WIPRO LIMITED AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH U.S. GAAP
AS OF AND FOR THE
YEAR ENDED MARCH 31, 2006 AND 2007

WIPRO LIMITED AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
(in millions, except share data)

			As of March 31,			
			2006	2007		2007
ASSETS	**NOTE**			(unaudited)		Convenience translation into US$ (unaudited)
Current assets:						
Cash and cash equivalents		Rs.	8,857.70	12,412.17	$	287.99
Restricted cash			-	7,237.88		167.93
Investments in liquid and short-term mutual funds			30,315.25	32,410.43		751.98
Accounts receivable, net of allowances			20,593.11	28,466.58		660.48
Costs and earnings in excess of billings on contracts in progress			4,336.06	5,096.48		118.25
Inventories			2,064.61	4,150.37		96.30
Deferred income taxes			168.28	399.76		9.28
Other current assets			7,896.60	10,924.62		253.47
Total current assets			**74,231.61**	**101,098.29**		**2,345.67**
Property, plant and equipment, net			17,777.40	26,541.43		615.81
Investments in affiliates	**7**		1,043.09	1,241.79		28.81
Investments securities			13.17	357.32		8.29
Deferred income taxes			182.90	48.53		1.13
Intangible assets, net			854.33	2,670.84		61.97
Goodwill	**3**		7,480.85	12,697.71		294.61
Other assets			1,243.99	1,446.27		33.56
Total assets		**Rs.**	**102,827.33**	**146,102.18**	**$**	**3,389.84**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Borrowings from banks and foreign state institutions		Rs.	704.56	2,892.77	$	67.12
Current portion of long-term debt			-	28.99		0.67
Accounts payable			4,145.96	7,060.49		163.82
Accrued expenses			6,600.63	7,597.94		176.29
Accrued employee costs			4,425.13	5,186.57		120.34
Advances from customers			1,616.26	3,133.00		72.69
Other current liabilities			6,047.94	16,623.16		385.69
Total current liabilities			**23,540.49**	**42,522.92**		**986.61**
Long-term debt, excluding current portion			-	859.26		19.94
Deferred income taxes			127.46	482.03		11.18
Other liabilities			395.04	769.91		17.86
Total liabilities			**24,062.99**	**44,634.12**		**1,035.59**
Stockholders' equity:						
Equity shares at Rs. 2 par value: 1,650,000,000 shares authorized; Issued and outstanding: 1,425,754,267, and 1,458,999,650 shares as of March 31, 2006, and March 31, 2007			2,851.51	2,918.00		67.70
Additonal paid-in capital			16,521.07	24,508.45		568.64
Deferred stock compensation			(2,202.42)	-		-
Accumulated other comprehensive income			433.70	93.77		2.18
Retained earnings			61,160.56	73,947.92		1,715.73
Equity shares held by a controlled Trust: 7,869,060, and 7,961,760 shares as of March 31, 2006, and March 31, 2007			(0.08)	(0.08)		(0.00)
Total stockholders's equity			**78,764.34**	**101,468.06**		**2,354.25**
Total liabilities and stockholder's equity		**Rs.**	**102,827.33**	**146,102.18**	**$**	**3,389.84**

See accompanying notes to the unaudited condensed consolidated financial statements.

WIPRO LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in millions, except share data)

		Year ended March 31,				
		2006		2007		2007
				(unaudited)		Convenience translation into US$ (unaudited)
Revenues:						
Global IT Services and Products						
IT Services……	Rs.	73,061.33	Rs.	101,508.81	$	2,355.19
BPO Services……		7,664.23		9,412.80		218.39
India and AsiaPac IT Services and Products						
Services……		6,096.68		8,368.81		194.17
Products……		10,380.40		15,519.67		360.09
Consumer Care and Lighting……		5,625.04		7,558.50		175.37
Others……		3,279.20		7,062.74		163.87
Total……		**106,106.88**		**149,431.33**		**3,467.08**
Cost of revenues:						
Global IT Services and Products						
IT Services……		46,986.12		66,817.77		1,550.30
BPO Services……		5,809.54		6,172.97		143.22
India and AsiaPac IT Services and Products						
Services……		3,548.82		4,611.64		107.00
Products……		9,285.87		13,943.47		323.51
Consumer Care and Lighting……		3,556.43		4,905.14		113.81
Others……		2,459.94		5,749.25		133.39
Total……		**71,646.72**		**102,200.24**		**2,371.24**
Gross profit……		**34,460.16**		**47,231.09**		**1,095.85**
Operating expenses:						
Selling and marketing expenses……		(6,764.36)		(9,172.92)		(212.83)
General and administrative expenses……		(5,238.97)		(7,639.23)		(177.24)
Research and development expenses……		(202.26)		(267.71)		(6.21)
Amortization of intangible assets……		(63.95)		(269.23)		(6.25)
Foreign exchange gains / (losses), net……		(288.50)		(235.69)		(5.47)
Others, net……		70.15		221.48		5.14
Operating income……		**21,972.26**		**29,867.79**		**692.99**
Other income, net……		1,275.87		2,666.84		61.88
Equity in earnings/(losses) of affiliates…… **7**		287.97		317.88		7.38
Income before income taxes, minority interest and cu						
effect of change in accounting principle……		**23,536.10**		**32,852.51**		**762.24**
Income taxes ……		(3,264.73)		(3,722.61)		(86.37)
Minority interest……		(1.40)		0.00		0.00
Income before cumulative effect of change in accoun		**20,269.97**		**29,129.90**		**675.87**
Cumulative effect of change in accounting principle…… **4**		-		39.09		0.91
Net income……	Rs.	**20,269.97**	Rs.	**29,168.99**	$	**676.77**
Earnings per equity share						
Basic……						
Income before cumulative effect of change in ac		14.41		20.42		0.47
Cumulative effect of change in accounting princ		-		0.03		0.00
Net income		14.41		20.45		0.47
Diluted……						
Income before cumulative effect of change in ac		14.24		20.17		0.47
Cumulative effect of change in accounting princ		-		0.03		0.00
Net income		14.24		20.20		0.47
Weighted average number if equity shares used in computing earnings per equity share:						
Basic……		1,406,505,974		1,426,709,163		
Diluted……		1,423,679,230		1,444,467,557		

