

WIPRO LIMITED

**CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2000 AND 2001
AND AS OF JUNE 30, 2000 & 2001.**

WIPRO LIMITED
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	As of June 30,			As of March 31,		
	2000	2001	2001	2000	2001	2001
	(unaudited)	(unaudited)	(unaudited)			
ASSETS						
Current assets:						
Cash and cash equivalents (Note 4)	Rs. 685,823	Rs. 4,631,601	\$ 98,356	Rs. 781,495	Rs. 5,622,681	\$ 119,403
Restricted cash (Note 4)	-	-	-	2,108	-	-
Accounts receivable, net of allowances (Note 5) ...	4,378,672	5,434,498	115,407	4,431,360	5,924,361	125,809
Inventories (Note 6)	1,743,936	1,824,524	38,745	1,215,160	1,486,355	31,564
Investment securities (Note 8)	162,313	152,152	3,231	162,142	148,268	3,149
Deferred income taxes (Note 23)	34,956	104,549	2,220	11,678	73,905	1,569
Other current assets (Note 7)	<u>1,356,786</u>	<u>3,438,066</u>	<u>73,011</u>	<u>981,661</u>	<u>2,401,308</u>	<u>50,994</u>
Total current assets	<u>8,362,486</u>	<u>15,585,390</u>	<u>330,970</u>	<u>7,585,604</u>	<u>15,656,878</u>	<u>332,488</u>
Investment securities (Note 8)	134,699	2,892,577	61,427	135,008	2,558,348	54,329
Property, plant and equipment, net (Note 9)	3,836,198	5,971,161	126,803	3,603,681	5,667,825	120,362
Investments in affiliates (Note 14)	679,495	734,159	15,591	704,885	689,693	14,646
Deferred income taxes (Note 23)	256,073	132,146	2,806	256,073	221,982	4,714
Intangible assets, net (Note 10)	10,295	788,236	16,739	10,795	833,305	17,696
Other assets (Note 7)	<u>327,189</u>	<u>538,962</u>	<u>11,445</u>	<u>382,307</u>	<u>533,684</u>	<u>11,333</u>
Total assets	<u>Rs. 13,606,435</u>	<u>Rs. 26,642,631</u>	<u>\$ 565,781</u>	<u>Rs. 12,678,353</u>	<u>Rs. 26,161,715</u>	<u>\$ 555,568</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Borrowings from banks (Note 16)	Rs. 99,333	Rs. 127,468	\$ 2,707	Rs. 92,748	Rs. 346,650	\$ 7,361
Current portion of long-term debt (Note 17)	1,292,617	148,937	3,163	1,249,570	1,326,196	28,163
Accounts payable	1,134,824	1,541,464	32,734	1,387,606	1,847,243	39,228
Accrued expenses	1,618,100	2,040,623	43,335	1,490,250	1,792,989	38,076
Advances from customers	890,803	1,052,022	22,341	754,825	1,077,371	22,879
Other current liabilities (Note 11)	455,219	461,269	9,795	435,561	467,801	9,934
Redeemable preferred stock (Note 20)	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>5,740,896</u>	<u>5,371,783</u>	<u>114,075</u>	<u>5,660,560</u>	<u>6,858,250</u>	<u>145,641</u>
Long-term debt, excluding current portion (Note 17)	211,144	99,376	2,110	211,144	95,031	2,018
Deferred income taxes (Note 23)	17,730	97,968	2,080	17,974	90,642	1,925
Other liabilities (Note 12)	<u>56,147</u>	<u>83,172</u>	<u>1,766</u>	<u>101,735</u>	<u>37,179</u>	<u>790</u>
Total liabilities	<u>6,025,917</u>	<u>5,652,299</u>	<u>120,032</u>	<u>5,991,413</u>	<u>7,081,102</u>	<u>150,374</u>
Stockholders' equity:						
Equity shares at Rs. 2 par value: 235,000,000 shares authorized as of March 31, 2000 and 375,000,000 shares authorized as of March 31, 2001 and June 30, 2000 and 2001; Issued and outstanding: 229,156,350 shares as of March 31, 2000 and June 30, 2000, 232,433,019 shares as of March 31, 2001 and 232,436,379 shares as of June 30, 2001 (Note 18)	458,313	464,873	9,872	458,313	464,866	9,872
Additional paid-in capital (Note 24)	804,611	6,691,854	142,108	800,238	6,696,295	142,202
Deferred stock compensation (Note 24)	(184,407)	(71,309)	(1,514)	(208,358)	(97,047)	(2,061)
Accumulated other comprehensive income (Note 8) ...	1,877	1,351	29	1,772	1,431	30
Retained earnings (Note 19)	6,500,198	13,903,639	295,257	5,635,050	12,015,143	255,153
Equity shares held by a controlled Trust: 1,216,460, 1,280,885, 1,214,100 and 1,304,460 shares as of March 31, 2000, March 31, 2001, June 30, 2000 and June 30, 2001 (Note 24)	<u>(74)</u>	<u>(76)</u>	<u>(2)</u>	<u>(75)</u>	<u>(75)</u>	<u>(2)</u>
Total stockholders' equity	<u>7,580,518</u>	<u>20,990,332</u>	<u>445,749</u>	<u>6,686,940</u>	<u>19,080,613</u>	<u>405,195</u>
Total liabilities and stockholders' equity	<u>Rs. 13,606,435</u>	<u>Rs. 26,642,631</u>	<u>\$ 565,781</u>	<u>Rs. 12,678,353</u>	<u>Rs. 26,161,715</u>	<u>\$ 555,568</u>

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share data)

	Three Months Ended June 30,			Year ended March 31,		
	2000 (unaudited)	2001 (unaudited)	2001 (unaudited)	2000	2001	2001
Revenues:						
Global IT Services.....	Rs. 3,597,489	Rs. 5,160,062	\$ 109,579	Rs. 10,206,078	Rs. 17,670,426	\$ 375,248
Indian IT Services and Products.....						
Indian IT Services.....	421,720	484,428	10,287	1,512,717	1,878,714	39,896
Indian IT Products.....	1,452,195	884,764	18,789	6,576,580	6,792,076	144,236
Consumer Care and Lighting.....	736,641	725,162	15,399	3,151,116	3,143,537	66,756
Others.....	252,252	399,498	8,484	1,380,583	1,328,915	28,221
Total.....	<u>6,460,297</u>	<u>7,653,914</u>	<u>162,538</u>	<u>22,827,074</u>	<u>30,813,668</u>	<u>654,357</u>
Cost of revenues:						
Global IT Services.....	1,923,284	2,702,564	57,391	6,219,980	9,204,649	195,469
Indian IT Services and Products						
Indian IT Services.....	218,675	266,590	5,661	900,934	1,011,047	21,471
Indian IT Products.....	1,272,957	690,400	14,661	5,640,228	5,456,545	115,875
Consumer Care and Lighting	520,478	490,142	10,409	2,251,238	2,215,349	47,045
Others.....	192,113	315,181	6,693	1,070,031	961,779	20,424
Total.....	<u>4,127,507</u>	<u>4,464,877</u>	<u>94,816</u>	<u>16,082,411</u>	<u>18,849,369</u>	<u>400,284</u>
Gross profit.....	2,332,790	3,189,037	67,722	6,744,663	11,964,299	254,073
Operating expenses:						
Selling, general, and administrative expenses.....	(1,162,923)	(1,245,686)	(26,453)	(3,251,298)	(4,835,095)	(102,678)
Research and development expenses.....	-	(36,598)	(777)	-	-	-
Amortization of goodwill.....	(500)	(43,891)	(932)	(1,000)	(45,389)	(964)
Foreign exchange gains/(losses), net.....	(11,555)	45,030	956	51,603	86,399	1,835
Gain on sale of property and equipment.....	-	13,625	289	16,737	154,457	3,280
Operating income.....	1,157,812	1,921,517	40,805	3,560,705	7,324,671	155,546
Gain on sale of stock of affiliate, including direct issue of stock by affiliate (Note 14)	-	-	-	412,144	-	-
Other income/(expense), net (Note 21).....	(3,873)	184,480	3,918	(223,484)	315,135	6,692
Income taxes (Note 23).....	(136,367)	(261,967)	(5,563)	(525,298)	(1,150,042)	(24,422)
Income before share of equity in earnings of affiliates and minority interest.....	1,017,572	1,844,030	39,160	3,224,067	6,489,764	137,816
Equity in earnings of affiliates (Note 14).....	(18,199)	44,466	944	112,590	(53,181)	(1,129)
Minority interest.....	-	-	-	(3,661)	-	-
Income from continuing operations.....	999,373	1,888,496	40,104	3,332,996	6,436,583	136,687
Discontinued operations (Note 3):						
Income tax benefit on sale of interest.....	-	-	-	218,707	77,735	1,651
Income before cumulative effect of accounting change.....	999,373	1,888,496	40,104	3,551,703	6,514,318	138,338
Cumulative effect of accounting change, net of tax.....	(59,104)	-	-	-	(59,104)	(1,255)
Net income.....	<u>Rs. 940,269</u>	<u>Rs. 1,888,496</u>	<u>\$ 40,104</u>	<u>Rs. 3,551,703</u>	<u>Rs. 6,455,214</u>	<u>\$ 137,082</u>
Earnings per equity share: Basic						
Continuing operations.....	4.38	8.17	0.17	14.63	28.07	0.60
Discontinued operations.....	-	-	-	0.96	0.34	0
Cumulative effect of accounting change.....	(0.26)	-	-	-	(0.26)	(0)
Net income.....	4.12	8.17	0.17	15.59	28.15	0.60
Earnings per equity share: Diluted						
Continuing operations.....	4.35	8.16	0.17	14.58	27.83	0.59
Discontinued operations.....	-	-	-	0.96	0.34	0
Cumulative effect of accounting change.....	(0.26)	-	-	-	(0.26)	(0)
Net income.....	4.09	8.16	0.17	15.54	27.91	0.59
Weighted average number of equity shares used in computing earnings per equity share:						
Basic.....	227,942,550	231,027,843	231,027,843	227,843,378	229,325,989	229,325,989
Diluted.....	229,567,774	231,403,329	231,403,329	228,648,134	231,254,523	231,254,523

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(in thousands, except share data)

