifted to this organization model on the January 1st. So, again, this would not reflect much in terms of savings. But again, to insist on what Jatin said, yes, agility is driving efficiency and productivity improvement, agreed. So, what it means is that we will be more efficient as a better impact in the market. But for the rest, the simplification and the rationalization of our model, which is somehow reducing the need for many management roles is freeing up a lot of opportunities to reinvest into our future. So, that's how we are seeing.

Remember, we are really focused and obsessed about growth and want to really invest and prepare us with always more differentiated solutions, better offerings and top talent. And so the way we see things is we are constantly looking at ways to be more efficient, be nimbler, avoid duplication, avoid inconsistencies, reduce layers of leadership, we have reduced the number of layers in organization, increase the span of control. And all that driving savings that we are reinvesting to our engine going forward. That is why also, of course, we believe we will be able to accelerate our growth.

**Jatin Dalal:**

Yes. And Abhishek, I will answer your first question. Revenue per employee as a metric is a great metric to track internally. It has various dimensions to it. First is simply the price increases, second is offshore mix, third is the type of services that you are selling. Obviously, DOP could have a much lower realization than IT services. Then there is an element of fixed price versus T&M. So, we do track this internally and we are quite happy with the progress we have made over the quarters. But difficult to comment externally the movement and make it insightful for you beyond a point. But I can tell you that we watch it carefully every quarter and we have comfort in the way we have moved. More prominent impact in recent times has been on offshoring, as I called out before, as well as accelerated growth that we have seen in our digital operations and platforms business.

**Moderator:**

Thank you. The next question is from the line of Rishit from Nomura. Please go ahead.

**Rishit Parikh:**

Just two questions from my side, right. You talked about some of the investments around, say, expanding this in the strategic market and hiring senior management, right? When do you expect that process to get completed? That's one. And second is, if you could just provide a little more color on what is the quantum on wage hikes that we have planned in the next quarter? Thank you.



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**Thierry Delaporte:** Rishit, I am sorry, I really did not understand anything. You came very muffled; it was difficult to understand. Can you change again, get closer to the phone or...

**Rishit Parikh:** Let me repeat the question. We have talked about investments around sales expanding into some of the strategic markets, and hiring some of the senior management roles, right?

**Thierry Delaporte:** Yes.

**Rishit Parikh:** Could you provide us a sense of when do you expect those investments to be complete? That's one. And second, if you could just provide some color on what quantum in wage hikes have you planned for the next quarter?

**Thierry Delaporte:** What quantum, what? Sorry. The first question I understood, what quantum...

**Jatin Dalal:** Quantum of pay hikes.

**Thierry Delaporte:** Okay, quantum of pay hike. Okay, okay. Sorry. So, I will take the first one, and Saurabh, I will give you the second one. Okay?

**Saurabh Govil:** Sure.

**Thierry Delaporte:** So, to be honest, Rishit, it's an ongoing process. We are going to be active on talent acquisition, very active, probably more than what you have seen us in the recent past. And so we are going to, obviously, you will see every time we bring a new talent and a new role, we have many key roles in the organization that will onboard top talent soon. And I am not talking here about 6 months from now, it starts in the weeks to come. And that's going to be throughout the year of 2020. Certainly, my view is that by the end of Q4, which is the first quarter in the new model, we will have all the key roles filled in, all the main key roles filled in. But then we will continue to stay active, this is a journey, as I said several times. So, we will not consider we have arrived after three months, we will continue to constantly invest and constantly look for the best talent in the industry.

**Saurabh Govil:** Rishit, on the wage hikes. As we have called out three things, one is specific to wage hikes, we will have about 80% of our workforce getting increases effective 1st of January. Typically, this will have a wide range depending on performance. But on an India-basis, between 5% and 6% will be an average wage hike, and overseas it'll be between 1% and 2%. So, that's on an average versus this will be wage hikes, which is in line with what is happening in the industry and what we had done in the previous years. Apart from that, we have also called out 100% variable pay plans for Q4 for all our employees. So, that's another factor.

**Rishit Parikh:** Sure. Thank you. And I did not hear the earlier response, but the wage hike cycle will be as usual in the next year, right? Is that what you are kind of aiming for or...?



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**Saurabh Govil:** So, it's early because our next cycle typically is in June. So, we will take stock of that at an appropriate time, depending on what's happening in the market, industry kind of stuff. But as of now we have planned it for the people and closer to the date we will take stock on what we do for the next year.

**Moderator:** Thank you. The next question is from the line of the Dipesh Mehta from Emkay Global. Please go ahead.

**Dipesh Mehta:** Yes. Thanks for the opportunity. A couple of questions. First about, we are seeing significant increase in impairment charges. And if one adjusts for it, EBITDA margin expansion is even more substantial. So, if you can provide some color how you expect these impairment charges to play out over the next couple of quarters?

And second question is about India SRE business, it's showing significant turnaround. Do you think it is now more sustainable from operational performance perspective or you think we need to work around more to get more sustainable performance from India SRE? Thank you.