See accompanying notes to the unaudited condensed consolidated financial statements.

WIPRO LIMITED AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(in millions, except share data)

	Equity Shares		Additional Paid in Capital	Deferred Stock Compensation	Comprehensive Income	Accumulated Other Comprehensive Income/(loss)	Retained Earnings	Equity Shares held by a Controlled Trust		Total Stockholders' Equity
	No of shares	Amount						No of shares	Amount	
Balance as of March 31, 2006	1,425,754,267	Rs. 2,851.51	Rs. 16,521.07	Rs. (2,202.42)		Rs. 433.70	Rs. 61,160.56	(7,869,060.00)	Rs. (0.08)	Rs. 78,764.34
Cash dividends (note 8) (unaudited)	-	-	-	-	-	-	(16,381.63)	-	-	(16,381.63)
Elimination of deferred stock compensation balance on adoption of SFAS No. 123 (R) (Note 4) (unaudited)	-	-	(2,202.42)	2,202.42	-	-	-	-	-	-
Cumulative effect of change in accounting principle (Note 4) (unaudited)	-	-	(39.09)	-	-	-	-	-	-	(39.09)
Issuance of equity shares on exercise of options (unaudited)	32,095,328	64.19	8,830.25	-	-	-	-	-	-	8,894.44
Issuance of equity shares on exercise of options through non-recourse note (Note 5) (unaudited)	1,150,055	2.30	(2.30)							-
Equity shares forfeited, net of issuance by Trust (unaudited)	-	-	-	-	-	-	-	(92,700.00)	-	-
Stock split effected in the form of stock dividend (unaudited)	-	-	-	-	-	-	-	-	-	-
Compensation cost related to employeee stock incentive plan (unaudited)	-	-	1,336.40	-	-	-	-	-	-	1,336.40
Excess Income tax benefit related to employees stock incentive plan (unaudited)	-	-	64.53	-	-	-	-	-	-	64.53
Unrecgonised actuarial loss (net of tax effect of Rs. 18.04) (note 6) (unaudited)	-	-	-	-	-	(123.71)	-	-	-	(123.71)
Compehensive Income										-
Net income (unaudited)	-	-	-	-	29,168.99	-	29,168.99	-	-	29,168.99
Other comprehensive income/(loss)										
Translation adjustments (unaudited)	-	-	-	-	(130.80)	-	-	-	-	
Unrealised gain on investment securities, net (net of tax effect of Rs. 25.48) (unaudited)	-	-	-	-	45.06	-	-	-	-	
Unrealised gain on cash flow hedging derivatives, net (note 2) (unaudited)	-	-	-	-	(130.48)	-	-	-	-	
Total other comprehensive income/(loss) (unaudited)					(216.23)	(216.23)	-	-	-	(216.23)
Comprehensive income (unaudited)					28,952.76					
Balance as of March 31, 2007 (unaudited)	1,458,999,650	Rs. 2,918.00	Rs. 24,508.44	Rs. -		Rs. 93.77	Rs. 73,947.92	(7,961,760)	Rs. -0.08	Rs. 101,468
Balance as of March 31, 2007 ($) (unaudited)		$ 67.70	$ 568.64	$ -		$ 2.18	$ 1,715.73		$ (0.00)	$ 2,354.25