	Equity Shares		Additional Paid in Capital	Deferred Stock Compensation	Comprehensive Income	Accumulated Other Comprehensive Income	Retained Earnings	Equity Shares held by a		Total Stockholders' Equity
	No. of Shares	Amount						Controlled Trust		
								No. of Shares	Amount	
Balance as of March 31, 2000	229,156,350	458,313	800,238	(208,358)		1,772	5,635,050	(1,216,460)	(75)	6,686,940
Cash dividends paid	—	—	—	—	—	—	(75,121)	—	—	(75,121)
Shares issued by trust net of forfeiture.....	—	—	—	—	—	—	—	2,360	1	1
Compensation related to employee stock incentive plan.....	—	—	4,373	(4,373)	—	—	—	—	—	—
Amortization of compensation related to employee stock incentive plan	—	—	—	28,324	—	—	—	—	—	28,324
Comprehensive income.....	—	—	—	—	—	—	—	—	—	—
Net Income.....	—	—	—	—	940,269	—	940,269	—	—	940,269
Other comprehensive income...	—	—	—	—	—	—	—	—	—	—
Unrealised gain/(loss) on investments.....	—	—	—	—	105	105	—	—	—	105
Comprehensive income.....	—	—	—	—	<u>940,374</u>	—	—	—	—	—
Balance as of June 30, 2000	<u>229,156,350</u>	<u>458,313</u>	<u>804,611</u>	<u>(184,407)</u>	—	<u>1,877</u>	<u>6,500,198</u>	<u>(1,214,100)</u>	<u>(74)</u>	<u>7,580,518</u>
Common stock issued	3,162,500	6,325	5,796,449	—	—	—	—	—	—	5,802,774
Shares forfeited, net of issuances by Trust.....	—	—	—	—	—	—	—	(66,785)	(1)	(1)
Issuance of equity shares on exercise of options.....	114,169	228	123,759	—	—	—	—	—	—	123,987
Net reversal of compensation related to employee stock incentive plan	—	—	(28,524)	28,524	—	—	—	—	—	—
Amortization of compensation related to employee stock incentive plan	—	—	—	58,836	—	—	—	—	—	58,836
Comprehensive income.....	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	5,514,945	—	5,514,945	—	—	5,514,945
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Unrealized gain/(loss) on investments, net	—	—	—	—	(446)	(446)	—	—	—	(446)
Comprehensive income	—	—	—	—	<u>Rs. 5,514,499</u>	—	—	—	—	—
Balance as of March 31, 2001....	<u>232,433,019</u>	<u>Rs. 464,866</u>	<u>Rs. 6,696,295</u>	<u>Rs. (97,047)</u>	—	<u>Rs. 1,431</u>	<u>Rs. 12,015,143</u>	<u>(1,280,885)</u>	<u>Rs. (75)</u>	<u>Rs. 19,080,613</u>
Shares forfeited, net of issuances by Trust.....	—	—	—	—	—	—	—	(23,575)	(1)	(1)
Issuance of equity shares on exercise of options.....	3,360	7	3,643	—	—	—	—	—	—	3,650
Net reversal of compensation related to employee stock incentive plan	—	—	(8,084)	2,799	—	—	—	—	—	(5,285)

	Equity Shares		Additional Paid in Capital	Deferred Stock Compensation	Comprehensive Income	Accumulated Other Comprehensive Income	Retained Earnings	Equity Shares held by a Controlled Trust		Total Stockholders' Equity
	No. of Shares	Amount						No. of Shares	Amount	
Amortization of compensation related to employee stock incentive plan	—	—	—	22,939	—	—	—	—	—	22,939
Comprehensive income.....	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	1,888,496	—	1,888,496	—	—	1,888,496
Other comprehensive income Unrealized gain/(loss) on investments, net	—	—	—	—	(80)	(80)	—	—	—	(80)
Comprehensive income	—	—	—	—	<u>Rs.1,888,416</u>	—	—	—	—	—
Balance as of June 30, 2001.....	<u>232,436,379</u>	<u>Rs. 464,873</u>	<u>Rs.6,691,854</u>	<u>Rs. (71,309)</u>	—	<u>Rs. 1,351</u>	<u>Rs.13,903,639</u>	<u>(1,304,460)</u>	<u>Rs. (76)</u>	<u>Rs. 20,990,332</u>
Balance as of June 30, 2001 (\$)..	—	<u>\$ 9,872</u>	<u>\$ 142,108</u>	<u>\$ (1,514)</u>	—	<u>\$ 29</u>	<u>\$ 295,257</u>	<u>\$ (2)</u>	<u>\$ (2)</u>	<u>\$ 445,749</u>

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share data)

	Three Months Ended June 30,			As of March 31,		
	2000 (unaudited)	2001 (unaudited)	2001 (unaudited)	2000	2001	2001
Cash flows from operating activities:						
Income from continuing operations.....	Rs. 999,373	Rs. 1,888,496	\$ 40,104	Rs 3,332,996	Rs. 6,436,583	\$ 136,687
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:						
Cumulative effect of accounting change, net of tax.....	(59,104)	-	-	-	(59,104)	(1,255)
Loss / (Gain) on sale of property, plant and equipment.....	(908)	(13,625)	(289)	22,944	(154,457)	(3,280)
Depreciation and amortization.....	194,171	343,175	7,288	738,723	1,037,119	22,024
Non-cash interest expense on long-term debt.....				34,176	148,864	3,161
Deferred tax charge / (benefit).....	(23,278)	66,550	1,413	182,553	16,539	351
Loss / (Gain) on sale of short-term investment.....	-	-	-	(681)	-	-
Loss / (Gain) on sale of stock of affiliate, including direct issue of stock by affiliate	-	-	-	(412,144)	-	-
Amortization of deferred stock compensation.....	28,324	17,654	375	96,898	87,160	1,851
Undistributed equity in earnings of affiliates.....	25,549	(44,466)	(944)	(97,890)	85,030	1,806
Minority interest	-	-	-	3,661	-	-
Changes in operating assets and liabilities:						
Accounts receivable.....	52,688	489,863	10,403	(858,439)	(1,739,304)	(36,936)
Inventories.....	(528,776)	(338,169)	(7,181)	228,569	(527,825)	(11,209)
Other assets.....	(320,007)	(1,042,036)	(22,129)	(237,449)	(1,499,324)	(31,840)
Accounts payable.....	(252,782)	(305,779)	(6,494)	(523,951)	549,826	11,676
Accrued expenses.....	127,851	247,634	5,259	622,528	298,384	6,336
Advances from customers.....	135,978	(25,349)	(538)	216,820	307,716	6,535
Other liabilities.....	(25,931)	39,461	838	165,972	12,664	269
Net cash provided by continuing operations.....	353,148	1,323,409	28,104	3,515,286	4,999,871	106,177
Net cash provided by/(used in) discontinued operations.....	-	-	-	-	77,735	1,651
Net cash provided by operating activities.....	<u>353,148</u>	<u>1,323,409</u>	<u>28,104</u>	<u>3,515,286</u>	<u>5,077,606</u>	<u>107,828</u>
Cash flows from investing activities:						
Expenditure on property, plant and equipment.....	(431,438)	(618,918)	(13,143)	(1,317,958)	(2,814,773)	59,774
Proceeds from sale of property, plant and equipment.....	5,999	31,102	660	32,333	226,054	4,800
Funding of discontinued operations.....	-	-	-	(855,793)	-	-
Purchase of minority interest, net of cash acquired.....	-	-	-	(67,500)	(1,083,450)	(23,008)
Investments in affiliate	-	-	-	-	(72,967)	(1,550)
Proceeds from sale of investments in affiliates.....	-	-	-	153,128	-	-
Proceeds from sale of assets of the peripherals division.....	-	-	-	-	156,280	3,319
Purchase of investment securities.....	-	(338,227)	(7,183)	(833,622)	(2,469,807)	(52,449)
Proceeds from sale and maturities of investment securities.....	-	-	-	95,974	174,000	3,695
Net cash used in investing activities....	<u>(425,439)</u>	<u>(926,043)</u>	<u>(19,665)</u>	<u>(2,793,438)</u>	<u>(5,884,663)</u>	<u>(124,966)</u>

	Three Months Ended June 30,			As of March 31,		
	2000	2001	2001	2000	2001	2001
Cash flows from financing activities:						
Proceeds from issuance of common stock.....	-	3,650	78	-	5,926,761	125,860
Proceeds from/ (repayments of) short-term borrowing from banks, net	6,585	(219,182)	(4,655)	(1,688,043)	232,846	4,945
Proceeds from issuance of long-term debt	43,047	4,345	92	976,043	-	-
Repayment of long-term debt	-	(1,177,259)	(25,000)	(755,049)	(188,351)	(4,000)
Sale of shares by Trust.....	-	-	-	466,771	-	-
Proceeds from/ (redemption) of preferred stock.....	-	-	-	-	(250,000)	(5,309)
Proceeds from issuance of common stock by a subsidiary/affiliate.....	-	-	-	502,345	-	-
Payment of cash dividends.....	<u>(75,121)</u>	<u>-</u>	<u>-</u>	<u>(75,622)</u>	<u>(75,121)</u>	<u>(1,595)</u>
Net cash provided by / (used in) financing activities.....	<u>(25,489)</u>	<u>(1,388,446)</u>	<u>(29,485)</u>	<u>(573,555)</u>	<u>5,646,135</u>	<u>119,901</u>
Effect of de-consolidation of a subsidiary on cash and cash equivalents (Note 14)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,943)</u>	<u>-</u>	<u>-</u>
Net increase/ (decrease) in cash and cash equivalents during the year/period..	(97,780)	(991,080)	(21,047)	146,350	4,839,078	102,762
Cash and cash equivalents at the beginning of the year/period.....	<u>783,603</u>	<u>5,622,681</u>	<u>119,403</u>	<u>637,250</u>	<u>783,603</u>	<u>16,641</u>
Cash and cash equivalents at the end of the year/period.....	<u>Rs. 685,823</u>	<u>Rs. 4,631,601</u>	<u>\$ 98,356</u>	<u>Rs. 783,603</u>	<u>Rs. 5,622,681</u>	<u>\$ 119,403</u>
Supplementary information:						
Cash paid for interest.....	Rs. 17,112	Rs. 40,883	\$ 868	Rs.335,545	Rs. 69,844	\$ 1,483
Cash paid for taxes.....	235,415	209,902	4,457	221,233	1,120,889	23,803

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share data and where otherwise stated)

1. Overview

Wipro Limited (Wipro), together with its subsidiaries Wipro Inc., EnThink Inc., Wipro Prosper Limited, Wipro Welfare Limited, Wipro Trademarks Holdings Limited, Wipro Net Limited, Wipro Japan KK and affiliates Wipro ePeripherals Limited, NetKracker Limited and Wipro GE Medical Systems Limited (collectively, the Company) is a leading India based provider of IT services globally. Further, Wipro is in other businesses such as Indian IT Services and Products, Consumer Care and Lighting and healthcare systems. Wipro is headquartered in Bangalore, India.

