“Wipro Limited Q1F10 Earnings Conference Call”

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2pm

Moderator: Ladies and gentlemen good morning, good evening and welcome to the Wipro Limited earnings conference call. This is Rochelle, the Chorus Call Conference Operator. Please note that for the duration of this presentation all participants' lines will be in the listen-only mode and this conference is being recorded. After the presentation there will be an opportunity for you to ask questions. Should anyone need assistance during this conference call they may signal an operator by pressing * and then 0 on their touchtone telephone. At this time I would like to turn the conference over to Mr. Rajendra Shreemal. Thank you and over to you Mr. Shreemal.

Rajendra Shreemal: Thanks, Rochelle, and thanks everyone for joining us today. Good morning and good afternoon from team Wipro to all people joining in from different parts of the world. As the operator just mentioned I am Rajendra Shreemal, Head of Investor Relations and Treasury, along with Sridhar in US, Rishad, Aravind, and Lalit in Bangalore, we handle the investor space for Wipro. We thank you for your interest in Wipro. It is a great pleasure to welcome you to Wipro's teleconference post results for the fiscal quarter ended June 30, 2009.

We will begin with a short address by Mr. Azim Premji – Chairman, followed by the financial highlights from Mr. Suresh Senapaty – CFO, and then follow it up with the Q&A session with management team. We have Girish Paranjpe and Suresh Vaswani, joint CEOs and other senior leadership team of Wipro present here.

Before Mr. Premji starts his address let me draw your attention to the fact that during this call we might make certain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the management's current expectations and are associated with uncertainty and risks, which could cause actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filing with the Securities and Exchange Commission of USA. Wipro does not undertake any obligation to update forward looking statements to reflect event or circumstances after the date of filing thereof. This conference call will be archived and the transcript will be available in our website www.wipro.com. Ladies and gentlemen let me now hand over the floor to Mr. Azim Premji, Chairman – Wipro.

Azim Premji: Good afternoon and good morning to all of you depending on where you are located. Thank you for joining us. As we come to a close of the first quarter of a new financial year we are more hopeful of the future than we were in the past. In the last few quarters governments and businesses across the globe reacted swiftly to the downturn, the results of which can be seen in the emerging signs of stability in the macroeconomic environment. There is more liquidity in the system, stock markets are off their lows, consumer confidence is increasing, and corporations have generally been more hopeful this quarter, both in their commentary and in their results. While these are the initial baby steps on the path to recovery there is a growing confidence that the environment is stabilizing.

As we look at our IT businesses we are starting to see the first signs of the stability as ramp downs start to taper off and volumes start to stabilize. In this context Wipro Limited posted 5% year-on-year growth in revenues and 12% year-on-year growth in PAT for the quarter ended June 30, 2009.

Our IT Services business revenue was in line with our guidance on a constant currency basis. The currency tailwinds enabled us to exceed our guidance on a reported basis. Our focus on operational excellence continued to set industry leading benchmark. While these results are satisfying it is important to appreciate that the world around us has changed. What we are now experiencing is a fundamental reset of the economy and the financial system and the return will be to a new reality.

As an organization we continue to adapt ourselves to this new reality. Specifically I would like to discuss two areas of focus. Our go-to-market strategy and an operational excellence drive. Let me talk about our go-to-market strategy first.

We continue to become more strategic to our customers and are increasingly participating in large and complex transformational deals to deliver end-to-end integrated solutions across our differentiated service lines. We have set up investments in emerging geographies. Our early investments in India and Middle East have provided us a strong platform for growth and market share.

We have invested in further enhancing the quality of our sales people and we bring in more local talent with right domain, transition, and change management capabilities. We believe that our investments in go-to-market put us in a good stead to gain market share and increase proximity and closeness with our customers and capitalize on emerging opportunities.

Our focus on improving operational excellence and our ability to work with our customers to change and improve our engagement models have resulted in our showing improvements across all levers of utilization, bulge and offshore mix, resulting in operating margin expansion. The gains on account of forex have mitigated a drop in realization during the quarter.

