WIPRO
CONFERENCE CALL
JULY 19, 2002 (7.00 PM)

Moderator: Ladies and Gentlemen, thank you very much for standing by and welcome to the Wipro Earnings Call for quarter ending June 30th 2002. At this time, all lines are in the listen-only mode, later there will be a question and answer session with instructions given at that time. Should you require assistance during this conference please press 0 and then the star sign and as a reminder today's conference call is being recorded. I would now like to turn the conference call over to our host Mr. Sridhar Ramasubbu, Investor Relations Officer, for his opening remarks. Please go ahead.

Sridhar Ramasubbu: Good morning, ladies and gentleman and good evening to the participants across the globe. I am Sridhar Ramasubbu, Investor Relations Officer for Americas along with Shankar in Bangalore, we handle the investor interface for Wipro. We extend a warm welcome to all the participants across the globe and appreciate those people who are logged in from California should be pretty early in the morning for you, 6:30, and for the 1st quarter results and Earnings Call for the period ended June 30th 2002. We have with us today, Mr. Azim Premji, Chairman and Managing Director, Mr. Suresh Senapaty, CFO, who will comment on the US GAAP results for the quarter ended June 30th 2002. They are joined by Mr. Vivek Paul, Vice Chairman, Mr. D.A. Prasanna, Vice Chairman, Mr. Suresh Vaswani, President of Wipro Infotech, Mr. Raman Roy from Spectramind, and other senior members of the management team who will be happy to answer the questions that you have. Before we go ahead with the call, let me draw your attention that during the call we might make certain forward looking statements within the meaning of the Private Securities Litigation Reforms Act, 1995. These statements are based on management's current expectations and are associated with uncertainty and risks, which could cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with Securities Exchange Commission in the USA. Wipro does not undertake any obligations to update forward looking statements to reflect events or circumstances after the date of filing thereof. The Call is scheduled for one hour. The presentation of the 1st quarter results will be followed by a question and answer session. The operator will walk you through the procedure for asking questions. The entire call proceedings are being archived and transcripts would be made available after the call at www.wipro.com. Over to Bangalore, ladies and gentlemen, Mr. Azim Premji, Chairman and Managing Director, Wipro.

Azim Premji: Good morning to all of you all. The Board of Directors in the meeting held this morning approved the accounts for the quarter ended June 2002.

Revenues for the quarter grew year-on-year by 22% to Rs. 9.1 billion, equivalent $187 million and Net Income from continuing operation was Rs. 2.2 billion, equivalent $46 million, a growth of 17% year-on-year. Net income, net of charge for the discontinued business was Rs. 1.8 billion, equivalent $38 million.

Wipro Technologies, a global IT services business, grew their revenue by 23% year-on-year to Rs. 6.3 billion, equivalent $129 million and earnings before interest and tax by 11% to Rs. 2.1 billion, equivalent $43 million.

Wipro Infotech, our India and Asia Pacific IT business, recorded revenue of Rs. 1.8 billion, $36 million, a growth of 28% year-on-year. Earnings before interest and tax was Rs. 82 million, $2 million, 5% of revenue. Revenue was Rs. 716 million, $15 million and earnings before interest and tax Rs. 124 million, $3 million in Consumer care and Lighting business. Health care and life science in the 1st quarter of its operations had a revenue of Rs. 121 million, equivalent $2 million and a loss before interest and tax of Rs. 22 million, equivalent $0.5 million. Other segments had a revenue of Rs. 218 million, $4 million. This was a quarter where we translated our strategic plan into business initiatives. Let us talk about initiatives on acquisition.

Spectramind: Wipro entered into a definitive agreement on July 18, 2002 to acquire an additional 66% stake in Spectramind E-Services Limited for Rs. 4,069 million, equivalent $83.04 million in cash. Wipro's aggregate interest in Spectramind after the purchase will be around 90% of all outstanding equity shares including convertible preference shares. Spectramind in its 1st full year of operations, for the year ended March 31, 2002, recorded revenue of Rs. 500 million, $10.5 million and a loss of Rs. 115 million, $2 million. Revenue for the quarter ending June 30, 2002, was Rs. 309 million, $6 million and profit after tax was Rs. 13 million, $0.3 million. As of June 30, 2002, Spectramind had 7 customers and over 2700 employees. For the year ended March 2003, Spectramind is estimated to achieve revenues of approximately $45 million.

The second acquisition which we made was of GE Medical Systems IT Private Limited. Wipro entered into a definitive agreement on July 18, 2002, to acquire GE Medical Systems Information Technologies Private Limited for Rs. 281 million, $5.73 million in cash. Wipro will hold 100% of the company upon completion of the transaction.

Let us talk about initiatives on service expansion. Our intent to establish a strong presence in IS outsourcing market received a boost with $20 million, 5-year, remote-management contract from a UK based utilities company. During the quarter we inducted Mr. Steve Zucker, as Chief Executive Infrastructure Services. Steve has over 2 decades of sales management and operational experience of which the last 12 years he has spent in EDS as President for North Eastern America. Steve will lead the expertise building in Wipro of bidding for and executing large, multi-year, complex, IT infrastructure outsourcing contracts. Revenues from value added services that we aggressed to a horizontal in Wipro Technologies recorded 23% increase sequentially from $25 million to $31 million. Data warehousing and package implementations saw sequential growth of 33% and 40% respectively. In the consulting space we won our 1st PCMM consulting assignment from a US corporate. In India, we have started work for a client on 6-Sigma consulting. We see expansion of service portfolio as a key accelerator to revenue growth.