2. Significant Accounting Policies

The preparation of consolidated financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Basis of preparation of financial statements. The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles.

Functional currency. The functional and reporting currency of the Company is the Indian rupee as a significant portion of the Company's activities are conducted in India.

Convenience translation. The accompanying financial statements have been prepared in Indian rupees, the national currency of India. Solely for the convenience of the readers, the financial statements as of and for the year ended March 31, 2001 and three months ended June 30, 2001 have been translated into United States dollars at the noon buying rate in New York City on June 29, 2001 for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of \$ 1 = Rs. 47.09 No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate.

Principles of consolidation. The consolidated financial statements include the financial statements of Wipro and all of its subsidiaries, which are more than 50% owned and controlled. All material inter-company accounts and transactions are eliminated on consolidation. The Company accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the investee.

Pursuant to a joint venture agreement, effective December 27, 1999, the shareholding of the Company in Wipro Net Limited (Wipro Net) was reduced from 100% to 55%. The minority shareholder, KPN Group, held 45% of the voting stock and had certain significant participating rights which provided for its effective involvement in significant decisions in the ordinary course of business. Accordingly, the financial statements of Wipro Net were not consolidated from December 27, 1999 and were accounted for under the equity method. In December 2000, the Company acquired the minority interest held by the KPN Group. The financial statements of Wipro Net have been consolidated subsequent to the acquisition.

On May 17, 2001, the Boards of Wipro and Wipro Net decided to legally reorganize the operations of Wipro Net by merging Wipro Net with Wipro. Subsequent to the merger, Wipro Net will cease to be a separate legal entity. This legal reorganisation is subject to shareholder and regulatory approvals.

The financial statements of Wipro Finance Limited (Wipro Finance), a majority owned subsidiary, were consolidated with Wipro in fiscal 1999 as a discontinued operation. In December 1999, Wipro reduced its

shareholding in Wipro Finance to 50%, subsequent to which it did not have a controlling interest in Wipro Finance. Wipro has no financial obligations or commitments to Wipro Finance and does not intend to provide Wipro Finance with further financial support. Accordingly, Wipro has not provided for any losses beyond its equity investment and net advances, and the financial statements of Wipro Finance have not been consolidated since April 1, 1999. In fiscal 2001, Wipro sold the balance 50% equity interest in Wipro Finance.

Cash equivalents. The Company considers all highly liquid investments with remaining maturities, at the date of purchase/investment, of three months or less to be cash equivalents.

Revenue recognition. Revenues from software development services comprise income from time-and-material and fixed-price contracts. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue with respect to fixed-price contracts is recognized in accordance with the percentage of completion method of accounting. Provisions for estimated losses on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Maintenance revenue is deferred and recognized ratably over the term of the agreement. Revenue from customer training, support, and other services is recognized as the related service is performed. Revenue from sales of goods is recognized, in accordance with the sales contract, on dispatch from the factories/warehouses of the Company, except for contracts where a customer is not obligated to pay a portion of contract price allocable to the goods until installation or similar service has been completed. In these cases, revenue is recognized on completion of installation. When the Company receives advance payments from customers for sale of products or provision of services, such payments are reported as advances from customers until all conditions for revenue recognition are met. Revenues from product sales are shown net of excise duty, sales tax and applicable discounts and allowances.

Effective April 1, 2001 the company adopted the guidance in EITF 00-14: Accounting for Certain Sales Incentives, EITF 00-22: Accounting for Points and Certain Other Time-based or Volume-based sales, Incentive Offers and Offers for Free Products or Services to be Delivered in the Future and EITF 00-25: Vendor Income Statement Characterisation of Consideration from a Vendor to a Retailer. Reported data for previous periods have been reclassified to make it comparable with the current presentation. These reclassifications had no impact on reported earnings.

Shipping and handling costs: Shipping and handling costs are included in selling, general and administrative expenses.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined using the weighted average method for all categories of inventories.

Investment securities. The Company classifies its debt and equity securities in one of the three categories: trading, held-to-maturity or available-for-sale, at the time of purchase and re-evaluates such classifications as of each balance sheet date. Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Temporary unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis and are included in earnings. A decline in the fair value of any available-for-sale or held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. Fair value is based on quoted market prices. The impairment is charged to earnings.

Investments in affiliates. The Company's equity in the earnings of affiliates is included in the statement of income and the Company's share of net assets of affiliates is included in the balance sheet.

Shares issued by subsidiary/affiliate. The issuance of stock by a subsidiary/affiliate to third parties reduces the proportionate ownership interest in the investee. Unless the issuance of such stock is part of a broader corporate reorganization or unless realization is not assured, the Company recognizes a gain or loss, equal to the difference between the issuance price per share and the Company's carrying amount per share. Such gain or loss is recognized in the statement of income when the transaction occurs.

Property, plant and equipment. Property, plant and equipment are stated at cost. The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. Assets under capital lease are amortized over their estimated useful life or the lease term, as appropriate. The estimated useful lives of assets are as follows:

Buildings.....	30 to 60 years
Plant and machinery.....	2 to 21 years
Furniture, fixtures and equipment...	2 to 5 years
Vehicles.....	4 years
Computer software.....	2 years

Software for internal use is primarily acquired from third-party vendors and is in ready to use condition. Costs for acquiring this software are capitalized and subsequent costs are charged to revenue. The capitalized costs are amortized on a straight-line basis over the estimated useful life of the software. Deposits paid towards the acquisition of property, plant and equipment outstanding as of each balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed under capital work-in-progress. The interest cost incurred for funding an asset during its construction period is capitalized based on the actual investment in the asset and the average cost of funds. The capitalized interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

Intangible assets. The Company records as assets, costs incurred on assets which are of enduring value at the consideration paid for it and amortizes the cost by systematic charges to income over the period estimated to be benefited. Goodwill resulting from acquisition is reported as an intangible asset and amortized over a period of five years.

Start-up costs. Cost of start-up activities including organization costs are expensed as incurred.

Research and development. Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities that are acquired or constructed for research and development activities and having alternative future uses, is capitalized as tangible assets when acquired or constructed. Software product development costs are expensed as incurred until technological feasibility is achieved.

Impairment of long-lived assets and long-lived assets to be disposed of. The Company has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Foreign currency transactions. The functional and reporting currency of the Company is the Indian rupee. Foreign currency transactions are translated into Indian rupees at the rates of exchange prevailing on the date of the

respective transactions. Assets and liabilities in foreign currency are translated into Indian rupees at the exchange rate prevailing on the balance sheet date. The resulting exchange gains/losses are included in the statement of income.

Earnings per share. The Company has adopted SFAS No. 128, Earnings Per Share. In accordance with SFAS No. 128, basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be antidilutive.

Income taxes. Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

Stock-based compensation. The Company uses the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25 to account for its employee stock based compensation plans. The Company has therefore adopted the pro forma disclosure provisions of SFAS No. 123, Accounting for Stock-based Compensation.

Accounting change. Effective January 1, 2001, the Company adopted the provisions of Staff Accounting Bulletin No. 101 (SAB 101) issued by the Securities and Exchange Commission, which provides guidelines in applying generally accepted accounting principles to selected revenue recognition issues. Accordingly, the Company changed its policy to recognize revenues from sale of goods on an installed basis, only on completion of installation. Prior to the adoption of SAB 101, revenues were recognized on dispatch to the customer with a appropriate provision for costs of installation.

The initial adoption resulted in a cumulative catch up adjustment of Rs. 59,104, which is recorded as a charge to earnings in fiscal 2001. The effect of this change in accounting principle on net income of fiscal 2001 is immaterial. Similarly, the effect of the change on net income of fiscal 2000 is immaterial. Financial information for the three months ended June 30, 2000 has been restated by applying the newly adopted accounting principle. The cumulative effect of the change on retained earnings at the beginning of fiscal 2001 is included in restated net income of the three months ended June 30, 2000. Revenues for three months June 30, 2000 and year ended March 31, 2001 include an amount of Rs. 701,455 as a result of the cumulative effect adjustment.

Derivatives and hedge accounting: On April 1, 2001 Wipro adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended, when the rules became effective for companies with fiscal year ending March 31.

The Company enters into forward foreign exchange contracts and interest rate swap agreements where the counterparty is generally a bank. The company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecasted cash flows denominated in certain foreign currencies. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS No.133, as amended.

Any derivative that is either not designated hedge, or is so designated but is ineffective per SFAS No.133, is marked to market and recognized in earnings immediately.

The initial transition adjustments required to adopt SFAS No.133 are immaterial

Reclassifications. Certain reclassifications have been made to conform prior period data to the current presentation. These reclassifications had no effect on reported earnings.

3. Discontinued Operations

The Company was involved in the financial services business through Wipro Finance, a majority owned subsidiary. The Company, for strategic reasons, decided to concentrate on its core businesses and as a result, in March 1999, the Company decided to exit the financial services business and approved a formal plan for winding down the operations of this business. Under the plan, Wipro Finance will not accept any new business and the existing assets and liabilities would be liquidated as per their contractual terms. The Company estimated the shortfall in servicing liabilities of Wipro Finance through its assets and decided to fund the shortfall through a fresh infusion of equity and preferred stock amounting to Rs. 950,000.

The results of operations of Wipro Finance for all periods have been reported separately as "loss from operations of discontinued finance division". Similarly, the obligation of the Company to fund losses under the plan, in excess of recognized losses as of March 31, 1999, has been accrued as "provision for operating losses during phase-out period".

In December 1999, the Company sold 50% of the interest in Wipro Finance to certain investors for a nominal amount. Subsequent to the sale, the Company did not have a controlling interest in Wipro Finance. The financial statements of Wipro Finance were not consolidated for the year ended March 31, 2000. In fiscal 2001, the Company sold the balance 50% interest in Wipro Finance for a nominal amount. The tax benefit of Rs. 218,707 and Rs. 77,735 arising on the sales has been reported separately as a component of discontinued operations in fiscal 2000 and 2001 respectively.

4. Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents as of March 31, 2000, 2001 and as of June 30, 2000 and 2001 comprise of cash, cash on deposit with banks and highly liquid money market instruments. Restricted cash represents deposits placed with banks as margin money against guarantees and letters of credit in the normal course of business operations. Restrictions on such deposits are released on the expiry of the terms of the guarantee and letters of credit.