As we prepare ourselves for this new reality we remain incredibly optimistic about the long-term viability of the Indian IT industry. We continue to invest for the future for the opportunities like Cloud Computing and Green IT.

Our Consumer Care business has also weathered the economic downturn commendably. Santoor, our flagship brand emerged as a number one toilet soap brand in South India in value market share as measured by AC Nielsen for the period ended April-June 2009. Our toilet soap portfolio grew much ahead of industry growth rate in the quarter ending June 30 , 2009. In our international business of consumer care we have double-digit industry leading growth rates in several of our markets.

I will now request Suresh Senapat y, our CFO and Executive Director , to share the financial highlights of the quarter with you, following which our management will be happy to take questions from you.

Suresh Senapaty: Good afternoon, ladies and gentlemen. Let me take you through some of our first month highlights of the quarter. Effective this quarter starting April 1, 2009, we have started reporting our financials under IFRS. We will continue to report non -GAAP adjusted net income under IFRS which would exclude the impact of accelerated stock based compensation accounting . Once India reporting converges with IFRS effective April 2011 . It will enable single GAAP reporting.

Moving on to our results now , our IT Services revenue for the quarter ending June 30 was $1033 million, a sequential decline of 1.3%, and a year-on-year decline of 3.2%. On a constant currency basis our IT services revenue was $1,014 million in the range of our guidance. Our constant currency growth on a year-on-year basis was 2.1%.

We are seeing growth rate starting to pickup in some of the verticals . Communication and Media Service Providers grew 6% sequentially, Energy and Utilities grew 5% sequentially, Healthcare and Services grew 7% sequentially. Retail recorded an impressive year-on-year growth of 33% in constant currency while Manufacturing grew 9% year-on-year in constant currency.

Of the new customer wins this quarter , 60% of that were in Retail and Manufacturing. BFSI is showing signs of stability, while Technology and Telecom continued to face challenges. Package Implementation and BPO delivered sequential growth of 3.5% and 4% respectively.

Our India and Middle East business grew 21% year-on-year on constant currency basis. Our focus on large accounts has resulted in accounts greater than $50 million on a trailing 12 -month basis, increased from 14 in quarter one of FY09 to 17 in quarter one of the current year.

In terms of operation our fixed price moved up 30 basis points and offshore mix moved up 160 basis points sequentially. Effective this quarter data sheet under the Global IT services includes CITOS, the acquisition that we did in January '09 as well. Our onsite realization increased sequentially by 1.3%, our offshore realization dropped by 1.1% sequentially and our volume dropped 1.5% in the quarter as against 6.3% decline in the previous quarter. Our continued focus on realigning our cost structure has resulted in our margin improving by 0.6% for the quarter ended June 2009 to 22.3% despite the challenging environment. This is with respect to IT Services business.

As of June 30, 2009 our DSO, i.e., number of days of sales outstanding was unchanged from the previous quarter at 60 days for the global IT business. Our products business showed a year-on-year growth of 2% in revenue in the current quarter due to reduction in capital expenditure by Indian corporate.

We improved margins and PBIT grew by 27% on a year-on-year basis. Wipro consumer care and lighting business continued to see good moment um with revenue growth of 7% year-on-year and PBIT growth of 29% year-on-year basis.

On the foreign exchange front, our realized rate for the quarter was 46.73 versus the rate of 47.15 realized for the quarter ended March 31 , 2009. On a quarter-on-quarter basis, forex gave a positive impact to margins of about 1% including the benefit of cross currency. As at period end after assigning to the assets on the balance sheet we had about $1.2 billion of forex contracts, $1.65 billion total contract on a gross ba sis, at rates between 40 and 51.60. Our net cash balance on the balance sheet was Rs. 29 billion. We generated free cash flows of Rs. 14 billion during the quarter, a year-on-year increase of 150%.

We will now be glad to take questions.