Initiatives on operations: Our sales and marketing investments are beginning to pay off. Of the 22 clients added in Wipro Technologies during the quarter, 10 are fortune 1000 customers. At the 1st quarter of operations in Health care and life science we acquired 4 global customers, 2 of them in fortune 1000 list, including 1 for clinical process outsourcing. Our activities on strategic initiatives was complemented by focus on operations. Cash flow from operations was Rs. 1.7 billion, $35 million. Cash and cash equivalence increased by Rs. 1.6 billion, $32 million, a reflection of our focus on operational efficiency. Looking ahead for the quarter ending September 2002, we expect revenues from IT services to be approximately 135 million, including revenue from Health care and life science of $3 million. Revenue from Spectramind is estimated at $8 million for the quarter ended September 2002. The acquisition of stake is expected to be completed in July 2002. I will now request Suresh Senapaty, our CFO, to share some highlights of our assets position before we take on questions.

Suresh Senapaty: Good morning, Ladies and Gentlemen. Mr. Premji highlighted the results for the year and some of our intiatives. I will touch upon a few aspects in our balance sheet and accounting policies before we take on the questions.

Cash flow from continuing operations during the quarter was Rs. 1.7 billion, which is $35 million. During the quarter, investment in fixed assets was Rs. 395 million, equivalent of USD $8 million of which Rs. 340 million, which is $7 million, was in Wipro Technologies. Our capital employed as of June 2002 was Rs. 30 billion, equivalent of $613 million. Of this 29% was deployed in global IT services business, 5% in Indian IT services, 2% in consumer care and lighting, and the balance 64% was deployed in Health care and life science and others. Rs. 18 billion or 61% was investments earning interest. Cash surplus generated from operations in India is invested in money market mutual funds and AAA rated companies. ADR proceeds are invested in the US market in treasury instruments and bank deposits with tenure not exceeding 180 days. Our return on capital employed for the year was 32% for the company, which consists of global IT at 95%, Indian IT services and products at 26%, and consumer care and lighting business at 73%. Operations of WiproNet consists of 2 segments, namely infrastructure based corporate IT business and managed network and remote management services. Based on the review of this business, we have discontinued the infrastructure based corporate IT business. Manage network and remote management services business will continue to be offered as part of our total IT solutions. The cost associated with discontinued are reflected as business income and expenditure from discontinued business. We would be happy to take questions from here.

Moderator: Ladies and Gentlemen, if you do wish to ask a question, please press the 1 on your touch tone phone. You will hear tones indicating you have been placed in queue and you may remove yourself from queue anytime by pressing the phone key. You are using a speakerphone, please pick up your handset before pressing the numbers. Our first question will come from the line of Prakash, please go ahead your line is open.

Prakash: Thank you. Hi, this is Prakash from Bank of America Securities. One question on recent demand trends Mr. Premji and Vivek. Some of your peers and obviously our news from the industry is for significant customer ramp ups that were happening and quite clearly visible in the financial results. Could you comment your own experiences in that and any recent demand trends that you see as Corporate America goes through all its accounting and other decision making problems.

Vivek: Hi, Prakash. What we are seeing is that there is definitely a demand trend that is going towards newbies. More and more companies looking at outsourcing to India for the first time. So I think that is one trend that we are seeing much stronger in the past six months than we were before that. The second is that on the enterprise side there is definitely a interest in scaling operations as the focus on the IT department has shifted from you know, getting them sexiest technologies to taking as much cost out as possible. So I think that is helping us. I think that if you look at the technology side of the business, we are seeing more moderation on the enterprise. Typically, in the technology side of the business we compete against in-house departments and customers today are finding that they have got surplus staff anyway, so much of the work that we do has to come at the expense of staff reductions. Now despite that, we are still seeing moderate interest so it is not, you know the downward trend in terms of demand on the technology side has stopped. We are seeing it rise and both on the telecom box maker as well as the embedded system side, we saw a demand grow but in the more moderate basis relative to enterprise. The one area that we have the highest uncertainty and question marks is about the telecom service provider space where so far despite all the troubles in that space we were doing well. However, we have had so many big blowouts recently. Not only are we concerned about demand profile but also about receivable securing in that space and so we will likely see some softness which is already being dealt in to the outlooks for the next quarter.

Prakash: Are the customers that you signed last year paying off? Are they ramping as you had expected during this quarter Vivek?

Vivek: We actually had not seen a change in the ramp ups of old customers. We had this question actually even last quarter and in January as I recall. And the question out there was that, have your new customers not ramped as they used to in the past? And we have actually seen our one-year-old customers ramping at pretty much the same pace as they were earlier.

Shankar: Prakash, just to give you some data in terms of the customers we have with million dollar run rate, of the 87 we have, 14 were added in the financial year 2001, and 15 customers added in fiscal year 2002, are today contributing a run rate in excess of a million dollar.

Prakash: Thanks Shankar that is useful. Now, regarding the Spectramind business, is there any thought on how the stable operating model for the company would evolve in terms of EBIT margins as we see more scale developing in that business?

Raman Roy: I think if you look at the industry for remote processing and depending on the various categorization of the work that comes in, a mix of high end and low end, typically the industry sees margins that range between 18% to 23% of net income on the top line.