5. Accounts Receivable

The accounts receivable as of March 31, 2000, 2001 and as of June 30, 2000 and 2001 are stated net of allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts based on present and prospective financial condition of the customer and aging of the accounts receivable. Accounts receivable are generally not collateralized.

The activity in the allowance for doubtful accounts receivable is given below:

	Three months ended June 30,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Balance at the beginning of the period.....	Rs. 196,602	Rs. 297,884	Rs. 277,841	Rs. 196,602
Additional provision during the period...	66,351	79,361	299,122	212,990
Bad debts charged to provision.....	(6,776)	(623)	(380,361)	(111,708)
Balance at the end of the period.....	<u>Rs. 256,177</u>	<u>Rs. 376,622</u>	<u>Rs. 196,602</u>	<u>Rs. 297,884</u>

6. Inventories

Inventories consist of the following:

	As of June 30,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Stores and spare parts.....	Rs. 48,650	Rs. 40,902	Rs. 42,914	Rs. 44,689
Raw materials and components.....	566,445	513,753	497,545	483,807
Work-in-process.....	154,283	113,995	92,970	121,190
Finished goods.....	974,558	1,155,874	581,731	836,669
	<u>Rs. 1,743,936</u>	<u>Rs. 1,824,524</u>	<u>Rs. 1,215,160</u>	<u>Rs. 1,486,355</u>

Finished goods as of March 31, 2000, 2001 and as of June 30, 2000 and 2001 include inventory of Rs. Nil, Rs. 340,124, Rs. 406,390 and Rs. 538,388 with customers pending installation.

7. Other Assets

Other assets consist of the following:

	As of June 30,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Prepaid expenses.....	Rs. 368,265	Rs. 617,588	Rs. 377,911	Rs. 569,393
Advances to suppliers.....	50,328	181,837	35,510	173,390
Balances with statutory authorities.....	103,102	85,505	224,215	114,234
Deposits.....	403,773	538,962	382,307	533,684
Inter-corporate deposits				
GE Capital Services India.....	505,000	1,570,913	-	367,500
ICICI Limited.....	-	459,600	-	684,500
Advance income taxes.....	32,550	110,341	125,000	48,147
Others.....	220,957	412,282	219,025	444,144
	1,683,975	3,977,028	1,363,968	2,934,992
Less: Current assets.....	1,356,786	3,438,066	981,661	2,401,308
	<u>Rs. 327,189</u>	<u>Rs. 538,962</u>	<u>Rs. 382,307</u>	<u>Rs. 533,684</u>

8. Investment Securities

Investment securities consist of the following:

	As of March 31, 2000				As of March 31, 2001				As of June 30, 2000 (Unaudited)				As of June 30, 2001 (Unaudited)			
	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:																
Equity securities ..	Rs. 233	Rs. 2,298	Rs. (27)	Rs. 2,504	Rs. 233	Rs. 1,682	Rs. (64)	Rs. 1,851	Rs. 233	Rs. 2,165	Rs. (32)	2,366	Rs. 233	Rs. 1,562	Rs. (58)	Rs. 1,737
Debt securities.....	—	—	—	—	2,462,497	—	—	2,462,497	—	—	—	—	2,796,539	—	—	2,796,539
	<u>233</u>	<u>2,298</u>	<u>(27)</u>	<u>2,504</u>	<u>2,462,730</u>	<u>1,682</u>	<u>(64)</u>	<u>2,464,348</u>	<u>233</u>	<u>2,165</u>	<u>(32)</u>	<u>2,366</u>	<u>2,796,772</u>	<u>1,562</u>	<u>(58)</u>	<u>2,798,276</u>
Held-to-maturity:																
Bonds and debentures.....	294,646	—	—	294,646	188,268	—	—	188,268	294,646	—	—	294,646	192,453	—	—	192,453
	<u>294,646</u>	<u>—</u>	<u>—</u>	<u>294,646</u>	<u>188,268</u>	<u>—</u>	<u>—</u>	<u>188,268</u>	<u>294,646</u>	<u>—</u>	<u>—</u>	<u>294,646</u>	<u>192,453</u>	<u>—</u>	<u>—</u>	<u>192,453</u>
Unquoted: Convertible preference shares	—	—	—	—	54,000	—	—	54,000	—	—	—	—	54,000	—	—	54,000
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>54,000</u>	<u>—</u>	<u>—</u>	<u>54,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>54,000</u>	<u>—</u>	<u>—</u>	<u>54,000</u>
	<u>Rs. 294,879</u>	<u>Rs. 2,298</u>	<u>Rs. (27)</u>	<u>Rs. 297,150</u>	<u>Rs. 2,704,998</u>	<u>Rs. 1,682</u>	<u>Rs. (64)</u>	<u>Rs. 2,706,616</u>	<u>Rs. 294,879</u>	<u>Rs. 2,165</u>	<u>Rs. (32)</u>	<u>297,012</u>	<u>Rs. 3,043,225</u>	<u>Rs. 1,562</u>	<u>Rs. (58)</u>	<u>Rs. 3,044,729</u>

Debt securities, held-to-maturity as of June 30, 2001 mature between one through five years.

Dividends from available-for-sale securities during the years ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 were Rs. 22, Rs. 14, Nil and Nil and are included in other income. Proceeds from the sale of available-for-sale securities were Rs. 4,474, Rs.Nil, Rs.Nil and Rs. Nil during the years ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 respectively.

9. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	As of June 30,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Land.....	Rs. 345,855	Rs. 379,450	Rs. 273,804	Rs. 389,753
Buildings.....	756,141	1,212,592	701,839	1,173,134
Plant and machinery.....	3,367,611	4,967,507	3,202,434	4,806,457
Furniture, fixtures, and equipment....	683,278	1,065,166	647,590	1,038,276
Vehicles.....	229,098	342,380	217,729	322,534
Computer software for internal use....	389,357	535,336	298,105	542,009
Capital work-in-progress.....	702,954	1,178,544	709,146	801,218
	6,474,294	9,680,975	6,050,647	9,073,381
Accumulated depreciation and amortization.....	<u>(2,638,096)</u>	<u>(3,709,814)</u>	<u>(2,446,966)</u>	<u>(3,405,556)</u>
	<u>Rs. 3,836,198</u>	<u>Rs. 5,971,161</u>	<u>Rs. 3,603,681</u>	<u>Rs. 5,667,825</u>

Depreciation expense for the years ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 is Rs. 734,473, Rs. 991,262, Rs. 193,671 and Rs. 299,284. This includes Rs. 53,261, Rs. 140,624, Rs. 28,698 and Rs. 40,163 as amortization of capitalized internal use software, during the years ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 respectively.

10. Intangible Assets

Intangible assets consisting of technical know-how and goodwill, are stated net of accumulated amortization of Rs. 5,647, Rs. 47,576, Rs. 6,147 and Rs. 92,585 as of March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 respectively. Technical know-how is amortized over six years.

In October 1999, the Company acquired the 45% minority interest in Wipro Computers Limited for a consideration of Rs. 67,500. The acquisition resulted in goodwill of Rs. 10,500. In December 2000, the Company acquired the 45% minority interest held by the KPN Group in Wipro Net for a consideration of Rs. 1,087,216. The acquisition resulted in goodwill of Rs. 867,786. Goodwill is amortized over a period of 5 years.

Amortization of intangible assets during the year ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 is Rs. 4,250, Rs. 45,857, Rs. 538 and Rs. 43,891 respectively.

11. Other Current Liabilities

Other current liabilities consist of the following:

	As of June 30,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Inter-corporate deposits	Rs. 65,699	Rs. -	Rs. 49,692	Rs. -
Statutory dues payable.....	166,313	340,625	154,958	352,328
Sundry deposits	96,595	-	-	-
Taxes payable	3,190	42,029	195,497	45,788
Others	123,422	78,615	35,414	69,685
	<u>Rs. 455,219</u>	<u>Rs. 461,269</u>	<u>Rs. 435,561</u>	<u>Rs. 467,801</u>

12. Other Liabilities

Other liabilities primarily consist of security deposits collected from the Company's dealers and customers.

13. Operating Leases

The Company leases office and residential facilities under cancellable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under such leases was Rs. 237,693, Rs. 277,018, Rs. 68,636 and Rs. 80,741 for the years ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 respectively.

14. Investments in Affiliates

Wipro GE Medical Systems (Wipro GE). The Company has accounted for its 49% interest in Wipro GE by the equity method. The carrying value of the investment in Wipro GE as of March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 was Rs. 434,299, Rs. 586,749, Rs. 444,099 and Rs. 641,041 respectively. The Company's equity in the income of Wipro GE for the year ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 was Rs. 138,749, Rs. 184,315, Rs. 17,150 and Rs. 54,292 respectively.

Wipro Net. As of March 31, 1999, the Company held a 100% interest in Wipro Net represented by 15,219,180 equity shares of Rs. 10 each. Wipro Net is engaged in value added networking and communication services. The financial statements of Wipro Net were consolidated in fiscal 1999. In December 1999, the Company sold 2,903,410 equity shares to a minority shareholder for a consideration of Rs. 203,000 pursuant to a joint venture agreement. The gain on sale of Rs. 146,144 is included in the statement of income. Additionally, Wipro Net directly issued 7,173,132 shares to the joint venture partner at a price of Rs. 70 per share. As a result of the transactions, the Company's interest in Wipro Net reduced to 55%. The shareholders' agreement provided the minority shareholder in the joint venture with significant participating rights, which provided for its effective involvement in significant decisions in the ordinary course of business. Therefore, subsequent to the dilution, the Company accounted for its 55% interest by the equity method. The carrying value of the investment in Wipro Net as of March 31, 2000 was Rs. 270,586. The carrying value increased by Rs. 266,000 due to the direct issue of shares to the minority shareholder. As the direct issue of shares by Wipro Net was not part of a broader corporate reorganization, the gain due to the change in the carrying value of the investment has been included in the statement of income. The Company's equity in the loss of Wipro Net for the year ended March 31, 2000 was Rs. 26,159.

In December 2000, the Company acquired the 45% minority interest in Wipro Net for Rs. 1,087,216 resulting in goodwill of Rs. 867,786. Subsequent to the acquisition, the financial statements of Wipro Net have been consolidated. The Company's equity in the loss of Wipro Net prior to the acquisition of minority interest amounting to Rs. 135,893 is reported by the equity method in fiscal 2001.