WIPRO LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

		Year ended March 31,				
		2006		2007		2006
		(unaudited)		(unaudited)		Convenience translation into US$ (unaudited)
Cash flows from operating activities:						
Net income	Rs.	20,269.97	Rs.	29,168.99	$	676.77
Adjustments to reconcile net income to net cash provided by operating activities:						
Gain on sale of property, plant and equipment		(7.75)		(9.98)		(0.23)
Cumulative effect of change in accounting principle		-		(39.09)		(0.91)
Depreciation and amortization		3,195.03		4,309.13		99.98
Deferred tax charge/(benefit)		14.97		(129.07)		(2.99)
Unrealised exchange (gain) / loss		74.71		470.20		10.91
Gain on sale of investments securities		(237.72)		(549.27)		(12.74)
Amortization of stock compensation		662.37		1,336.62		31.01
Equity in earnings of affiliates		(287.97)		(317.88)		(7.38)
Minority interest		1.40		-		-
Changes in operating assets and liabilities:						
Accounts receivable		(5,362.82)		(6,551.18)		(152.00)
Costs and earnings in excess of billings on contracts in progress		(1,596.41)		(760.41)		(17.64)
Inventories		(295.45)		(1,060.34)		(24.60)
Other assets		(2,215.06)		(1,767.84)		(41.02)
Accounts payable		28.23		1,497.43		34.74
Accrued expenses and employee costs		3,990.98		892.79		20.71
Advances from customers		336.62		1,383.51		32.10
Other liabilities		1,620.57		2,287.99		53.09
Net cash provided by operating activities		20,191.67		30,161.61		699.81
Cash flows from investing activities:						
Expenditure on property, plant and equipment		(7,485.94)		(11,391.63)		(264.31)
Proceeds from sale of property, plant and equipment		113.25		148.87		3.45
Dividends received from affiliates		14.12		-		-
Purchase of investments		(58,706.63)		(123,725.63)		(2,870.66)
Proceeds from sale of investments		52,043.18		122,041.75		2,831.60
Investments in inter-corporate deposits		(500.00)		(650.00)		(15.08)
Payment for acquisitions, net of cash acquired		(2,777.03)		(7,800.14)		(180.98)
Net cash used in investing activities		(17,299.05)		(21,376.78)		(495.98)
Cash flows from financing activities:						
Proceeds from issuance of equity shares		4,766.79		8,894.44		206.37
Proceeds from/(repayments of) short-term borrowing, net		(196.06)		1,825.19		42.35
Repayment of long-term debt		(268.36)		146.78		3.41
Payment of cash dividends		(3,997.74)		(8,873.30)		(205.88)
Movement in restricted cash relating to cash dividends		-		(7,237.88)		(167.93)
Excess income tax benefit related to employee stock incentive plan		-		64.52		1.50
Net cash provided by/(used in) financing activities		304.63		(5,180.25)		(120.19)
Net increase in cash and cash equivalents during the period		3,197.25		3,604.58		83.63
Effect of exchange rate changes on cash		(10.31)		(50.12)		(1.16)
Cash and cash equivalents at the beginning of the period		5,670.76		8,857.70		205.52
Cash and cash equivalents at the end of the period	Rs.	8,857.70	Rs.	12,412.17	$	287.99
Supplementary information:						
Cash paid for interest	Rs.	34.95	Rs.	124.63	$	2.89
Cash paid for taxes		4,542.59		4,251.82		98.65

See accompanying notes to the consolidated financial statements.

WIPRO LIMITED AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share data and where otherwise stated)

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Wipro Limited ("Wipro" or "the Company") have been prepared in accordance with accounting principles generally accepted in the United States.

The accompanying unaudited condensed consolidated 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, 2007 have been translated into United States dollars at the noon buying rate in New York City on March 30, 2007, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of $1= Rs. 43.10. 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.

NOTE 2: DERIVATIVE AND HEDGE ACCOUNTING

The Company is exposed to foreign currency fluctuations on foreign currency assets and forecasted cash flows denominated in foreign currency. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into forward exchange and option contracts, where the counterparty is a bank. The Company considers the risks of non-performance by the counterparty as remote.

Forward contracts/options in respect of forecasted transactions, which meet the hedging criteria, are designated as cash flow hedges. Changes in the derivative fair values that are designated as effective cash flow hedges, under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, are deferred and recorded as a component of accumulated other comprehensive income until the hedged transactions occur and are then recognized in the consolidated statements of income. The ineffective portion of a hedging derivative is immediately recognized in the consolidated statements of income.

The Company also designates zero-cost collars, which qualify as net purchased options, to hedge the exposure to variability in expected future foreign currency cash inflows due to exchange rate movements beyond a defined range. The range comprises an upper and lower strike price. At maturity, if the exchange rate remains within the range the Company realizes the cash inflows at spot rate, otherwise the Company realizes the inflows at the upper or lower strike price.

As of March 31, 2007, a gain of Rs. 72.04 relating to changes in fair value of forward contracts/options, designated as hedge of forecasted transactions, is included as a component of other comprehensive income/loss within stockholders' equity.

NOTE 3: ACQUISITIONS

mPower Software Services Inc. and subsidiaries

In December 2005, the Company acquired 100% equity of mPower Software Services Inc. and subsidiaries (mPower) including the minority shareholding held by MasterCard International in mPact India, a joint venture between MasterCard International and mPower Inc, for an aggregate cash consideration of Rs. 1,274.57. mPower Software Services Inc. is a US based Company engaged in providing IT services in the payments service sector.