Prakash: So, is that the target at the end of the fiscal year Raman?

Raman: Yes it is.

Prakash: Alright thanks.

Moderator: The next question comes from the line of Mitali Ghosh. Please go ahead your line is open.

Mitali: Hi, this is Mitali from Merrill Lynch Bombay. Just on the acquisitions, I mean we have seen a lot of progress this quarter in means of some of the smaller acquisitions adding skill sets and also you know vertical expertise. Just out of curiosity I was wondering some of the larger deals that have happened this year, you know for example some of the KPNG units got sold in you know UK and Netherlands. What would be your thought in terms of may be trying to acquire some of these or what has typically been the bottlenecks in not progressing with some of the larger possible acquisitions?

Vivek: Mitali, glad to see that you are double dipping here with the morning call and the afternoon call. But, in terms of what has stalled us in making some of the larger acquisitions, fundamentally it has been issues relating around cultural identity and relating around outlooks. Because if I can just look those two, they might explain 85% of the time why we have broken off discussions. Either because as we went through the process we realized that the cultural fit was not there and we would not going to be able to work together in the kind of operating methodology that Wipro has, or that expectations for valuation were not backed up by expectations in business performance. At this turn out, we have post factor sadly been proved right as most of the companies that we broke off discussions with are struggling to keep positive enterprise values at this moment because we targeted the mid year IT services companies in the US and the mid year has been decimated in some ways by the success of the Indian companies, but still decimated and therefore, had we done those deals we would probably not be feeling too good right now.

Mitali: Right, and my second question is on systems integration where you have mentioned in the morning call that there have been some small events, but essentially I was wondering had there, I mean what is the comparative environment like there. Have deals, larger deals, being lost and how do custome r really perceive the Indian vendors who might have the skills but don't have a track record in this area?

Vivek: I think that what we are seeing is as I mentioned earlier was seeing wins in the range of $2 million in terms of you know and we are a sort of absorbing them as we go and may be one or two wins a quarter. But, the customers are open and we have bid for some other large deals. In fact, in some ways over the last six months we bid for even larger deals when we had one at Lattice group but you know bidding larger deals doesn't make you feel good. It is wining them that makes you feel good. So, I think that customers are open. It is just that any system integration deal links to a discretionary purchase. People are reluctant to make discretionary purchases, especially discretionary purchases on a larger scale and where there is something that is going down, we are finding that even the big four companies that we are competing against, because the demand is so constraint or being very, very aggressive on price and to mitigate the impact of a Indian company, because much of the work is on site contract.

Mitali: Right sir, on the larger deals that you have bid for have any of you know have you sort of lost any of them?

Vivek: I would say that of a pipeline of roughly about of 12 BOs, 10 no decision and 2 lost, something like that.

Mitali: Okay. My last question is on IS outsourcing where you know I just wanted to figure out in terms of the people that you have recruited this quarter, any of the people have come from the IS outsourcing deals?

Vivek: No. We have not done any IS outsourcing deals because we have taken employees from customers.

Mitali: Right and in terms of competency building what really is your strategy there?

Vivek: The only clarification I had given the earlier question Mitali is that we did hire one person who is a dedicated outsourcing person who comes from 12 years experience at EDS, but did not come as a customer sent individual. In terms of competency building, which area were you interested in?

Mitali: In IS outsourcing.

Vivek: Actually, we have done a fair amount in terms of the whole area of how do you deliver the services, how do you bid for the services, and how do you present yourself to customers for the services. In all three areas we have taken pretty big strides on the competency building. It is rather longest answer if I walked you through each one of those areas in terms of what we did, but simply put, on the building the ability to do that we have spent a lot of effort in terms of human resource systems, how we induct employees, how we train them. Fortunately, now that work has already been done as we had looked at the scaling process for our vision exercise in terms of taking large amounts of employees and scaling our induction and quality processes, so we have been able to apply that to this. In terms of how you bid, there is actually a specific process by which you do this. We worked with some of the leading consulting companies, not consulting companies that consult work, but that consult to buyers in terms of their process of evaluation and being able to replicate that as a training program through the entire company and I would say that having already now participated in three major bids, one of which we won, which was a $20 million bid., we have a pretty good process now of how we respond to bids. And finally getting the word out, we recognized that getting the word out is going to be more meaningful with the existing customers who can take larger risks on us than somebody who has never done this before, and we have definitely talked to everyone of our customer with varying degrees of interest represented on their behalf on doing this with them.

Mitali: Right. Thank a lot.

Moderator: The next question will come from the line of Prakash Paratasarathy. Please go ahead your line is open.

Sandeep: Hi, this is Sandeep calling also in. Two questions for Shankar and one for Raman. Shankar of the new 900 odd hires, how many were the lateral versus new versus support?.

Shankar: In terms of our recruitment strategy, we have been following in terms of 40% campus recruits and 60% of lateral. So our total recruitment for the quarter was gross level about 1103.

Balki: …of which campus is 398 and lateral is 705.

Sandeep: How many of these are billable versus support?

Senapaty: All these are billable.

Sandeep: 100% billable?

Balki: Yeah. Last quarter we added net 919 people and in spite of that our utilization increases 3-percentage point.

Vivek: We did hire more sales and marketing people, may be we did not give you that number. The sales team has gone up from 99 to 111, and support staff has marginally declined.