**Thierry Delaporte:** So, I will take the second question on the SRE and I will let you, Jatin, answer the one on the impairment and strategy. So, looking at the SRE business, so we have confirmed or reaffirmed our strategy focus in the SRE business in India. And from a top-line standpoint, I think we are being a lot more selective and specific about the type of deals we are looking for. And on the other end, I think frankly speaking, Sanjeev Singh who is now Head of Operations for Wipro since January 1st, has done an excellent job to normalize, improve the quality of the operations, bring discipline and best practices inside the organization. And so I think the work is done on the margin. I will let Jatin compliment, but on the margin side it's certainly for good, it's not a one-off.

**Jatin Dalal:** That's right, Thierry. Dipesh, so if you have seen, this is also not a one quarter phenomena, systematically we have improved this margin by completing the unfinished projects by ensuring that the current execution is significantly lower, and the surprises are well-anticipated and dealt with, and they no longer come to additional expenditure to the company. So, overall, we feel very comfortable with the trajectory of performance on ISRE, both from the quality of revenue standpoint and margin standpoint. However, this quarter numbers are obviously on a greater scale of 20%, and that I don't think will sustain. It will remain early single-digit margins on a medium-term basis, that is our anticipated view of the sector. If it improves further, we will be of course happy to share with you. On impairment charges, yes there has been some acceleration that we had to take in the current quarter regarding one item which is built in the in the impairment charges. And we don't identify that to recur, so it would be a one-off in the current quarter.

**Dipesh Mehta:** Is it possible to quantify?



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**Jatin Dalal:** Yes. That is reflected in the financials, and beyond that we have not shared a color on that, Dipesh.

**Moderator:** Thank you. Ladies and gentlemen, we take the last question from the line of Nitin Padmanabhan from Investec. Please go ahead.

**Nitin Padmanabhan:** Hi, good evening. And Happy New Year to all of you. I had a question, it's a little theoretical. So, if you look at the pandemic, I think incrementally clients are having more work being done offshore. And what do you think in terms of by when they possibly reach country risk thresholds or any such thing? And would you think that this is here to stay or there is likely to be a reverse shift onsite at some point? So, that was my question. Thank you.

**Thierry Delaporte:** You know, it's an interesting question. Obviously, it's only perspective now, this is trying to project. If I reflect on the discussion I have had with our clients, what has happened over the last nine months, it wasn't the case before, they have learned through this crisis that they can work with teams that are not at the office. So, distance suddenly has become a different problem or less of a problem. Or at least a problem that they could not picture handling and that they realized they can handle. So, there's a reflection from many clients any clients realizing that they can build, they can manage complex operations and operating model with teams that are in the distance. So, that's the first point.

The second point obviously is that there is also a realization that if you do so then, you also need to have a small or smaller very, very connected team locally. So, it's really the two different aspects at play. One is, now we know that we can operate with a global model, we can operate with people working from home. And frankly, wherever your home is, right. But also it means you need to have pure team, obviously, people who are next to you, connected with you 100%, even more than before. Which pushes the logic of having less partner but stronger partners, right?

And so clearly my view is that what we call offshore does not exist anymore, it's onshore, right. It's the model under which a lot of clients will want to operate going forward. It will imply some people being close to them and people being away. Whether it will modify the percentage up or down, it will be to be seen. But certainly, if there was one proof of what has happened over the last nine months, we can provide an outstanding support to a company and service to a company, including strategy services with distance.

**Nitin Padmanabhan:** As a follow-on, I think do vendors typically have country risk metrics? And if that's the case, would they mandate having maybe offshore, but in other countries, other locations as well? And the second thing is, considering that there is such a strong pick up offshore for everyone, do you expect wage inflation at some point? And by when do you think the industry would reach a point where wage inflation would be a point of worry? Thank you.



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**Thierry Delaporte:** Okay. So, I will let Saurabh on the second point, although I could comment as well but I will let Saurabh. On the first one I would say, obviously, there is many companies, many clients who decide to different platforms to leverage around the world, and not necessarily limit to one single country. It can be the choice and can choose different places in South America, in Eastern Europe, in other places in Asia. What is clear though is that, at the end of the day it's tough to know where this market ends, and the scale and the quality of the talent is not evenly spread around the world. And so you know that depending on the choices you make there will be, at some point in time, a limitation in term of scale. That's why, in my view, India will continue to have a unique position, while in terms of concentration of technology expertise and talent, but also in terms of quality of the expertise.

**Saurabh Govil:** And on your second part, very typically when we are seeing huge demand and huge hiring here in the market, we will see a pressure. But as of now we don't see, we are coming out of a period where their demand was less two quarters back. So, we are very comfortable right now. But we will assess that it goes forward, but in any cycle if the demand is high, there would be a pressure on management, not now.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Miss Aparna Iyer for closing comments.

**Aparna Iyer:** Thank you, Stanford. Thank you all for joining the call. In case we couldn't take any of your questions, please feel free to reach out to the Investor Relations team. Wish you all a very Happy New Year, and good night and good day.

**Thierry Delaporte:** Thank you, bye.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Wipro that concludes this conference. We thank you all for joining us. And you may now disconnect your lines.