NetCracker. In December 2000, subsequent to the acquisition of the minority interest in Wipro Net, the retail internet business division of Wipro Net comprising property and other assets and employees was transferred to NetCracker, a newly set-up entity, in exchange for 49% of the equity and certain convertible preference shares of the new entity. The assets were transferred at their carrying values of Rs. 73,000 in exchange for equity of Rs.19,000 and convertible preference shares of Rs. 54,000. Contemporaneously, a strategic investor infused fresh equity of Rs. 300,000 to acquire a 51% equity interest. Additionally, as per the agreement with the strategic investor, certain expenses of Rs. 167,000 of the retail internet business division incurred by Wipro Net prior to the hive-off were reimbursed by NetCracker to Wipro Net.

The convertible preference shares held by Wipro shall be converted to equity at Rs. 10 per equity share on occurrence of any one of the four events specified in the agreement with the strategic investor and NetCracker. These events are liquidation of NetCracker, initial public offering by NetCracker, change in equity interest of the strategic investor to outside of a specified range and valuation of NetCracker reaching specified levels based on a fresh issue of equity shares by NetCracker or sale of shares by existing shareholders. Till conversion, the preference share bear no voting or dividend rights.

The carrying value of the investment in NetCracker as of March 31, 2001 and June 30, 2001 was Rs.44,054 and Rs. 15,287 respectively. The Company's equity in the losses of NetCracker for the year ended March 31, 2001 and three months ended June 30, 2001 was Rs. 112,133 and Rs. 28,767 respectively.

The Company's share of reported earnings in NetCracker will change to 46.31% in the event that contingent issuance of equity shares arising from stock options granted by NetCracker are exercised in the future. The aggregate impact of these contingent issuances on the earnings of the Company is immaterial.

Wipro ePeripherals. On September 1, 2000, the peripherals division of Wipro, which was engaged in the business of manufacture, sales and trading of computer peripherals was spun-off into a separate legal entity, Wipro ePeripherals, for a 38.7% interest of Rs. 54,600 in the new entity, 12.5% non-convertible debentures redeemable in 2005 in the amount of Rs. 60,000 and Rs. 156,280 in cash. Contemporaneously, Wipro ePeripherals issued 61.3% of its equity to strategic investors and employees for cash. Shares were issued to Wipro and the new investors at the par value of Rs. 10. Subsequent to the sale, Wipro accounts for its 38.7% interest by the equity method. In December 2000, debentures of Rs. 20,000 were prepaid by Wipro ePeripherals.

The carrying value of the investment in Wipro ePeripherals as of March 31, 2001 and June 30, 2001 was Rs. 58,890 and Rs. 77,831 respectively. The Company's equity in the income of Wipro ePeripherals for the year ended March 31, 2001 and three months ended June 30, 2001 was Rs. 10,530 and Rs. 18,941 respectively.

The Company's share of reported earnings in Wipro ePeripherals will change to 31.22 % in the event that contingent issuance of equity shares arising from stock options granted by Wipro ePeripherals are exercised in the future. The aggregate impact of these contingent issuances on the earnings of the Company is immaterial.

15. Financial Instruments and Concentration of Risk

Concentration of risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, investment securities, accounts receivable and inter-corporate deposits. The Company's cash resources are invested with financial institutions and commercial corporations with high investment grade credit ratings. Limits have been established by the Company as to the maximum amount of cash that may be invested with any such single entity. To reduce its credit risk, the Company performs ongoing credit evaluations of customers. No single customer accounted for 10% or more of accounts receivable as of March 31, 2000, 2001 and three months ended June 30, 2000 and June 30, 2001.

Derivative financial instruments. The Company enters into forward foreign exchange contracts and interest rate swap agreements where the counterparty is generally a bank. The Company considers the risks of non-performance by the counterparty as non-material. The following table presents the aggregate contracted principal amounts of the Company's derivative financial instruments outstanding :

	As of June 30,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Forward contracts	\$ 47,100,410(sell)	\$ 66,530,000(sell)	\$ 48,487,662(sell)	\$ 39,531,243(sell)
Interest rate swaps	\$ 6,500,000	\$ 3,250,000	\$ 6,500,000	\$ 3,250,000

The foreign forward exchange contracts mature between one to six months. Interest rate swap agreements mature in fiscal 2002.

16. Borrowings from Banks

The Company has a line of credit of Rs. 2,650,000 from its bankers for working capital requirements. The line of credit is renewable annually. The credit bears interest at the prime rate of the bank, which averaged 13.1%, 12.8%, 12.4% and 12.8% in fiscal 2000, 2001 and three months ended June 30, 2000 and 2001 respectively. The facilities are secured by inventories, accounts receivable and certain property and contain financial covenants and restrictions on indebtedness.

17. Long-term Debt

Long-term debt consists of the following:

	As of June 30,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Foreign currency borrowings	Rs. 272,824	Rs. 127,582	Rs. 269,453	Rs. 127,582
Rupee term loans from banks and financial institutions	1,188,846	68,200	1,153,495	1,245,459
Others	42,091	52,531	37,766	48,186
	1,503,761	248,313	1,460,714	1,421,227
Less: Current portion.....	1,292,617	148,937	1,249,570	1,326,196
	<u>Rs. 211,144</u>	<u>Rs. 99,376</u>	<u>Rs. 211,144</u>	<u>Rs. 95,031</u>

In December 1999, the Company had transferred an 8% interest in Wipro Net to a financial institution. Under the terms of the transfer, the Company had a call option to repurchase the transferred shares at a pre-determined consideration. Additionally, the financial institution had a put option to sell the shares to the Company at a pre-determined consideration. The Company had recorded the transfer as a secured borrowing with pledge of collateral. The principal shareholder of the Company had pledged certain shares held in Wipro to further secure the borrowing. Interest was imputed at the implicit yield on the put

option. As of March 31, 2000 and 2001, the rupee term loans include Rs. 1,028,395 and Rs. 1,177,259 respectively representing the borrowing.

In June 2001, the financial institution exercised the option at the pre-determined consideration of Rs.1,218,142.

All other long-term debt is secured by a specific charge over the property, plant and equipment of the Company and contains certain financial covenants and restrictions on indebtedness.

Foreign currency borrowing represents a fixed rate borrowing in United States dollars. In order to hedge the foreign exchange risk on the borrowing, Wipro entered into a structured swap agreement with a bank in September 1999. Under this agreement, the bank would assume all responsibilities to repay the borrowing and interest thereon in foreign currency as per the scheduled maturity of the borrowing. In exchange, the Company would pay the bank a fixed amount in Indian rupees as per an agreed schedule. In order to secure the Indian rupee payment streams to the bank, Wipro made an investment in certain discount bonds, the proceeds of which have been assigned as security to the bank. The swap agreement has been accounted as a hedge with the hedge cost amortized to income over the life of the contract. The discount bonds are classified as held-to-maturity investment securities.

An interest rate profile of the long-term debt is given below:

	As of June 30,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Foreign currency borrowings.....	6.7%	6.7%	6.7%	6.7%
Rupee term loans from banks and financial institutions.....	13.9%	12.8%	13.9%	13.9%

A maturity profile of the long-term debt outstanding as of June 30, 2001 is set out below :

Maturing in fiscal:		
2002.....	Rs	148,937
2003.....		69,711
2004.....		28,305
2005.....		1,253
Thereafter.....		107
		Rs. 248,313

18. Equity Shares and Dividends

The Company presently has only one class of equity shares. For all matters submitted to vote in the shareholders meeting, every holder of equity shares, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held by him or her.

Indian statutes mandate that dividends shall be declared out of distributable profits only after the transfer of up to 10% of net income computed in accordance with current regulations to a general reserve. Should the Company declare and pay dividends, such dividends will be paid in Indian rupees to each holder of equity shares in proportion to the number of shares held by him to the total equity shares outstanding as on that date. Indian statutes on foreign exchange govern the remittance of dividend outside India. Such dividend payments are subject to taxes applicable at the time of payment.

The Company recognizes liability for dividends on approval by the shareholders of the Company.

In the event of liquidation of the affairs of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company, after such discharge, shall be distributed to the holders of equity shares in proportion to the number of shares held by them.

The Company paid cash dividends of Rs. 75,622, Rs. 75,121, Rs. 75,121 and Rs. Nil during the years ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 respectively. The dividends per share was Rs. 0.30 during the years ended March 31, 2000, 2001 and three months ended June 30, 2000. In November 1997, the Company effected a two-for-one share split in the form of a share dividend. In September 1999, the Company effected a five-for-one share split. All references in the consolidated financial statements to number of shares and per share amounts of the Company's equity shares have been retroactively restated to reflect the increased number of equity shares outstanding resulting due to the share splits.

In October 2000, the Company made a public offering of its American Depositary Shares, or ADSs, to international investors. The offering consisted of 3,162,500 ADSs representing 3,162,500 equity shares, at an offering price of \$ 41.375 per ADS. The equity shares represented by the ADS carry similar rights as to voting and dividends as the other equity shares.

19. Retained Earnings

The Company's retained earnings as of March 31, 2000 and 2001 and three months ended June 30, 2000 and 2001 include restricted retained earnings of Rs. 23,585, Rs. 274,038, Rs. 24,335 and Rs. 274,038 respectively which are not distributable as dividends under Indian company and tax laws. These relate to requirements regarding earmarking a part of the retained earnings on redemption of preference shares and to avail specific tax allowances.

Retained earnings as of March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 also include Rs. 532,885, Rs. 567,126, Rs. 507,336 and Rs. 611,592 respectively of undistributed earnings in equity of affiliates.

20. Redeemable Preferred Stock

Preferred stock issued by companies incorporated in India carries a preferential right on liquidation to be repaid over the equity shares.

The Company issued 25,000,000 preferred shares aggregating Rs. 250,000 to a financial institution bearing dividend at 10.25% per annum. The preferred stock was redeemed in December 2000.

21. Other Income / (Expense), Net

Other income/(expense) consist of the following:

	<u>Three months ended June 30,</u>		<u>Year ended March 31,</u>	
	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>
	(Unaudited)			
Interest income/(expense), net of capitalized interest	Rs. (22,686)	Rs. 161,123	Rs. (283,627)	Rs. 120,674
Others.....	18,813	23,357	60,143	194,461
	<u>Rs. (3,873)</u>	<u>Rs. 184,480</u>	<u>Rs. (223,484)</u>	<u>Rs. 315,135</u>

Rs.53,980, Rs.48,000, Rs. 10,000 and Rs. Nil of interest has been capitalized during the year ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 respectively.

22. Shipping and Handling costs

Selling general and administrative expenses for the years ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 include shipping and handling costs of Rs.48,570, Rs.62,200, Rs.9,970 and Rs. 10,858 respectively.