As a part of this acquisition, the Company plans to provide MasterCard a wide range of services including application development and maintenance, infrastructure services, package implementation, BPO and testing. The Company believes that through this acquisition, it will be able to expand domain expertise in the payment service sector and increase the addressable market for IT services.

The total purchase price has been allocated to the acquired assets and liabilities as follows:

Description	Fair value	
Net tangible assets................................	Rs.	185.39
Customer-related intangibles…………..		513.13
Deferred tax liabilities………………		(177.50)
Goodwill...		753.55
Total	Rs.	1,274.57

BVPENTE Beteiligungsverwaltung GmbH and subsidiaries

On December 28, 2005, the Company acquired 100% equity of BVPENTE Beteiligungsverwaltung GmbH and subsidiaries (New Logic). New Logic is a European system-on-chip design company. The consideration included a upfront consideration of Rs. 1,156.54, subject to working capital adjustments, and an earn-out of Euro 26.70 to be determined and paid in the future based on financial targets being achieved over a 3 year period. During the year ended March 31, 2007, the Company paid an additional consideration of Rs. 68.76 towards the working capital adjustment. The Company has determined that a portion of the earn-out, up to a maximum of Euro 2.50 is linked to the continuing employment of one of the selling shareholders. The balance earn-out will be recorded as additional purchase price when the contingency is resolved.

The Company believes that through this acquisition, it has acquired strong domain expertise in semiconductor Intellectual Property (IP) cores and complete system-on-chip solutions with digital, analog mixed signal and Radio Frequency (RF) design services. The acquisition also enables the Company to access over 20 customers in the product engineering space.

The purchase price has been allocated to the acquired assets and liabilities as follows:

Description	Fair value	
Net tangible assets................................	Rs.	307.15
Customer-related intangibles		117.40
Technology-related intangibles.............		95.72
Deferred tax liabilities..........................		(53.00)
Goodwill		758.03
Total	**Rs.**	**1,225.30**

cMango Inc. and subsidiaries

In April 2006, the Company acquired 100% equity of cMango Inc. and subsidiaries (cMango). cMango is a provider of Business Service Management (BSM) solutions. The consideration (including direct acquisition costs) included a cash payment of Rs. 884.25 and an earn-out of USD 12.00 to be determined and paid in the future based on specific financial targets being achieved over a two year period. The earn-out will be recorded as additional purchase price when the contingency is resolved.

The Company believes that through this acquisition it will expand its operations in the Business Management Services sector. This acquisition also enables the Company to access over 20 customers in the Business Management services sector.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description	**Fair value**	
Net tangible assets/(liabilities)...............	Rs.	(23.08)
Customer-related intangibles………......		132.64
Deferred tax liabilities………………..		(46.42)
Goodwill		821.11
Total	Rs.	884.25

RetailBox BV and subsidiaries

In June 2006, the Company acquired 100% equity of RetailBox BV and subsidiaries (Enabler). Enabler is in the business of providing comprehensive IT solutions and services. The consideration (including direct acquisition costs) included a cash payment of Rs. 2,442.12 and an earn-out of Euro 11.00 to be determined and paid in the future based on specific financial targets being achieved over a two year period. The earn-out will be recorded as additional purchase price when the contingency is resolved.

Through this acquisition the Company aims to provide a wide range of services including Oracle retail implementation, digital supply chain, business optimization and integration. Further, through this acquisition, the Company aims to expand domain expertise both in the retail and technology sectors and obtain a presence in five different geographical locations.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description	**Fair value**	
Net tangible assets.................................	Rs.	388.88
Customer-related intangibles		297.92
Deferred tax liabilities...........................		(104.27)
Goodwill		1,859.59
Total	Rs.	2,442.12

Saraware Oy

In June 2006, the Company acquired 100% equity of Saraware Oy (Saraware) a Company involved in providing design and engineering services to telecom companies. The

Company acquired Saraware for an aggregate consideration of Rs. 947.25 and an earn-out of Euro 7 to be determined and paid in future based on financial targets being achieved over a period of 18 months. In addition, amounts collected against certain specific reward/ incentive assets at the acquisition date are payable to the sellers. The Company has paid Rs. 148.92 against specific reward/ incentives collected and Rs. 19.33 as earn-out against targets achieved during the period ended March 31, 2007. The earn-out and the additional payments are recorded as additional purchase price when the related contingencies are resolved.

Through this acquisition the Company aims to expand its presence in the engineering services space in Finland and the Nordic region.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description	Fair value	
Net tangible assets/(liabilities)...............	Rs.	186.98
Customer-related intangibles		254.72
Deferred tax liabilities...........................		(89.15)
Goodwill		762.95
Total	Rs.	1,115.50

Northwest Switchgear Limited

In May 2006, the Company acquired a substantial portion of the business of North-west Switchgear Limited a manufacturer and distributor of switches, sockets and miniature circuit breakers (collectively 'the products') under the trademark/ brand name "North-West". The consideration (including direct acquisition costs) included a cash payment of Rs 1,131.66 and an earn-out of Rs. 200.00 to be determined and paid in the future based on achievement of a specified revenue levels over a period of four years. Further, the Company has entered into a non-compete and manufacturing agreement with the sellers. Under the manufacturing agreement, the seller will manufacture the products for the Company by certain assets and employee retained by the seller. The manufacturing agreement is for a period of five years. Amounts paid by the Company for such manufacturing services will be recorded through the income statement. The earn-outs which are not linked to any post-acquisition services by the seller will be recorded as additional purchase consideration when the contingency is resolved.