Sandeep: I see. And the question for Raman I had is, Raman, you were talking of utilization in terms of shifts and in the morning call. Did I get the number 1.4 right? Is that your current utilization level?

Raman: That was the utilization level that we had at our Delhi facility before we added Bombay. Adding 1500 plus seats in Bombay would bring down the utilization to one point low teens.

Sandeep: Okay. And what is the theoretical max on this number. I mean not a theoretical but a practical max. I mean what utilization can you run at?

Raman: I thought I had a easy question on a theoretical max. The theoretical max of course is 3. The realistic max depending on whether you are able to weave in the non-voice BPO kind of business or it is geographic. You know Australia, UK kind of thing because both operate a differently, could range from 1.7 to 1.8.

Sandeep: I see. Got it. Thank you.

Moderator: The next question will come from the line of Girish Pai. Please go ahead.

Girish: Ya hi, this is Girish Pai from SSKI Securities, Bombay. In the morning call, Vivek, you mentioned that the new customers are coming in at a price which is higher than the average. Now just wanted to know what is behind this is it because the comparatives have stopped undercutting or quoting lower rates or is it because the companies themselves are opened, i.e. customer companies are open to giving higher rates.

Vivek: I think that there are two aspects that come in here, one not so good and one good. The not so good is that our average has stopped, so this is all the comparisons of the lower number, but the reality is that what is happening out there is that even though the customers continue to demand as lower prices as they possibly can get, most of the major players are being more disciplined thank god on pricing and given the fact that they have been able to clear their benches and have seen volume spikes over the last three to four months. And, there is a significant differentiation emerging between the mid year and the big guys. So, as a result you don't, you know you can differentiate yourself away from the mid year guys who frankly do themselves a dis-service by offering rates that are so low to be not credible and then with the big guys there is a little bit more spine emerging on the pricing issue.

Girish: Okay. Just on margins, where do you see your long-term margins going considering, you know, you have newer service lines, newer businesses coming into your company. What is your long-term margin outlook. Do you think that margins are going to trend down over say 5-year period from here on.

Vivek: Well, I think that you know, I mean it is really tough to call 5-year out, but I think that what we see is that the competitive advantage that India has seems to be secured for the next three years at least. So, may be instead of staying in the five year time frame, if I looked at the three year time frame, you take into account the fact that you continue to have a pretty secured competitive advantage. If you look at the US companies trying to set up shop in India, that is marginal, because the name of the game is not that you can set up a shop in India and have lower priced employees, there is a science as to how you work in a global delivery model that frankly we have perfected and takes a lot of learning for you to build. So, we don't see that coming in and making our margins look like their margins either. So, I think that is something that gives us more level of protection. I think that the price points are settling down and I think that feels pretty good. And if we continue to see on the, you know sort of a stabilization and recovery that also takes the technology industries onto a more stable platform. You have, you know feel that there is a relative stability that you should expect. Again you can't be precise, you know even for the next quarter we had said that, you know our column margins were within 50 basis points of this quarter, so we were being pretty tight in terms of a band. And even on the three year time frame, I would say that you should expect relative stability, but those are the underpinnings why we think there should be relative stability.

Girish: Just wanted to substantiate my question more in terms of considering the change in portfolio mix of this different service lines. Do you think that will have an impact, it is not so much from you know the same service line maintaining its operating margins.

Vivek: I see. If you look at that it is really, you know that is a tougher to call because you have to make assumptions and how fast each line will grow. I think that if you look at the BPO space what you are going to see is, you are going to see operating margins in the mid 20s, and I think in the sort of two to three year time frame, as capacities get utilized more and more and you are able to drive that advantage, that is less than the global IT services space. So, I think there is some blending end. I can say that you know I can't actually forecast what percentage of our revenue three years out will be BPO versus IT software services, we can make guesses, but I would rather not do that. I think that your financial modeling…, clearly we have done financial models on our side, but I can't say that they are grounded on ours having a clean crystal ball. I think your financial models will probably be just as good as ours.

Girish: Okay. Last year, the revenue from new customers went up from you know in the first quarter was 2%, went up to 13% in the second quarter. Do you see a similar kind of ramp up this year, just to ask question on the ramping up of customers, which was asked previously.

Vivek: I guess, you know again I am trying to be careful not to commit numbers because we are just sort of broad band, but I think that there is nothing that tells us today that our new account performance should be any lower than last year. So, the way that you measure new account performance always prejudices you against having a high number in the first quarter because you start that counter on April 01 and so by the time you reach January 01, you have got 9 months of new accounts you can add up with you know April 01 you have zero, new accounts you can add up. But you know we continue to believe that we have no reason to expect that our new account performance should be any less.

Girish: Okay. Just one last question. This is on business continuity related planning and cost associated with it. What has been your…, what are the steps that you have taken to address this issue.

Vivek: Our gosh!! Long answer. I mean there are so many areas which you have to work on. I can't say that there is any cost that I can point to that has specifically moved the needle dramatically. I think that we continue to do a lot of things in the name of good process that we were doing already before this thing happened that we continue to do. If you look at the backup policies, those backup policies did not come up because of this Indo-Pak tension or because you going reactive, we used to do that before as well. We have them today, we use to have them as well. If you look at our embracement of DS7799 security standards, we were already down that path before this Indo-Pak tension had. We continue to do that. I don't see that as being an incremental cost. If you look at last quarter in terms of getting visas for people in advance just to make sure that we were vias ready, you know we did that, but that is again part of our normal process. We always have so many people who are visa ready anyway. So, I can't say that I can isolate something and say that there was an unusual cost linked to this.