23. Income Taxes

Income taxes consist of the following:

	Three months ended June 30,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Current taxes				
Domestic	Rs. 50,443	Rs. 115,920	Rs. 167,825	Rs. 691,578
Foreign	70,533	79,497	174,920	402,752
	<u>120,976</u>	<u>195,417</u>	<u>342,745</u>	<u>1,094,330</u>
Deferred taxes				
Domestic	15,391	176,226	182,553	55,712
Foreign	-	(109,676)	-	-
	<u>-</u>	<u>66,550</u>	<u>182,553</u>	<u>55,712</u>
Total income tax expense	<u>Rs. 136,367</u>	<u>Rs. 261,967</u>	<u>Rs. 525,298</u>	<u>Rs. 1,150,042</u>

The reported income tax expense differed from amounts computed by applying the enacted tax rates to income from continuing operations before income taxes as a result of the following:

	Three months ended June 30,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Income from continuing operations before taxes	Rs. 1,135,740	Rs. 2,150,464	Rs. 3,858,294	Rs. 7,586,625
Enacted tax rate in India	<u>38.5%</u>	<u>35.7%</u>	<u>38.5%</u>	<u>39.55%</u>
Computed expected tax expense	437,260	767,716	1,485,443	3,000,510
Effect of:				
Income exempt from tax in India	(409,654)	(670,342)	(1,104,111)	(2,388,705)
Change in enacted tax rate	-	-	(22,385)	2,453
Difference between tax basis and amount for financial reporting of a domestic subsidiary reversed	-	199,512	-	-
Others	<u>38,228</u>	<u>(114,416)</u>	<u>(8,569)</u>	<u>133,032</u>
Domestic income taxes	65,834	182,470	350,378	747,290
Effect of tax on foreign income	<u>70,533</u>	<u>79,497</u>	<u>174,920</u>	<u>402,752</u>
Total income tax expense	<u>Rs. 136,367</u>	<u>Rs. 261,967</u>	<u>Rs. 525,298</u>	<u>Rs. 1,150,042</u>

Deferred tax assets reported as of March 31, 2001 include Rs 199,512 being difference between tax basis and amount for financial reporting of Wipro Net, a domestic subsidiary. The deferred tax asset has been reversed during the quarter ended June 30, 2001 consequent to the decision to legally reorganize the business of Wipro Net, as a result of which the benefit of the amount will no longer be available to the company.

A substantial portion of the profits of the Company's India operations are exempt from Indian income taxes being profits attributable to export operations and profits from undertakings situated in Software Technology and Hardware Technology Parks. Under the tax holiday, the taxpayer can utilize an exemption from income taxes for a period of any ten consecutive years. The Company has opted for this exemption from the year ended March 31, 1997 for undertakings situated in Software Technology and Hardware Technology Parks. Additionally, profits from certain other undertakings are also eligible for preferential tax

treatment. The aggregate rupee and per share effects of these tax exemptions are Rs. 1,104,111 and Rs. 4.85 per share for the year ended March 31, 2000, Rs. 2,388,705 and Rs. 10.42 per share for the year ended March 31, 2001 and Rs. 409,654 and Rs. 1.80 per share for the three months ended June 30, 2000 and Rs. 670,342 and Rs. 2.90 per share for the three months ended June 30, 2001.

	As of June 30,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Deferred tax assets				
Allowance for doubtful accounts.....	Rs. 37,336	Rs. 84,220	Rs. 37,366	Rs. 56,318
Carry-forward capital losses	24,446	164,726	24,446	164,726
Carry forward business losses.....	-	47,981	-	-
Tax benefits arising from employee stock incentive plan.....	-	61,695	-	-
Difference between tax basis and amount for financial reporting of a domestic subsidiary	194,261	-	194,261	199,512
Others	34,986	20,329	11,678	17,587
Total gross deferred tax assets	291,029	378,951	267,751	438,143
Less: valuation allowance.....	-	(142,256)	-	(142,256)
Net deferred tax assets	291,029	236,695	267,751	295,887
Deferred tax liabilities				
Property, plant and equipment	Rs. 16,610	Rs. 27,689	Rs. 16,610	Rs. 25,489
Unrealized gains on available for sale securities	256	153	500	187
Undistributed earnings of affiliates.....	-	70,126	-	64,966
Borrowing costs.....	864	-	864	-
Total gross deferred tax liability.....	17,730	97,968	17,974	90,642
Net deferred tax assets	Rs. 273,299	Rs. 138,727	Rs. 249,777	Rs. 205,245

Management believes that based on a number of factors, the available objective evidence creates sufficient uncertainties regarding the generation of future capital gains and realizability of the entire carry-forward capital losses. Accordingly, the Company has established a valuation allowance for a major portion of the unabsorbed capital losses arising on sale of shares in Wipro Finance, a discontinued operation. These losses expire after eight years succeeding the year in which they were first incurred. The unabsorbed carry-forward capital losses as of March 31, 2001 expire in 2009.

Although realization of the net deferred tax assets is not assured, management believes that it is more likely than not that all of the net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable, however could be reduced in the near term based on changing conditions.

24. Employee Stock Incentive Plans

In fiscal 1985, the Company established a controlled trust called the Wipro Equity Reward Trust (WERT). Under this plan, the WERT would purchase shares of Wipro out of funds borrowed from Wipro. The Company's Compensation Committee would recommend to the WERT, officers and key employees, to whom the WERT will grant shares from its holding. The shares have been granted at a nominal price. Such shares would be held by the employees subject to vesting conditions. The shares held by the WERT are reported as a reduction from stockholders' equity. 530,635, 679,450, 533,295 and 655,875 shares held by employees as of March 31, 2000, 2001 and as of June 30, 2000 and 2001 respectively, subject to vesting conditions are included in the outstanding equity shares.

In February 2000, the WERT sold 54,745 shares of Wipro to third parties for a consideration of Rs. 524,475. The gain on the sale aggregating Rs. 524,472, net of the realized tax impact of Rs. 57,704 has been credited to additional paid-in capital.

The movement in the shares held by the WERT is given below:

	Three months ended June 30,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Shares held at the beginning of the period	1,216,460	1,280,885	1,409,485	1,216,460
Shares granted to employees	(2,360)	-	(254,100)	(4,250)
Sale of shares by the WERT	-	-	(54,745)	-
Grants forfeited by employees	-	23,575	115,820	68,675
Shares held at the end of the period	<u>1,214,100</u>	<u>1,304,460</u>	<u>1,216,460</u>	<u>1,280,885</u>

The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the WERT plan. During the year ended March 31, 2000 and three months ended June 30, 2000, the Company has recorded deferred compensation, net of reversals, of Rs. 150,908 and Rs.4,373 respectively for the difference between the grant price and the fair value as determined by quoted market prices of the equity shares on the grant date. Similarly, during the year ended March 31, 2001 and three months ended June 30, 2001 the Company reversed net deferred compensation of Rs. 24,151 and Rs. 8,084 respectively. The deferred compensation is amortized on a straight-line basis over the vesting period of the shares which ranges from 6 to 60 months. The weighted-average-grant-date fair values of the shares granted during the years ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 are Rs.1,028, Rs. 2,212, Rs. 1,853 and Rs. Nil respectively. The amortization of deferred stock compensation for the years ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 was Rs. 96,898, Rs. 87,160 Rs. 28,324 and Rs. 17,654 respectively. The stock-based compensation has been allocated to cost of revenues and selling, general and administrative expenses as follows:

	Three months ended June 30,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Cost of revenues	Rs. 11,200	Rs. 6,179	Rs. 36,299	Rs. 32,363
Selling, general and administrative expenses	17,124	11,475	60,599	54,797
	<u>Rs. 28,324</u>	<u>Rs. 17,654</u>	<u>Rs. 96,898</u>	<u>Rs. 87,160</u>

In July 1999, the Company established Wipro Employee Stock Option Plan 1999 (1999 Plan). Under the 1999 Plan, the Company is authorized to issue up to 5 million equity shares of common stock to eligible employees. Employees covered by the 1999 Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the 1999 Plan. During the year ended March 31, 2000, 2001 and three months ended June 30, 2000 and 2001 the Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the 1999 Plan is as follows:

	Year ended March 31, 2000			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period.....	—	—	—	—
Granted during the period.....	2,558,150	Rs. 1,024 to 2,522	Rs. 1,091	36 months
Forfeited during the period.....	(146,000)	1,086	1,086	—
Outstanding at the end of the period.....	<u>2,412,150</u>	<u>1,024 to 2,522</u>	<u>1,091</u>	<u>36 months</u>
Exercisable at the end of the period.....	—	—	—	—

	Year ended March 31, 2001			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period.....	2,412,150	Rs. 1,024 - 2,522	Rs. 1,091	36 months
Granted during the period.....	2,672,000	1,853 - 2,419	1,860	32 months
Forfeited during the period.....	(405,550)	1,086	1,086	—
Exercised during the period.....	(114,169)	1,086	1,086	—
Outstanding at the end of the period.....	<u>4,564,431</u>	<u>1,024 - 2,522</u>	<u>1,542</u>	<u>29 months</u>
Exercisable at the end of the period.....	<u>86,491</u>	<u>Rs. 1,024 - 2,522</u>	<u>Rs. 1,284</u>	<u>—</u>

	Three month period ended June 30, 2000			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period.....	2,412,150	Rs. 1,024 to 2,522	Rs. 1,091	36 months
Granted during the period.....	2,573,500	1,853	1,853	41 months
Forfeited during the period.....	—	—	—	—
Outstanding at the end of the period.....	<u>4,985,650</u>	<u>1,024 to 2,522</u>	<u>1,484</u>	<u>38 months</u>
Exercisable at the end of the period.....	—	<u>Rs. —</u>	<u>Rs. —</u>	<u>38 months</u>

	Three month period ended June 30, 2001			
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period.....	4,564,431	Rs. 1,024 to 2,522	Rs. 1,542	29 months
Granted during the period.....	—	—	—	—
Forfeited during the period.....	(492,750)	1,086 to 1,853	1,521	—
Exercised during the period.....	(3,360)	1,086	1,086	—
Outstanding at the end of the period.....	<u>4,068,321</u>	<u>1,024 to 2,522</u>	<u>1,545</u>	<u>26 months</u>
Exercisable at the end of the period.....	<u>403,382</u>	<u>Rs. 1,024 to 1,853</u>	<u>Rs. 1,538</u>	<u>—</u>

In July 2000, the Company established the Wipro Employee Stock Option Plan 2000 (2000 Plan). Under the 2000 Plan, the Company is authorized to issue up to 25 million equity shares to eligible employees. Employees covered by the 2000 Plan are granted an option to purchase equity shares of the Company subject to requirements of vesting. The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the 2000 Plan. During the year March 31, 2001 and three

months ended June 30, 2001 the Company did not record any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the 2000 Plan is as follows:

Year ended March 31, 2001				
Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)	
Outstanding at the beginning of the period.....	—	—	—	—
Granted during the period.....	3,520,300	Rs. 2,382 – 2,746	Rs. 2,397	37 months
Forfeited during the period.....	(305,950)	2,382	2,382	—
Outstanding at the end of the period.....	<u>3,214,350</u>	<u>2,382 – 2,746</u>	<u>2,397</u>	<u>37 months</u>
Exercisable at the end of the period.....	—	—	—	—

Three month period ended June 30, 2001				
Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life	
Outstanding at the beginning of the period.....	3,214,350	Rs. 2,382 to 2,746	2,397	37 months
Granted during the period.....	38,744	Rs. 1,269 to 1,670	1,459	40 months
Forfeited during the period.....	(296,025)	Rs. 2,382	2,382	—
Exercised during the period	—	—	—	—
Outstanding at the end of the period.....	<u>2,957,069</u>	<u>Rs. 1,269 to 2,746</u>	<u>2,386</u>	<u>34 months</u>
Exercisable at the end of the period.....	—	—	—	—

In April 2000, the Company established the 2000 Stock Option Plan (2000 ADS Plan). Under the 2000 ADS Plan, the Company is authorized to issue options to purchase up to 1.5 million American Depositary Shares (ADSs) to eligible employees. Employees covered by the 2000 ADS Plan are granted an option to purchase ADSs representing equity shares of the Company subject to the requirements of vesting. The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the 2000 ADS Plan. During the year ended March 31, 2001 and three months ended June 30, 2001 the Company did not record any deferred compensation as the exercise price was equal to the fair market value of the underlying ADS on the grant date.

Stock option activity under the 2000 ADS Plan is as follows:

Year ended March 31, 2001				
Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)	
Outstanding at the beginning of the period.....	—	—	—	—
Granted during the period.....	268,750	\$41.375	\$41.375	37 months
Forfeited during the period.....	(4,000)	41.375	41.375	—
Outstanding at the end of the period.....	<u>264,750</u>	<u>41.375</u>	<u>41.375</u>	<u>37 months</u>
Exercisable at the end of the period.....	—	—	—	—

Three month period ended June 30, 2001

	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted- average exercise price and grant date fair values	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period.....	264,750	\$ 41.375	\$ 41.375	37 months
Granted during the period.....	2,000	\$ 35.77	\$ 35.77	41 months
Forfeited during the period.....	—	—	—	—
Outstanding at the end of the period.....	<u>266,750</u>	<u>\$35.77 to \$41.375</u>	<u>\$ 41.33</u>	<u>34 months</u>
Exercisable at the end of the period.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

In December 1999, Wipro Net established an Employee Stock Option Plan (Wipro Net Plan). Under the Wipro Net Plan, eligible employees are granted an option to purchase equity shares of Wipro Net subject to the requirements of vesting. Wipro Net has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the Wipro Net Plan. During the year March 31, 2000 and 2001 and three months ended June 30, 2000 and 2001, Wipro Net has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the Wipro Net Plan is as follows:

Year ended March 31, 2000				
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted- average exercise price and grant date fair values	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period.....	—	—	—	—
Granted during the period.....	410,000	Rs. 70 - 400	Rs. 95	39 months
Forfeited during the period.....	—	—	—	—
Outstanding at the end of the period.....	<u>410,000</u>	<u>70 - 400</u>	<u>95</u>	<u>39 months</u>
Exercisable at the end of the period.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Year ended March 31, 2001				
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted- average exercise price and grant date fair values	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period.....	410,000	Rs. 70 - 400	Rs. 95	39 months
Granted during the period.....	216,500	100	100	31 months
Forfeited during the period.....	(196,000)	70 - 400	109	—
Outstanding at the end of the period.....	<u>430,500</u>	<u>70 - 400</u>	<u>91</u>	<u>29 months</u>
Exercisable at the end of the period.....	<u>13,611</u>	<u>70</u>	<u>—</u>	<u>—</u>

Consequent to the decision to legally reorganize the business of Wipro Net by merging Wipro Net with Wipro, stock options in the stock of Wipro Net, issued to employees of Wipro Net, have been exchanged for stock options of Wipro under the 2000 Plan. The exchange did not result in an increase in the aggregate intrinsic value of the award or a reduction in the ratio of the exercise price per share to the market price per share.

The Company has adopted the pro forma disclosure provisions of SFAS No. 123. Had compensation cost been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company's net income and earnings per share as reported would have been reduced to the pro forma amounts indicated below:

	Three months ended June 30,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Net income				
As reported.....	Rs. 940,269	Rs. 1,888,497	Rs. 3,551,703	Rs. 6,455,214
Adjusted pro forma.....	477,081	1,405,097	3,383,749	5,198,098
Earnings per share: Basic				
As reported.....	4.13	8.17	15.59	28.15
Adjusted pro forma.....	2.09	6.08	14.85	22.67
Earnings per share: Diluted.....				
As reported.....	4.10	8.16	15.54	27.91
Adjusted pro forma.....	2.08	6.08	14.80	22.58

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions.

Dividend yield.....	0.03%
Expected life.....	42 months
Risk free interest rates.....	11%
Volatility	45%

25. Earnings Per Share

A reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share is set out below:

	Three months ended June 30,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Basic earnings per equity share — weighted average number of equity shares outstanding.....	227,942,550	231,027,843	227,843,378	229,325,989
Effect of dilutive equivalent shares-stock options outstanding	<u>1,625,224</u>	<u>375,486</u>	<u>804,756</u>	<u>1,928,534</u>
Diluted earnings per equity share — weighted average number of equity shares and equivalent shares outstanding.....	<u>229,567,774</u>	<u>231,403,329</u>	<u>228,648,134</u>	<u>231,254,523</u>

Shares held by the controlled WERT have been reduced from the equity shares outstanding and shares held by employees subject to vesting conditions have been included in outstanding equity shares for computing basic and diluted earnings per share.

Options to purchase 5,895,319 equity shares were outstanding during the three months ended June 30, 2001, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares.

26. Employee Benefit Plans

Gratuity: In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan) covering certain categories of employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. The Company provides the gratuity benefit through annual contributions to a fund managed by the Life Insurance Corporation of India. Under this scheme, the settlement obligation remains with the Company, although the

Life Insurance Corporation of India administers the scheme and determines the contribution premium required to be paid by the Company.

Superannuation: Apart from being covered under the Gratuity Plan described above, the senior officers of the Company also participate in a defined contribution plan maintained by the Company. This plan is administered by the Life Insurance Corporation of India. The Company makes annual contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its annual contributions.

Provident fund: In addition to the above benefits, all employees receive benefits from a provident fund, a defined contribution plan. The employee and employer each make monthly contributions to the plan equal to 12% of the covered employee's salary. A portion of the contribution is made to the provident fund trust established by the Company, while the remainder of the contribution is made to the Government's provident fund. The Company has no further obligations under the plan beyond its monthly contributions.

The Company contributed Rs. 121,427, Rs. 161,723 and Rs. 249,341 to various defined contribution and benefit plans during the year ended March 31, 1999, 2000 and 2001 respectively.

27. Related Party Transactions

The Company has the following transactions with related parties.

	Three months ended June 30,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Wipro GE Medical Systems:				
Revenues from sale of computer equipment and administrative and management support services	Rs. 15,419	Rs. 5,320	Rs. 54,535	Rs. 17,396
Fees for usage of trade mark.....	—	Rs. 9,642	—	8,820
Rent paid.....	—	—	1,198	-
Wipro Net:				
Fees for consultancy services.....	—	—	12,186	13,100
Fees for computer and network maintenance support.....	—	—	—	10,452
Revenues from sale of computer equipment.....	—	—	—	109,871
Wipro ePeripherals:				
Revenues from sale of computer equipment and services.....	—	4,128	—	13,984
Fees for usage of trade mark.....	—	13,250	—	—
Interest received on debentures...	—	1,250	—	4,704
Purchase of printers.....	—	36,315	—	169,000
NetCracker:				
Fees for technical and infrastructure support services.....	—	35,485	—	37,018
Revenues from sale of computer equipment and services.....	—	2,348	—	—
Principal Shareholder:				
Payment of lease rentals.....	300	300	1,200	1,200

The Company has the following receivables from related parties, which are reported as other current assets in the balance sheet.

	As of June 30,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Wipro GE Medical Systems:.....	Rs. —	Rs. 13,545	Rs. —	Rs. 13,295
Wipro e Peripherals.....	—	54,593	—	—
Wipro Net	12,186	—	12,186	—
Security deposit given to Hasham Premji, a firm under common control.....	25,000	25,000	25,000	25,000
	<u>Rs. 37,186</u>	<u>Rs. 93,138</u>	<u>Rs. 37,186</u>	<u>Rs. 38,295</u>

The Company has the following payables to related parties, which are reported as other liabilities in the balance sheet.

	As of June 30,		As of March 31,	
	2000	2001	2000	2001
	(Unaudited)			
Wipro ePeripherals.....	-	Rs. 22,852	-	Rs. 2,297
NetKracker.....	-	10,000	-	10,000
	-	<u>Rs. 32,852</u>	-	<u>Rs. 12,297</u>

As of March 31, 2001 and June 30, 2001, the Company holds debentures of Rs. 40,000 in Wipro ePeripherals and convertible preference shares of Rs 54,000 in NetKracker, which are included in investment securities.

29. Commitments and Contingencies

Capital commitments. As of March 31, 2000, 2001 and June 30, 2000 and 2001 the Company had committed to spend approximately Rs. 160,084, Rs. 400,280, Rs.210,000 and Rs. 393,821 respectively under agreements to purchase property and equipment. These amounts are net of capital advances paid in respect of these purchases.

Guarantees. As of March 31, 2000, 2001 and June 30, 2000 and 2001 performance guarantees provided by banks on behalf of the Company to certain Indian Government and other agencies amount to approximately Rs. 880,557, Rs. 346,764, Rs.289,410 and Rs. 371,884 respectively as part of the bank line of credit.

Other commitments. The Company's Indian operations have been established as a Software Technology Park Unit under a plan formulated by the Government of India. As per the plan, the Company's India operations have export obligations to the extent of 1.5 times the employee costs for the year on an annual basis and 1.5 times (increased to 5 times during fiscal 2000) the amount of foreign exchange released for capital goods imported, over a five year period. The consequence of not meeting this commitment in the future, would be a retroactive levy of import duty on certain computer hardware previously imported duty free. As of June 30, 2001, the Company has met all commitments under the plan.