Based on the guidance in EITF Issue No. 98-3, Determining Whether a Non-monetary Transaction Involves Receipt of Productive Assets of a Business, the Company has accounted for this transaction as an acquisition of a business. A significant portion of the consideration has been allocated to the trademark/brand name North-West.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description	Fair value	
Net tangible assets …………………...	Rs.	33.75
Marketing-related intangibles…...		1,097.91
Total	Rs.	1,131.66

Quantech Global Services

In July 2006, the Company acquired 100% equity of Quantech Global Services LLC and Quantech Global Services Ltd (Quantech). Quantech provides computer aided design and engineering services. The consideration includes upfront cash payment of Rs. 142.00, a deferred cash payment of USD 3.00 and an earn-out to be determined and paid in the future based on specific financial targets being achieved over a period of 36 months.

Through this acquisition, the Company aims to strengthen its presence in the mechanical engineering design and analysis services sector.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description		Fair value
Net tangible assets/(liabilities)...............	Rs.	(230.33)
Customer-related intangibles		45.92
Deferred tax liabilities...........................		(16.07)
Goodwill		481.77
Total		Rs. 281.29

Hydrauto Group

In November 2006, the Company acquired 100% equity of Hydrauto Group AB (Hydrauto). Hydrauto is engaged in the production, marketing and development of customized hydraulic cylinders solution for mobile applications such as mobile cranes, excavator, dumpers and trucks. The consideration (including direct acquisition cost) included cash payment of Rs. 1,412.17. Through this acquisition the Company aims to gain an entry into Europe, access to a customer base built over the past few decades and complementary engineering skills.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description		Fair value
Net tangible assets/(liabilities)...............	Rs.	201.81
Customer-related intangibles		73.57
Deferred tax liabilities...........................		(24.76)
Goodwill		1,161.55
Total	Rs.	1,412.17

3D Networks

In November 2006, the Company acquired 100% equity of the India, Middle East and SAARC operations of 3D Networks and Planet PSG. 3D Networks provides business communication solutions that include consulting, voice, data and converged solutions and managed services. These specialized solutions are deployed in the ITES/IT, Telecom, Banking and Finance, Government and Service verticals. Planet PSG provides professional services on voice and speech platforms in the Asia Pacific region. The consideration (including direct acquisition cost) included upfront cash payment of Rs. 908.27 and a maximum earn-out of USD 43.78 to be determined and paid in the future based on achieving certain agreed financial targets over a 24 months period. The Company believes that this acquisition is a strategic fit as it complements Wipro's existing practice capabilities and differentiates Wipro as the most comprehensive IT Solutions provider across verticals.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

Description		Fair value
Net tangible assets/(liabilities)	Rs.	507.77
Customer-related intangibles		136.24
Deferred tax liabilities		(45.86)
Goodwill		305.80
Total		Rs. 903.95

For all the above acquisitions except New Logic and mPower, the purchase consideration has been allocated on a preliminary basis based on management's estimates. The Company is in the process of making a final determination of the carrying value of assets and liabilities, which may result in changes in the carrying value of net assets recorded. Finalization of the purchase price allocation may result in certain adjustments to the above allocations.

NOTE 4: ADOPTION OF SFAS No. 123 (R)

Effective April 1, 2006, the Company adopted SFAS No. 123 (revised 2004), Share-Based Payment, (SFAS No. 123 (R)), which requires the measurement and recognition of compensation expense for all stock-based payment awards based on the grant-date fair value of those awards. Previously, the Company used the intrinsic value based method, permitted by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock issued to Employees, to account for its employee stock-based compensation plans and had adopted the pro-forma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation.

The Company adopted SFAS No.123(R) using the modified prospective application method. Under this approach the Company has recognized compensation expense for share-based payment awards granted prior to, but not yet vested as of April 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123. Pursuant to adoption of SFAS No. 123(R) the Company recognized additional compensation expense of Rs. 165.00 for the year ended March 31, 2007.

SFAS No. 123(R) requires that deferred stock-based compensation previously recorded under APB Opinion No. 25 and outstanding on the date of adoption be eliminated against additional paid-in capital. Accordingly, the deferred compensation balance of Rs. 2,202.42 was eliminated against additional paid-in capital on April 1, 2006.

Under APB Opinion No. 25, the Company had a policy of recognizing the effect of forfeitures only as they occurred. Accordingly, as required by SFAS No. 123 (R), on April 1, 2006, the Company estimated the number of outstanding instruments, which are not expected to vest and recognized a gain of Rs. 39.09 representing the reversal of compensation cost for such instruments previously recognized in income.