Girish: yeah, okay. Thank you very much.

Moderator: A question now from the line of Trideep. Please go ahead.

Trideep: Hi, this is Trideep calling from UBS. Two questions, first Paul could you comment a little bit on the volume strength that you saw month and month as you saw the first uptake in volumes coming through in the February-March. How do that look with respect to that and what you expect going forward in terms of volume trend. If you could just help me out with that some IT and that front.

Vivek: Sure. What I can do is I could talk a little bit about the past, which is that we added snap shot January to March 31, 850 billable heads in the Q4 of the last year, which would Jan-Feb-March. And in this quarter, in the quarter just gone by, we added 950, so that brings a total of about 1800. That has been a pretty healthy growth in terms of volume all things considered. We are calling for the next quarter a pretty decent growth on a quarter-on-quarter basis on the guidance. So, I think we are expecting volume growth to continue.

Trideep: I see. The other question was on package implementation, this quarter it had a very small growth of 40%. Globally we see like you know this package vendors giving warnings etc., lowering the numbers. I know that this is part of your business, which is got to do with EAI etc., which is about 25%-30% depending on what you said last quarter. But, when do you see this also coming under pressure, if this were to continue.

Vivek: I have to say that right now we are not so sure that it is going to come under pressure. And the reason for that is that while it is true that there is a lot of package vendors are giving warnings, it is also true that they are more increasingly embracing us as a system integration partner, system integration partner I shouldn't say because we use system integration in different context. But as an implementation partner, because before they only wanted to work with Accenture etc., today they recognize that if they can bring down the cost of their implementation they are substantially advantaged. So, they can't take that sort of high-end mighty sword as they used to be able to. So, I think that what we are seeing is that we are seeing interest in package vendors coming to us more often and we are seeing interest in terms of being able to do more global role outs. Actually, some of our growth came initially when we were building this business, we were building it primarily in the US market and a little bit in the Europe, now we are seeing many of those customers actually take us to global role outs, which is also good for us.

Trideep: I see. The third question is regarding your capacity utilization. Do you think you have hit the upper limit and where it can theoretically rather practically go to the 74% net utilization that you have got at the end of this quarter.

Vivek: I think that if you scan around the industry you see that there is the ability to be able to do better than that. If you look at our internal targets they also are better than that. So, I think that we clearly feel we have had space on utilization.

Trideep: Where do you think can that settle at. If you could throw a figure.

Vivek: 80%.

Trideep: Okay. I mean, last question is that like globally even within IT services IBM global services etc., they lowered their numbers and all sorts of things happening, more on the fundamental side and here like Indian vendors are talking about strong volume growth, decisions being taken on outsourcing etc. Where is the disconnect. Do you think that this will continue irrespective of the global turmoil where.., what is the disconnect, if you could throw some light there.

Vivek: You have to differentiate the global turmoil in equity markets with the actual you know the true economy, main street and Wall street are diverging. And I think that what we are seeing is that in most of the industries in the IT side, there is some stability. Budgets are under pressure, but there is stability. People are not thinking that they are going to go out of the business, and as a result there is a lot more pressure on thoughtful cost effective buying. That does not help IBM, that helps Wipro.

On the technology side, you have a higher exposure to that turbulence because we are continuing to see a customers doing layoffs, we are continuing to see customers cutting back on R&D, shutting down R&D labs etc. But even there given the fact that we have an established record of being able to provide good services at lower costs, we are seeing moderate growth. So, we are not seeing the same kind of growth that we were seeing on the enterprise side, you know of the 22 new customers that we added in the last quarter, 15 were in enterprise, 7 were in technologies. But we are seeing moderate growth. So, I think that the combination of our ability to execute well has earned us a lot of respect and our ability to do it for less has earned us a lot of business, and that combination is working well for us as compared to the guides.

Trideep: I know. Thanks a lot. Congratulations on your results. Best of luck for the future.

Vivek: Thank you.

Moderator: The next question will come from the line of George Price. Please go ahead your line is open.

George Price: Thank you very much, George Price. My primary question is on pricing noted in the press release that there was again some pricing impact that was something that you also talked about in the March quarter, but did also note your comment a little while ago that new customers were coming in at higher price points. Is that basically mean that, you kind of see that, the negative pricing impact bottoming out at this point.

Vivek: Yeah, I think that we should be able to see bottoming in this coming quarter, that is why we are calling the operating margin rate so close to where we are currently because new customers I think we are seeing bottoming, existing customer, most of the re-negotiations were completed in the Jan, Feb, March quarter, and whatever little residue we had in April, May, June, we will see the full quarter impact in this quarter. But I think, you know, it is fair to say that it is stabilizing. I think it is difficult to call long term stability right now because, you know, this market could turnaround and get vicious again, but there is nothing that we are seeing out there that indicates to us that we shouldn't expect anything but stability.

George Price: Okay. And, follow up I noticed also, it appears that the new projects coming in are increasingly getting larger. Are you seeing, I guess you just confirmed that trend, and then are you seeing any pricing impact, you know, be it volume discounting or be it anything more than that on this larger deals coming into the pipeline.