Moderator Thank you very much, sir. Ladies and gentlemen we will now begin the question and answer session. Participants who wish to ask a question at this time may please press * followed by 1 on their touchtone telephone. If you r questions have been answered and you wish to withdraw question from the queue please press * followed by 2. Participants are requested to use handsets while asking a question. Our first question is from the line of Ajay Nandanwar of India Capital. Please go ahead.

Ajay Nandanwar Good afternoon. Congratulations. Question about your cash flows, your trade and other receivables, the cash flow is of roughly $108 million or 516 crore, could you please explain how that comes?

Suresh Senapaty: Yes, Ajay. Thanks for the question. I think we did manage the receivables very well, both in terms of all parts of our business including Wipro Infrastructure Engineering, Wipro Technologies, etc., and apart from that there has been a reduction in the inventory , there has been a reduction in the advances and there has been increased liabilities. So with combination of all those factors we have been able to get an operating cash flow, very good. And also similarly free cash flows have also been very superior with the CAPEX of about 250 crores that we spent in the last quarter.

Ajay Nandanwar And a question about your offshore move and fixed price mix change, if you could sort of split this by practice areas whether it be application maintenance or application development or IMS or BPO, are you seeing a change within practice or is it because of business mix changing in some areas are more geared towards offshore or fixed price?

Suresh Senapaty: This is typically across, so it is not as if any kind of a peculiar trend that we are seeing. Some of the businesses or some of the practices have higher leverage with respect to offshore and the others not. I think we see opportunity across where we could even go further for offshore improvement.

Ajay Nandanwar In terms of something like AD how much more offshore m ove do you think can be achieved?

Suresh Senapaty It is difficult to give a specific number, but we continuously look at opportunities to be able to take it forward, particularly when we are getting into more and more projects like fixed price, more and more projects like outcome-based, it gives us all those flexibilities and particularly, when we do more end-to-end services for a customer rather than **slivers,** it helps us to be able to move more and therefore offer more in terms of cost reduction to the customer.

Ajay Nandanwar And also when you are making comments about verticals, you said manufacturing and retail are doing very well, but do you see challenges in a particular vertical?

Suresh Vaswani This is Suresh Vaswani here. I think what we said was vertical which are at least challenged in the short-term of the technology, telecom verticals and the rest of the verticals, basically, BFSI, energy and utilities, manufacturing, healthcare, RCTS and telecom service provider, we now call that CMSP, those definitely outlook is brighter going forward.

Ajay Nandanwar And one last question on the financial services, now that the things seems to have stabilized a bit… What are you seeing in the verticals in terms of what's customer focus and how are they, as compared to six months ago or even a year ago? What is the customer focus now and what kind of opportunities for what kind of projects are you seeing?

Girish Paranjpe So I think the opportunities that exist in the financial services is because of expected regulation. What is already proposed that's what is coming. There is a lot of work that will have to be done on the kind of making sure that there is compliance to regulation. Secondly because of the acquisition that have taken place there is work which relates to integration of various kind of companies which have been brought to their banks have been brought together. And thirdly people have to come up with new products and services, because some of the products are now barred by legislation. So they have to come up with new products and services to be able to go to market. So these are the three areas in which we expect IT work to come up over the next six to nine months.

Ajay Nandanwar Thanks so much.

Moderator Thank you, Mr. Nandanwar. Our next question is from the line of Tarun Sisodia of Anand Rathi. Please go ahead.

Tarun Sisodia Hi, congratulations on a good set of numbers. I would just like to briefly understand the kind of cost cutting measures which have been taken and is there any one-off item or is there sustainability to these kind of cost structures to be maintained in future?