Had compensation cost, for year ended March 31, 2006, 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:

		Year ended March 31, 2006
Net income, as reported……………………………………………	Rs.	20,269.97
Add: Stock–based employee compensation expense included in reported net income, net of tax effects.…………………………...		619.43
Less: Stock-based employee compensation expense determined under fair value based method, net of tax effects.………………..		(1,190.50)
Pro-forma net income……………………………………………..		19,698.90
Earnings per share: Basic		
As reported………………………………………………………		14.41
Pro-forma……………………………………………………..		14.01
Earnings per share: Diluted		
As reported………………………………………………………		14.24
Pro-forma……………………………………………………..		13.87

NOTE 5: MODIFICATION OF EMPLOYEE STOCK OPTIONS

During the year ended March 31, 2007, through a short term inducement offer, the Company agreed to an arrangement whereby if certain vested options were exercised within the offer period through financing by an independent third-party financial institution, the Company would bear the interest obligation relating to this financing. The loan by the third-party financial institution is with no recourse to the Company. 11,879,065 options were exercised during the offer period. The Company has accounted for this arrangement as a short term inducement resulting in modification accounting. Accordingly, incremental compensation cost of Rs. 86.45 has been recorded.

Additionally as a part of this arrangement 1,150,055 other vested options were exercised by certain employees through a non-recourse interest free loan aggregating Rs. 326.17 by a controlled trust. Even though this transaction does not represent an exercise for accounting purpose, to reflect the legal nature of shares issued, an amount of Rs. 2.30, equivalent to the par value of shares issued has been transferred from additional paid-in capital to common stock.

NOTE 6: ADOPTION OF SFAS No. 158

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” (SFAS No. 158), which amends SFAS No. 87, 88, 106, and 132(R). This standard requires that companies record an asset or liability on the consolidated balance sheet equal to the over or under funded status of their defined benefit and other postretirement benefit plans effective at the end of the fiscal years ending after December 15, 2006. For each plan, the funded status is defined by SFAS No. 158 as the difference between the fair value of plan assets (for funded plans) and the respective plan’s projected benefit obligation. The projected benefit obligation represents a liability based on the plan participant’s service to date and their expected future compensation at their projected retirement date. Upon adoption of SFAS No. 158 and recognition of the funded status on the Company's consolidated balance sheet, all previously unrecognized amounts (e.g. unrecognized gains or losses and prior service cost) are reflected in accumulated other comprehensive income (loss), net of tax, in a one-time cumulative effect adjustment.

The Company recorded the previously unrecognized actuarial loss of Rs. 123.71 (net of tax Rs. 18.04) as an adjustment to other comprehensive income, to adopt SFAS No. 158.

NOTE 7: 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, 2006 and 2007, was Rs. 841.57 and Rs. 1,119.65, respectively. The Company's equity in the income of Wipro GE for years ended March 31, 2006 and 2007 was Rs. 259.16 and Rs. 302.22 respectively.

WeP Peripherals (WeP)

The Company previously accounted for its 36.9% interest as of March 31, 2006 in WeP Peripherals by the equity method. The carrying value of the equity investment in WeP Peripherals as of March 31, 2006 was Rs. 201.52.

In December 2006, the Company sold a portion of its interest in WeP Peripherals for a consideration of Rs. 160.00 and recorded a gain of Rs 47.61. Subsequent to this sale, the Company's ownership interest in WeP Peripherals is reduced to 15% and the Company does not have the ability to exercise significant influence over the operating and financial policies of WeP Peripherals.

WM Net Serv

The Company has accounted for its 80.1% ownership interest in WM NetServ by the equity method as the minority shareholder in the investee has substantive participative rights as specified in EITF Issue No. 96-16, Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights. The carrying value of the equity investment in WM Net Serv as of March 31, 2007 was Rs. 122.14. The Company's equity in the loss of WM Net Serv for year ended March 31, 2007 was Rs. 24.50.

NOTE 8: DIVIDENDS

In March 2007, the Board of Directors of the Company approved an interim cash dividend of Rs. 5 per share totaling to Rs. 7,238. In accordance with Indian regulations an amount equivalent to the interim cash dividend has been transferred to a specific bank account pending payment to the shareholders. The balance in this bank account can only be used to pay the specified dividend, are not available for general use and are accordingly reflected as restricted cash in the consolidated balance sheet.

NOTE 9: INCOME TAXES

The Company had received tax demands from the Indian income tax authorities for the financial years ended March 31, 2001, 2002 and 2003 aggregating to Rs. 8,100 Million (including interest of Rs. 750 Million). The tax demand was primarily on account of denial of deduction claimed by the Company under Section 10A of the Income Tax Act 1961, in respect of profits earned by its undertakings in Software Technology Park at Bangalore. The Company had appealed against these demands. In March 2006, the first appellate authority vacated the tax demands for the years ended March 31, 2001 and 2002. The income tax authorities have filed an appeal.