Vivek: What we are seeing is that, you know, the new accounts that come in, typically don't come in large. Even if a customer has an intention of doing a large outsourcing, they typically start with a pilot project. And, for us the most profitable, our customers they don't have a intention of coming in for a large outsourcing and start with a pilot project, but start with a pilot project and then were able to through our execution grow that account substantially because then we don't have to get locked into that volume pricing. And, I think that right now in terms of the size of the new customers, I don't think we are seeing anything different from where we were a quarter ago or even a year ago. In terms of, you know, customers that are coming in with large deals, yes, they are expecting some very very good rates.

George Price: Okay. Thank you very much.

Moderator: The next question will come from the line Amit Khurana. Please go ahead your line is open.

Amit Khurana: Hi Vivek. Just one, if you could give us a sense of the kind of competition that you faced in the $20 million engagement. How different were the considerations at the client like in this case as compared to the software services segment.

Vivek: I think that what we did on that bid was we were actually bidding as part of the consortium, and we bid both independently and as part of a consortium, and the other consortiums actually didn't even have a Indian vendor. So, it was a pretty clean deal. We won it as part of the consortium. It was an existing customer and that is how we won that deal.

Amit Khurana: Okay. And, if you could spell out the difference in the considerations of the client level in IT outsourcing deals as compared to the pure services segment.

Vivek: IT outsourcing, the number one concern from clients is you are going to be taking over my employees, how can you assure me that they will have the same career path, the same benefits and compensation, and that you are not going to axe them the minute my head is turned. So, I think that the biggest concerns on that are not, can you deliver, because frankly customers are quite impressed with our delivery capability. It really is, you know, you can do deliver with your people, all your people speak that lingo of CMMI 5 and PCMM 5, our guys don't, does that put our team at a disadvantage. So, those were the kind, the human resource issues we have to nill.

Amit Khurana: Okay. Second, in terms of the new project pipeline that is there with us for at least the current quarter, just Q2 quarter, have you kind of found a change in the kind of work which is being initiated. One of your key group of course reported development work as a segment going up drastically, are we finding development, application development work going up as a percentage for us.

Vivek: No, I think we are not seeing a big mix shift.

Amit Khurana: Okay. Third was, Vivek if you were to take a slightly longer term view, the Indian vendors have kind of survived the major part of the slow down, if you were to list two key trends going forward, I mean, in terms of real long term call, what could those be.

Vivek: I think that we are going to see, on the IT side, I talked earlier about the fact that the Indian offshore outsourcing story has crossed the chasm. And I think that as a result what are going to see is even mid tier companies wanting to get a piece of their work done overseas that, I also think, and again this may be self serving and may be humorous, but I really do think that the US companies don't get it. They are viewing too much of the India story as being a cheap, set up a center in story, they are not understanding what it takes to be able to create a global delivery model, all the coordination and management processes that go around that. So, I think that one trend we continue to see is that the Indian IT story getting more pervasive. I think that the second is that, we will see the return of development projects, but probably not in any sort of move the meter scale for the next 6 to 12 months. IT budgets are just totally constrained, people are paying for the hangover of the past. But I think, once that happens, it will create another nice fillip because those are much more profitable. But just to give you, I think I mentioned this in the last quarter as well, but, you know, even companies that have raised their IT budget slightly, the IT guys are trying because after a subtract the payments they have to make for all the new licenses they brought two years ago, or the time they subtract the depreciation for all the hardware they bought two years ago, the budget that they have in their hands, which is truly optional, you know, in terms of how they can spend it, is marginal. So, I think that we think that we will continue to see that trend. I think that the third thing that we are going to see is the reuse of more prebuilt systems. I think that we are seeing a lot of interest from customers on the HRIS the channel W offering that we had, so I think that should continue to see more interest because more and more Indian software companies are being treated as equals as they come to the table.

Amit Khurana: Okay. My last question is for Mr. Prasanna, if he is there on the call.

Prasanna: Yes. Please go ahead we lost you.

Amit Khurana: Okay. I was referring to the initiatives on the healthcare segment, and you briefed us about the focus being on Asia Pacific and Middle East. Will US be also a part of the initiative that we are on healthcare, and if yes, what opportunities do we take up on HIPAA specifically.

Prasanna: Yeah definitely our focus is there in the US, and we have a center of excellence for HIPAA, and we take up audit and remediation, and we are looking at opportunities with existing and new customers in this area.

Amit Khurana: All right. Thanks a lot.

Moderator: Question now from the line of Bhupinder Ahuja, please go ahead your line is open.

Bhupinder Ahuja: Hi, this is Bhupinder Ahuja from Deutsche in Bombay. Question on remote management services, what is the kind of infrastructure investment required on Wipro side, both in India and closer to the client, and the costs associated to offer these kind of services.

Vivek: I think that at least for the deals that we are winning so far, our incremental cost has been very small and that is because we have the benefit of building of the Wipro infrastructure, Wipro Infotech infrastructure that already exists in terms of network operating centers. So, I think that as things stand right now, incrementally our cost of servicing customers is not high. In terms of setting up new network operating centers, again, those are not, I mean, they cost money that they are no more, you know, that much more capital intensive for us to worry about that.

Bhupinder Ahuja: Okay, and what is the thought process in terms of moving a step further and being ready to take over infrastructure of a client and even provide balance sheet strength, is Wipro open to that or not at all today.