Manish Dugar Hi, Tarun, this is Manish, I head the Finance for the IT business of Wipro. So let me take that question in two parts. One is what we have done on the operations front and second is what we have done on the cost side? And this is in continuation of what we kind of did in the last quarter. Operationally Senapaty, Girish and Suresh have already spoken about what we did on moving work offshore, looking at improving utilization and increasing the bulge mix. On the cost side, you would have seen that our SG&A numbers has been tilted more on the S&M side and it is not to say that we have cut at the cost of investments. What we have done is we have looked at making investments on automation, we have invested heavily on implementation of new applications and that is helping us make the process much more efficient and at the same time support our business much more. Also at the same time helping us reduce the cost in terms of looking at much more leaner and meaner team organization. Other than that what we have also done is we have looked at certain costs which can be managed without, for example, we have looked at "unified communication" as a medium to reduce our expenses, so if you look at our travel expenditures six quarters back, what we spend today in a quarter is close to 40% of what we were spending six quarters back. And again, this is not to in any way compromise on what we need to do in terms of making ourselves closer to the customer and to travel for meeting customer requirement. It is all to do with doing away with travel which would otherwise be required only for internal purposes. So, we have heavily invested in equipments like telepresence of CISCO, we have looked at video conferencing and teleconferencing and hence we have avoided all unnecessary costs which has helped us in improving our operating margins.

Tarun Sisodia So in a sense there is a sustainability to all these efforts?

Manish Dugar Certainly. And we believe that there is a lot more that we can do in this.

Tarun Sisodia My second question is related to Mr. Premji's comment on some signs of stability being there. Is there some anecdotal evidence that you have from your business perspective or is this mostly a reflection on global economics?

Suresh Vaswani This is more to do with our own business perspective and really the track record over the last couple of quarters just illustrate that. Q4, we were -6% volume growth, and Q1 we were -1% volume growth and Q2 the guidance we have given from the revenue perspective, not from a volume perspective, what we believe is a strongly positive guidance, positive growth between 0 and 2%. So Mr. Premji's comment really points out towards that in so far as Wipro is concerned and our proposition is concerned and what we offer to customers is concerned, where we have been working closely with customers, gives us the confidence that we are moving ahead into a more steady phase and to a more growth-oriented phase.

Tarun Sisodia Thank you very much. All the best for future.

Moderator Thank you, Mr. Sisodia. Our next question is from the line of Ashwin Mehta of Motilal Oswal Securities Limited. Please go ahead.

Ashwin Mehta Hi, sir, congratulations on a good set of numbers. One thing in terms of cost elements we have seen a significant reduction in the raw materials, finished and processed stock, which has contributed positively to our margins, what does that relate to and do we see that to be sustainable?

Suresh Senapaty Yeah, that is primarily in terms of the mix of business, in terms of products and services. Primarily because there is a component of product revenue which has declined, because Q4 typically in the Wipro Infotech environment where we have the higher spending kick in which does not happen as in Q1, this is primarily on account of that.

Ashwin Mehta And secondly in terms of, given that we have won significant orders from India where there is a hardware component, do you see a pickup in terms of our product revenues going forward in the next two, three quarters?

Suresh Senapaty The mix of products and services over the five, six, seven, nine years contract that they are in, is typically in line with the kind of product and service mix we have in the Wipro Infotech part of business. But initially you will have perhaps little more of products, and services will be later, after the first 18 months kind of a timeframe. On a whole lifetime point of view the mix would be similar to what we currently have.

Suresh Vaswani Broadly the services growth in the India and Middle East markets is significantly ahead of the products growth.

Ashwin Mehta Okay. And in terms of product margins also they seem to have gone up almost 15% on the gross margin side from previously 10%. Would that trend back to the 10% kind of levels or that is also expected to be similar?

Suresh Senapaty Yeah, product business tends to be a little volatile and particularly because you have some of the rupee appreciation in the current quarter, in the quarter, June 2009. Some of that benefit does come in, but yes, I think you have to look at the overall profitability of the product similar or little better than what you are seeing for the full year rather than a quarter-to-quarter.

Moderator Thank you, Mr. Mehta. Our next question is from the line of Mitali Ghosh from Merrill Lynch. Please go ahead.