In March 2007, the first Income tax appellate authority upheld the deductions claimed by the Company under Section 10A of the Act, which vacates a substantial portion of the demand for the year ended March 31, 2003.

In December 2006, the Company received additional tax demand of Rs. 3,027 Million (including interest of Rs. 753 Million) for the financial year ended March 31, 2004 on similar grounds as earlier years. The Company has filed an appeal against this demand. Considering the facts and nature of disallowance and the order of the appellate authority upholding the claims of the Company for earlier years, the Company believes that the final outcome of the above dispute should be in favour of the Company and there should not be any material impact on the financial statements.

The range of loss relating to these contingencies is between zero and the amount of the demand raised.

Income taxes recorded in the current year include a net tax benefit of Rs. 847 that relates to previous years.

NOTE 10: SEGMENT INFORMATION

The Company is currently organized by segments, including Global IT Services and Products (comprising of IT Services and BPO Services segments), India and AsiaPac IT Services and Products, Consumer Care and Lighting and ‘Others’.

The Chairman of the Company has been identified as the Chief Operating Decision Maker (“CODM”) 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.

Operating segments with similar economic characteristics and complying with other aggregation criteria specified in SFAS No. 131 have been combined to form the Company’s new reportable segments. Consequently, IT Services and BPO services qualify as reportable segments under the Global IT Services and Products business.

The IT Services segment provides research and development services for hardware and software design to technology and telecommunication companies, software application development services to corporate enterprises. The BPO services segment provides Business Process Outsourcing services to large global corporations.

As discussed in Note 3, between March 2006 and March 2007, the Company made several acquisitions. The operations of mPower, New Logic, cMango, Enabler, Saraware Oy and

Quantech, which are a component of IT Services and Products, are currently reviewed by the CODM separately and have accordingly been reported separately as ‘Acquisitions’.

The India and AsiaPac IT Services and Products segment focuses primarily on addressing the IT and electronic commerce requirements of companies in India, MiddleEast and AsiaPacific region.

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

‘Others’ consist of 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 items.

Segment data for previous periods has been reclassified on a comparable basis.

Information on reportable segments is as follows:

	Year ended March 31, 2006								
	Global IT Services and Products								
	IT Services	Acquisitions	BPO Services	Total	India and AsiaPac IT Services and Products	Consumer Care and Lighting	Others	Reconciling Items	Entity Total
Revenues……………………………………	Rs. 72,591.13	Rs. 470.20	Rs. 7,664.23	Rs. 80,725.56	Rs. 16,477.08	Rs. 5,625.04	Rs. 3,279.20	Rs. -	Rs. 106,106.88
Exchange rate fluctuations…………………	(172.15)	(1.88)	(37.78)	(211.81)	(2.34)	0.20	5.38	208.57	-
Total revenues………………………………	72,418.98	468.32	7,626.45	80,513.75	16,474.74	5,625.24	3,284.58	208.57	106,106.88
Cost of revenues……………………………	(46,605.98)	(380.15)	(5,809.54)	(52,795.67)	(12,834.70)	(3,556.43)	(2,459.93)	-	(71,646.72)
Selling and marketing expenses …………….	(3,863.85)	(28.92)	(49.45)	(3,942.22)	(1,391.59)	(1,160.42)	(236.26)	(33.86)	(6,764.36)
General and administrative expenses……….	(3,345.48)	(47.01)	(751.52)	(4,144.01)	(841.24)	(102.22)	(112.02)	(39.48)	(5,238.97)
Research and development expenses……….	(202.26)	-	-	(202.26)	-	-	-	-	(202.26)
Amortization of intangible assets……………	(8.00)	(17.76)	(4.94)	(30.70)	(12.00)	(21.25)	-	-	(63.95)
Exchange rate fluctuations…………………	-	-	-	-	-	-	-	(288.49)	(288.49)
Others, net……………………………………	7.09	3.47	-	10.56	9.27	13.21	11.11	25.98	70.13
Operating income of segment (1)………… …………………………………………	**Rs. 18,400.50**	**(2.05)**	**Rs. 1,011.00**	**Rs. 19,409.45**	**Rs 1,404.48**	**Rs. 798.13**	**Rs. 487.48**	**Rs. (127.28)**	**Rs. 21,972.26**
Total assets of segment………………………	Rs. 40,062.66	Rs. 3,341.01	Rs. 11,426.57	Rs. 54,830.24	Rs 8,322.33	Rs. 2,344.75	Rs. 2,410.94	Rs. 34,919.08	Rs. 102,827.34
Capital employed……………………………	27,777.90	3,049.94	10,337.07	41,164.91	3,124.13	1,309.70	1,790.09	32,080.06	79,468.89
Return on capital employed (2)………………	75%	-	11%	58%	69%	71%	-	-	-
Accounts receivable…………………………	14,674.20	432.35	849.12	15,955.67	3,350.62	563.75	723.07	-	20,593.11
Cash and cash equivalents and investments in liquid and short-term mutual funds…………………………………	5,000.57	245.69	4,097.57	9,343.83	240.81	178.03	367.89	29,042.39	39,172.95
Depreciation…………………………………	2,128.92	59.41	623.80	2,812.13	117.05	81.73	58.87	31.45	3,101.23
Capital employed opening……………………	21,289.71	-	8,122.14	29,411.85	2,245.41	936.44	1,403.21	23,829.04	57,825.95
Average capital employed……………………	24,533.81	1,524.97	9,229.61	35,288.38	2,684.77	1,123.07	1,596.65	27,954.55	68,647.42