Contingencies. The Company is involved in lawsuits, claims, investigations and proceedings, including patent and commercial matters, which arise in the ordinary course of business. There are no such matters pending that Wipro expects to be material in relation to its business.

29. Segment Information

The Company is organized by segments, including Global IT Services, Indian IT Services and Products, Consumer Care and Lighting and other segments. Each of the segments has a Vice Chairman / Chief Executive Officer who reports to the Chairman of the Company. The Chairman of the Company has been identified as the Chief Operating Decision Maker as defined by SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information. The Chairman of the Company evaluates the segments based on their revenue growth, operating income and return on capital employed. Until fiscal 2000, interest income by lending to other segments and exchange rate fluctuations, were included as a component of total revenue and operating income for segment data. From fiscal 2001, the Chief Operating Decision Maker evaluates revenue growth and operating income of the segments excluding interest income earned by the segment by lending to other segments within the Company.

The Global IT Services (Wipro Technologies) segment provides research and development services for hardware and software design to technology and telecommunication companies and software application development services to corporate enterprises.

The Indian IT Services and Products (Wipro Infotech) segment focuses primarily on meeting all the IT and electronic commerce requirements of Indian companies.

The Consumer Care and Lighting segment manufactures, distributes and sells soaps, toiletries, lighting products and hydrogenated cooking oils for the Indian market.

Others consists of various business segments that do not meet the requirements individually for a reportable segment as defined in SFAS No. 131. Corporate activities such as treasury, legal and accounting, which do not qualify as operating segments under SFAS No. 131 have been considered as reconciling item.

Information on reportable segments is as follows:

	Year ended March 31, 2000					
	Global IT Services	Indian IT Services and Products	Consumer Care and Lighting	Others (net of elimination)	Reconciling Items	Entity Total
Revenues	Rs. 10,206,078	Rs. 8,089,297	Rs. 3,151,116	Rs. 1,380,583	Rs. —	Rs. 22,827,074
Exchange rate fluctuations	88,946	(13,923)	(2,090)	—	(72,933)	—
Interest income on funding other segments, net .	163,500	—	43,000	—	(206,500)	—
Total revenues	10,458,524	8,075,374	3,192,026	1,380,583	(279,433)	22,827,074
Cost of revenues	(6,219,980)	(6,541,162)	(2,251,238)	(1,070,031)	—	(16,082,411)
Selling, general and administrative expenses	(1,345,009)	(1,097,902)	(461,823)	(224,046)	(122,518)	(3,251,298)
Amortization of goodwill	—	(1,000)	—	—	—	(1,000)
Exchange rate fluctuations	—	—	—	—	51,603	51,603
Gain on sale of property and equipment	—	—	1,929	—	14,808	16,737
Operating income of segment	<u>Rs. 2,893,535</u>	<u>Rs. 435,310</u>	<u>Rs. 480,894</u>	<u>Rs. 86,506</u>	<u>Rs. (335,540)</u>	<u>Rs. 3,560,705</u>
Total assets of segment	Rs. 5,116,501	Rs. 3,788,784	Rs. 1,282,676	Rs. 764,433	Rs. 1,725,959	Rs. 12,678,353
Capital employed	2,711,042	1,474,491	678,549	521,146	3,048,562	8,433,790
Return on capital employed	107%	30%	71%	—	—	—
Accounts receivable	2,163,931	1,743,789	133,889	389,751	—	4,431,360
Depreciation	526,511	68,105	86,002	43,225	10,630	734,473

Year ended March 31, 2001

	Global IT Services	Indian IT Services and Products	Consumer Care and Lighting	Others (net of eliminations)	Reconciling Items	Entity Total
Revenues.....	Rs. 17,670,426	Rs. 8,670,790	Rs. 3,143,537	Rs. 1,328,915	Rs. —	Rs. 30,813,668
Exchange rate fluctuations.....	<u>126,291</u>	<u>(46,387)</u>	<u>—</u>	<u>—</u>	<u>(79,904)</u>	<u>—</u>
Total revenues	17,796,717	8,624,403	3,143,537	1,328,915	(79,904)	30,813,668
Cost of revenues	(9,204,649)	(6,467,592)	(2,215,349)	(876,320)	(85,459)	(18,849,369)
Selling, general and administrative expenses	(2,574,518)	(1,392,304)	(538,753)	(161,484)	(168,036)	(4,835,095)
Amortization of goodwill	—	(1,000)	—	—	(44,389)	(45,389)
Exchange rate fluctuations.....	—	—	—	—	86,399	86,399
Gain on sale of property and equipment	—	—	<u>46,113</u>	—	<u>108,344</u>	<u>154,457</u>
Operating income of segment	<u>Rs. 6,017,550</u>	<u>Rs. 763,507</u>	<u>Rs. 435,548</u>	<u>Rs. 291,111</u>	<u>Rs. (183,045)</u>	<u>Rs. 7,324,671</u>
Total assets of segment	Rs. 9,242,116	Rs. 3,921,596	Rs. 1,205,128	Rs. 1,668,108	Rs. 10,124,767	Rs. 26,161,715
Capital employed.....	7,760,449	1,090,097	846,978	1,271,686	8,551,974	19,521,184
Return on capital employed	78%	70%	46%	—	—	—
Accounts receivable.....	3,499,406	1,674,773	158,927	591,255	—	5,924,361
Depreciation	708,274	94,166	63,901	50,169	74,752	991,262

Three month period ended June 30, 2000

	Global IT Services	Indian IT Services and Products	Consumer Care and Lighting	Others (net of elimination)	Reconciling Items	Entity Total
Revenues.....	Rs. 3,597,489	Rs. 1,873,915	Rs. 736,641	Rs. 252,252	Rs. —	Rs. 6,460,297
Exchange rate fluctuations.....	<u>29,938</u>	<u>(22,327)</u>	<u>—</u>	<u>—</u>	<u>(7,611)</u>	<u>—</u>
Total revenues	3,627,427	1,851,588	736,641	252,252	(7,611)	6,460,297
Cost of revenues	(1,923,284)	(1,491,632)	(520,478)	(192,113)	—	(4,127,507)
Selling, general and administrative expenses	(635,733)	(263,735)	(131,171)	(41,374)	(90,910)	(1,162,923)
Amortization of goodwill	—	(500)	—	—	—	(500)
Exchange rate fluctuations.....	—	—	—	—	(11,555)	(11,555)
Gain on sale of property and equipment.....	—	—	—	—	—	—
Operating income of segment	<u>Rs. 1,068,410</u>	<u>Rs. 95,721</u>	<u>Rs. 84,992</u>	<u>Rs. 18,765</u>	<u>Rs. (110,076)</u>	<u>Rs. 1,157,812</u>
Total assets of segment	Rs. 6,400,753	Rs. 2,641,995	Rs. 1,016,594	Rs. 888,705	Rs. 2,658,388	Rs. 13,606,435
Capital employed.....	5,341,851	567,966	628,046	715,022	2,254,604	9,507,489
Return on capital employed	80%	67%	54%	—	—	—
Accounts receivable.....	3,039,115	898,234	116,975	324,348	—	4,378,672
Depreciation	135,320	19,597	14,286	17,582	6,886	193,671

Three month period ended June 30, 2001

	Global IT Services	Indian IT Services and Products	Consumer Care and Lighting	Others (net of eliminations)	Reconciling Items	Entity Total
Revenues.....	Rs. 5,160,062	Rs. 1,369,192	Rs. 725,162	Rs. 399,498	Rs. —	Rs. 7,653,914
Exchange rate fluctuations.....	<u>50,600</u>	<u>(5,570)</u>	<u>—</u>	<u>—</u>	<u>(45,030)</u>	<u>—</u>
Total revenues	5,210,662	1,363,622	725,162	399,498	(45,030)	7,653,914
Cost of revenues	(2,702,564)	(956,990)	(490,142)	(275,726)	(39,455)	(4,464,877)
Selling, general and administrative expenses	(605,458)	(335,071)	(145,535)	(161,821)	2,199	(1,245,686)
Research and Development expenses	(36,598)	—	—	—	—	(36,598)
Amortization of goodwill	—	(500)	—	—	(43,391)	(43,891)
Exchange rate fluctuations.....	—	—	—	—	45,030	45,030
Gain on sale of property and equipment.....	—	—	<u>1,393</u>	—	<u>12,232</u>	<u>13,625</u>
Operating income of segment	<u>Rs. 1,866,042</u>	<u>Rs. 71,061</u>	<u>Rs. 90,878</u>	<u>Rs. (38,049)</u>	<u>Rs. (68,415)</u>	<u>Rs. 1,921,517</u>
Total assets of segment	Rs. 9,468,995	Rs. 3,260,299	Rs. 1,122,977	Rs. 1,657,207	Rs. 11,133,153	Rs. 26,642,631
Capital employed.....	7,745,513	852,760	743,641	1,115,450	11,089,889	21,547,253
Return on capital employed	96%	33%	48%	—	—	—
Accounts receivable.....	3,728,846	1,129,299	116,886	447,354	12,113	5,434,498
Depreciation	193,733	29,507	14,984	41,966	19,094	299,284

Net interest income on funding other segments, not evaluated as a component of segment data, for Global IT Services, Indian IT Services and Products and Consumer Care and Lighting was Rs Nil, Rs.122,782 and Rs.10,485 respectively in fiscal 2001 and Rs. Nil, Rs. 27,932 and Rs. 3,206 respectively in the three months ended June 30, 2000.

The Company has three geographic segments: India, United States, and Rest of the world. Revenues from the geographic segments based on domicile of the customer is as follows:

	Three months ended June 30,		Year ended March 31,	
	2000	2001	2000	2001
	(Unaudited)			
India.....	Rs. 2,772,751	Rs. 2,411,814	Rs. 12,244,102	Rs. 12,490,640
United States.....	2,246,453	3,139,832	6,522,166	11,430,738
Rest of the world.....	1,441,093	2,102,268	4,060,806	6,892,290
	<u>Rs. 6,460,297</u>	<u>Rs. 7,653,914</u>	<u>Rs. 22,827,074</u>	<u>Rs. 30,813,668</u>

30. Fair Value of Financial Instruments

The fair values of the Company's current assets and current liabilities approximate their carrying values because of their short-term maturity. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months. The fair value of held-to-maturity investment securities and long-term debt approximates their carrying value as the interest rates reflect prevailing market rates.