Mitali Ghosh My question is on pricing, where this quarter you saw some pressure on realization which so far you have managed to keep at bay by improved productivity. So productivity improvements I understand are on an ongoing process, would you say that a low hanging fruit is already been used and what should we really expect going forward and maybe you can also comment on what the optimum fixed price ratio or nonlinear pricing models could be going forward?

Girish Paranjpe Mitali, hi, this is Girish Paranjpe. The price kind of decline that we have seen in offshore is in some cases, some way the flow through of some of the negotiations that we have done in previous quarter. I would say that if I look at most of our key clients where we have a master services agreement most of the negotiations, etc., is kind of done. Only a few clients where it is left out, but I would say in majority cases the negotiations are over. Having said that there is still deal by deal negotiations that happens especially when the large deals are in place. So I would not completely rule out saying that there will be no further negotiation on price ever. Broadly, we have been able to push back the price pressure by selling more fixed price and more outcome based engagement. We think that we just scratched the surface. We think we can do much more and especially if it is not necessarily applications development type of work or SI type of work which sometimes carries more risk, but it is more outsourcing on an application management or infrastructure management the risk is not that high. So I do not think we have a cap saying that we will not go beyond a certain percentage on application management, infrastructure management work in terms of fixed price. We may be much more careful in picking on fixed price bids, which are SI or development type of it.

Mitali Ghosh Right. You commented a little bit on the demand environment but if you could just differentiate between maybe customer budgeting trend s versus what you are seeing in terms of pace of deal closures and actual ramp up, that would be helpful. In fact I notice that the client addition numbers has been somewhat low across the sector and I was just wondering w hat we should read into that and if you could give some color on that?

Girish Paranjpe Client addition is 26 new clients which is probably in line with what the current environment merits and if you see across the peer group you will probably find similar range which is not surprising. But the good news there is, it is not just one or two sectors, it is fairly broad -based across all our industry verticals. Deal closures where they are of a certain type and size tend to get decided within six to nine months. So I have not seen a huge extension of timelines on some of these projects where the outcome is very specific, where there is outsourcing or something like that, those prices are getting decided on the fairly definite timetable. Only in Europe where there are issues involved w ith workers counsels and others there the decisions tend to get pushed out till that issue is resolved. So especially in European cases we see a slippage by one quarter or two quarter. Overall, IT budget clearly are compressed and I t hink that is going to continue all of this year, but there is a possibility that in the last quarter when people see what they have spent versus what their budget was there may be kind of a relief once people feel safe that they are within their budgets.

Mitali Ghosh Thank you.

Moderator Thank you Ms. Ghosh. The next question is from the line of Rishi Maheswari of Enam Asset Management. Please go ahead.

Rishi Maheswari Hi, thanks for taking my question. Earlier on air you had mentioned that within the tele com vertical you are more concerned about the telecom equipment manufacturers, my question was that within the vertical breakup that you had given how much constitutes from the telecom equipment manufacture?

T.K. Kurien If you look at the telecom vertical by itself, equipment vendor is about 8.5%, and the communication and media service providers arriving at 8.9%.

Rishi Maheswari So within that how would you breakup the telecom service providers and equipment manufacturers?

T.K. Kurien 8.9% of company reve nue is service providers and 8.5% of telecom equipment vendors.

Rishi Maheswari Right. Also if I could get a fair view on what portion of the revenues would you really consider as discretionary?

T.K. Kurien In which segment?

Rishi Maheswari Across the se ctor.

T.K. Kurien Very difficult to answer. T ypically what happens with the discretionary spend is, it is linked with the service provider segment to new build s. So typically what would happen is that in a developed country it would be much, much less, it would be more skewed towards new product introduction in which case the new development spend will be much lower, maintenance will be very high. In case of the equipment manufacturer, it would be new product devel opment vis-à-vis maintenance. And that ratio in the current year would probably reach the ratio of about 70:30. 70% going towards maintenance and 30% towards new product introduction.

Rishi Maheswari That will be very helpful. Thank you so much.

Moderator Thank you Mr. Maheswari. Our next question is from the line of Anthony Miller of Tech Market View. Please go ahead.