Vivek: Well, you know, we never say never, so the best way to say it is that we are averse to that. We are averse to that because, you know, we were not sure we wanted muddy up the balance sheet in terms of make it more asset intensive and frankly off balance sheet financing has gone out of favor. So, we are not sure we want to go in that direction either. So, I think at this point we are looking at continuing to focus on manage service rather than infrastructure ownership. But you know, if the deal is sweet enough, we will do what it takes.

Bhupinder Ahuja: Okay. I have another question for Raman Roy. This is in terms of, you know, just a little bit of understanding in terms of what the present mix is for voice services and any kind of back office servicing, back office processing being provided by Spectramind. And, also little bit in term of the verticals that Spectramind caters to.

Raman Roy: Okay. In terms of voice and non-voice, our revenue break up would roughly be 80:20. 80% of our revenue would come from voice and 20% of our revenue would come from non-voice. In terms of breakup, you can cut the slice in various ways, about 90% plus of our revenue comes from the US and the balance through servicing other geographies of the world. In terms of verticals, technology would have about 50% plus of revenues for the technology sector, telecom internet and other sectors would have another 20% odd, and about 30% of the revenue would come from financial services.

Bhupinder Ahuja: Okay. And in terms of focus to see the voice and non-voice changing significantly over the next few years.

Raman Roy: It is our strategic intent to go from our present mix to a mix of about 60:40. Earlier in the call, we spoke about the seat utilization, and this is the backbone of our strategy to increase our shift and seat utilization. We hope to get to that number in 18-24 month timeframe.

Bhupinder Ahuja: Okay. Thanks a lot, thank you very much.

Moderator: The next question will come from the line of Prakash Parthasarathy, please go ahead.

Prakash Parthasarathy: A question on the Healthcare IT services business, the components that you have used to build the business appear different from the strategy that you followed in IT services.

Prakash Parthasarathy: The question was what is the direction in terms of services rendered by the healthcare IT services business as the components that go into building that appear different from your other global IT services business, would there be more focus on the North American and European market, specially in terms of services.

D A Prasanna: This is Prasanna here. I would like to say that currently the best market opportunity and the most profitable opportunities are existing in the US market, and our strategy is somewhat similar to we have followed in software, that is we would like to participate in higher value added services, and then if the customer requires a total solution at either still higher end or at middle end or lower end, we would try to see whether we have the ability to profitably deliver that. So, in this direction, we are prospecting and taking orders where we could provide such services. So, to elaborate a little more, for example, you know, we are not participating in the lowest end service, like for example transcription services, we are not interested to participate in that at this point of time, so that is one example. Whereas we are interested in say clinical services if we could provide that as one such customer we have found, which we are trying to provide that.

Prakash Parthasarathy: Can you update us on recent marketing efforts and what is the reasonable revenue target for end of this year, and long term kind of sustainable growth rate that you would have for the business.

D A Prasanna: As all of you realize that healthcare is a very large market, and so it depends on our success rates, and on which we are trying to build. So, we have set some milestones for achieving $50 million, $100 million, $500 million, and resource it as we go along, as we cross each milestone. Now, if you ask me to attach a target date for these, I would say that since we are going to follow a mix of both organic growth and acquisition, it is difficult to put a goal, because we will be both, you know, we will build organic business with certain resources, but acquisitions will be opportunistic. So, we are encouraged by the progress so far, and we will continue to drive this business with full enthusiasm and passion.

Sridhar: I think there was a question on marketing efforts, how we built sales team, Prasanna.

D A Prasanna: Sales team, we have built a sales team currently of 4 people and these people we are ramping it up to about 10, and that is the sales team with which we are going to run first.

Prakash Parthasarathy: So, is the effort going to leverage the sales and marketing network that global IT services has established, or is that pretty much going to be an independent venture.

D A Prasanna: There will be focussed sales team from healthcare and life science, but geographically the touch which the IT services technologies team has and the Infotech team has, we definitely are going to use that to gather leads and referrals and find for us business wherever it is present.

Prakash Parthasarathy: That's great, thanks a lot Prasanna.

D A Prasanna: Welcome.

Moderator: A question now from the line of Vijay Bhayani, please go ahead.

Vijay Bhayani: Hi, this is Vijay Bhayani from Merrill Lynch, calling from Bangalore. I am actually looking for some insights into the vendor impanelment strategy of the customers, we are hearing that some of the large customers are actually having a wider panel of vendors which includes one of the large global vendors, one of the big 5 Indian vendors, and also interestingly one of the mid-sized Indian company, and among other things this also helps them in reducing the bill rates out of the larger vendors. Out of the customers that you have acquired in last quarter, do you share this kind of experience where you also have some of the large global vendors and mid-sized Indian vendors in the same panel.

Vivek: The answer is yes. We do have impanelments that consist of US vendors, Indian vendors, large Indian vendors, and small Indian vendors, and customers typically are creating that kind of an impanelment so that they can get the best price. However, what ends up happening is that as the project winds its way through, the three different segments differentiate themselves rather than competing against each other on price. And then, once the customer is focussing on one segment, then as the competition becomes more intense, then the price card comes into play. So, I would say typically what ends up happening is that even though customer may have a US company and an Indian company, it is pretty apparent early on whether they are going to really go outside the US company environment or not, in which case the Indian companies do lose interest and we have had a few cases like that where, you know, it was pretty clear that the customer is going to go with the US company. And then, once they go with an Indian company, typically at least, you know, again this may be too much self confidence, we don't worry too much about the pricing from the mid tier guys because the chances are that even if the customer kept them in the mix in the final analysis, they probably won't give more than 5 or 10% of their business to them and will pay a substantial risk premium to companies like wipro.