Information on reportable segments is as follows:

	Year ended March 31, 2007								
	Global IT Services and Products								
	IT Services	Acquisitions	BPO Services	Total	India and AsiaPac IT Services and Products	Consumer Care and Lighting	Others	Reconciling Items	Entity Total
Revenues……………………………………	Rs. 96,688.37	Rs. 4,820.44	Rs. 9,412.80	Rs. 110,921.60	Rs. 23,888.48	Rs. 7,558.50	Rs. 7,062.74	Rs. -	Rs. 149,431.33
Exchange rate fluctuations…………………	(140.57)	(15.03)	(23.85)	(179.45)	(25.07)	4.40	3.06	197.05	-
Total revenues………………………………	96,547.79	4,805.41	9,388.95	110,742.16	23,863.41	7,562.91	7,065.80	197.05	149,431.33
Cost of revenues……………………………	(62,671.32)	(4,146.44)	(6,172.97)	(72,990.74)	(18,555.11)	(4,905.14)	(5,697.60)	(51.65)	(102,200.24)
Selling and marketing expenses ……………	(4,882.84)	(116.82)	(100.02)	(5,099.67)	(2,067.89)	(1,482.75)	(477.84)	(44.77)	(9,172.92)
General and administrative expenses………	(4,230.45)	(511.59)	(982.52)	(5,724.57)	(1,198.32)	(120.04)	(500.35)	(96.01)	(7,639.23)
Research and development expenses………	(267.71)	-	-	(267.71)	-	-	-	-	(267.71)
Amortization of intangible assets……………	(0.00)	(220.11)	(5.09)	(225.20)	(32.04)	(4.33)	(7.66)	-	(269.23)
Exchange rate fluctuations…………………	-	-	-	-	-	-	-	(235.69)	(235.69)
Others, net…………………………………	12.92	80.61	0.10	93.63	29.08	18.74	50.54	29.49	221.48
Operating income of segment (1)…………	**Rs. 24,508.39**	**Rs. (108.93)**	**Rs. 2,128.44**	**Rs. 26,527.90**	**Rs. 2,039.13**	**Rs. 1,069.40**	**Rs. 432.89**	**Rs. (201.57)**	**Rs. 29,867.79**
Total assets of segment……………………	Rs. 53,493.21	Rs. 11,406.08	Rs. 7,816.36	Rs. 72,715.66	Rs. 12,525.54	Rs. 4,676.63	Rs. 6,499.63	Rs. 49,684.73	Rs. 146,102.19
Capital employed……………………………	37,403.65	10,257.15	6,456.04	54,116.83	5,717.95	3,093.82	4,417.08	37,903.41	105,249.09
Return on capital employed (2)………………	75%	-2%	25%	56%	46%	49%			
Accounts receivable…………………………	19,275.43	1,095.75	1,097.06	21,468.24	5,053.64	723.33	1,221.36	-	28,466.58
Cash and cash equivalents and investments in liquid and short-term mutual funds………………………………	6,137.25	2,455.60	420.78	9,013.63	887.81	357.98	251.24	34,311.93	44,822.60
Depreciation…………………………………	2,710.69	176.84	616.66	3,504.20	168.03	103.76	139.05	15.53	3,930.56
Capital employed opening…………………	27,777.90	3,049.94	10,337.07	41,164.91	3,124.13	1,309.70	1,790.09	32,080.06	79,468.89
Average capital employed………………..	32,590.77	6,653.54	8,396.55	47,640.87	4,421.04	2,201.76	3,103.59	34,991.74	92,358.99

(1) Operating income of segments is after amortization of deferred stock compensation cost arising from the grant of options:

Segments	2006	2007
IT Services…………………………………………………………..	539.71	1,151.06
BPO Services…………………………………………………………..	22.77	48.89
India and AsiaPac IT Services and Products…………………………	39.64	79.56
Consumer Care and Lighting………………………………………..	9.02	23.29
Others………………………………………………………………	16.63	13.15
Reconciling………………………………………………………..	35.10	20.45

(2) Return on capital employed is computed based on the average of the capital employed at the beginning and at the end of the period.

The Company has four geographic segments: India, United States, Europe and Rest of the world.

Revenues from the geographic segments based on domicile of the customer are as follows:

	Year ended March 31,	
	2006	2007
India………………………………………	Rs. 21,803.91	Rs. 30,650.06
United States………………………….....	53,481.07	72,846.27
Europe………………………………...….	24,310.22	36,972.00
Rest of the world…………………………..	6,511.68	8,963.00
	Rs. 106,106.88	Rs. 149,431.33