Vijay Bhayani: Right. Actually that brings two more questions to mind, one is that, will the mid sized vendors continue to drive the prices down further, and the second thing is that, will it put a cap on increasing the prices, say one year down the line or two year down the line.

Vivek: I think that the answer on the first one is, No. I think that as I said, there is a differentiation capability emerging between the large guys and the small guys, and particularly around just financial stability and longevity. And in terms of will they keep a cap on pricing, unfortunately yes, I think that the way they keep a cap on pricing is not because customers buy from them, but because they help influence customer expectations.

Vijay Bhayani: Right. My second question is on the geographical distribution of revenues. Interestingly, we have seen that besides Wipro some of the other Indian vendors also reported increase in revenues from the US in spite of the slowdown, would like to understand what is happening with the geographies, in say, Europe & Japan, why are they not growing as expected, or what are the constraints being faced. How do you see them growing going forward.

Vivek: Well I think, we do everywhere, so the mix shift does not mean that any of our geographies do not grow. However, the US is the one where the enterprises are coming out of a slowdown, they are looking at a modest to low growth environment. They are making decisions on spending and they are looking at taking cost out and are most open to going and taking the jobs overseas. As a result, I think, you know, that is where we are seeing the growth and, you know, I don't think that the mix shift per se is frankly terribly big cause of concern.

Vijay Bhayani: Yeah, but in terms of say, for example, Europe and Japan, do you see them growing much faster than US being the smaller percentage of revenue.

Vivek: No, I think that, you know, we have talked earlier that our mix, for example, two quarters ago was more biased towards Europe because of the Lattice Group order, and we had said that, you know, steady state, we were probably going to run at a 60:30:10 roughly mix, and were pretty close to that. So I don't think that the mix is going to shift dramatically frankly.

Vijay Bhayani: Right. My last question is on the overall environment, we are seeing that the business models of the global vendors and the Indian models are in a way converging where the Indian vendors are opening up development centers abroad, and the global vendors are setting up shop in India. Recently, you acquired one executive from EDS, have you seen any of your senior executives going away to a global vendor.

Vivek: No. We have had almost no attrition in management ranks in Wipro.

Vijay Bhayani: Right. Okay, thanks very much.

Moderator: The next question is a follow up from the line of Girish Pai, please go ahead your line is open.

Girish Pai: Hi, this is Girish from SSKI, just question for Mr. Raman, what is the typical size of an IT enabled services order that comes your way, you know, it could be in terms of value or it could be in terms of the number of people, and I am talking of steady state kind of situation, and I am talking of steady state kind of a situation.

Raman: That is a very tough question to answer because a typical size is a function of what particular capabilities a customer has agreed for that kind of service within their organization. Take a thing like bank reconciliations, you don't have a thousand people doing bank reconciliations. Again, take customer services for a consumer focused they may have a few thousand people doing calls and handling things like that. A typical contract for BPO can range anywhere between 25 to 50, where a consumer facing environment it can be 250 to 500 people.

Girish: Okay. Is there a limit put on the size of the order based on the size of the company, you know in terms of the people or probably of natural parameters. I mean, is the customer comfortable with giving out a very large order with disproportion to the size of the company. Is there some restriction on that, or do customers generally do that.

Raman: Typically what we see, customers are concerned about the financial strength of a company, and therefore would work on a risk mitigation aspect. A critical function they would not put a 100% with a company that did not have the financial size and the backing.

Girish: Vivek, I remember hearing from a peer of yours from Bangalore saying that they had the largest number of the project starts last quarter. Was that your experience too considering that your on-site volume has gone up significantly? Did you have a very large number of project starts last quarter?

Vivek: No I don't think that we would say that we saw anything that was out of line with the historical trend.

Girish: One last question on gross margins. Would it be possible to give me a break up of what the margins were offshore and on-site in the last couple of quarters i.e. June quarter and the March quarter.

Vivek: May be what we could do is, since we are running out of time here, if it is alright for you, may be you could just call back off line and we could get that. But, since we found the answer may be we can give that you quickly.

Balki: Offshore is about 60% and on-site is about 30%.

Girish: And has it changed versus the March quarter.

Balki: Not much substantial change.

Girish: Where was it decreased, was it decreased on-site or was it offshore.

Balki: It has decreased slightly more on the on-site. But this is not material.

Girish: Okay. Thank you very much.

Senapaty: Can we have the last question operator?

Moderator: There is one last question in queue. A followup from the line of Prakash Parasarthy. Please go ahead.

Sandeep: Hi this is Sandeep again. My question got answered in the way. Thank you very much.

Vivek: Hope you did not stay away Sandeep.

Moderator: I will now turn back the call to the host. Subbu please go ahead.

Sridhar Ramsubbu: Thank you very much for participation.

Premji: Thank you very much for calling into this investor tele-talk. We appreciate the interest you have shown. Thank you and good day to you.

Moderator: Ladies and gentlemen that does conclude your conference call for today. Thank you very much for your participation and for using AT&T executive tele-conference. You may now disconnect.