Anthony Miller Hello. I got questions around Euro pe please. I have couple of questions for you. First is please can you let me know what your revenue growth in Europe was in constant currency year-on-year and sequential. Secondly, if you can let me know please how many of your 26 new clients were in Europe. And if I can just take make out as Mr. Premji mentioned about hiring more local talent can you please let me know how many new hi res you made as in local hires you made in Europe? Thank you.

Suresh Vaswani I do not know whether I got all the questions, this is Suresh Vaswani, here. Your first question in terms of growth in constant currency year-on-year basis in Europe, it is 5%. Se quential growth in Europe again on constant currency ie -5.3% while the Y-on-Y growth is 5%.What was your second question?

Anthony Miller Of the 26 new clients, new clients how many of those came from Europe?

Suresh Vaswani 9 out of those 26 customers ca me from Europe. And broadly speaking about Europe, we are getting into a situation of a fairly good pipeline in Europe and I would say more integrated type of deals, more larger type of deals are really in Europe.

Anthony Miller: And the final question was about the local talent. How many sort of a local hires that you made in Europe in the last quarter please?

Pratik Kumar: Anthony, this is Pratik here. Of the total hiring which we did in Europe of local talent , that numbered around 45.

Anthony Miller: Okay. Thank you very much.

Moderator: Thank you, Mr. Miller. Our next question is from the line of Yogesh Aggarwal of HSBC Securities. Please go ahead.

Yogesh Aggarwal: Yeah, hi, just a couple of questions if I may. Firstly on coming back to the telecom equip ment manufacturers I understand there are structural concerns surrounding consolidation there. I just wanted to know how much is the traction of you guys with the Asian vendors like ZTE and HTC because I reckon these guys are increasingly gaining market sh are in that market. And secondly on the IT budget, it is widely expected that the budget s might improve next year. Now considering hardware had a very bad year and there is a big upgrade expected in the next year, do you expect a larger proportion of the i ncremental IT budget would actually go in hardware rather than IT services?

T.K. Kurien: This is T.K. Kurien. Let me speak with respect to the telecom environment. See here is what is happening as far as the equipment vendors are concerned, both in develop ed countries as well as in developing countries. If you look at the equipment vendor 's space there are specifically two segments that they operate in. One is the IT -BPO segment, the second one is the engineering services segment. The e ngineering services s egment that most of the companies that operate in developed countries, primarily like the big clients there in the past, in isolation, if you look at them, they typically are spending less on R&D and spending far more in terms of IT and BPO. That segment i s growing. But the R&D segment clearly is declining. As far as ZTE is concerned and Huawei is concerned clearly their spend is on the R&D side. We are not doing too much of work with either of these players. Most of the work that we do with both these play ers is only on the deployment side not on the build side.

Yogesh Aggarwal: I am just wondering because as these vendors increasingly get market share will the addressable market for you guys?

T.K. Kurien: So I think the addressable market perhaps is more o n the go-to-market side rather than that on the build side. Because typically if you look at their build side, they have access to large pool of low cost resources so cost is not the play for us, our play is how do we add value to them on the sales side.

Yogesh Aggarwal : Okay. Thank you.

Moderator: Thank you, Mr. Aggarwal. Our next question is from the line of Divya Nag arajan of JM Financial. Please go ahead.

Divya Nagarajan: Hi, congrats on a good quarter. I noticed that your emerging market segment has d one very well during the quarter as it has been for the last few quarters as well. Could you throw some color on what kind of deals in terms of both verticals and service segment that you are seeing there and how do you see this going forward in terms of g rowth rate?

Suresh Vaswani: Emerging markets is a strong story for us. There are two aspects to the emerging markets. One is the India and Middle East market which is the largest part of our emerging market story. And the second is really what we call is t he Rest of the World, which covers Australia and which covers Singapore and Malaysia. Now if you look at India and the Middle East I think we have positioned very, very strongly as a complete system integrator and a strong total outsourcing services provider. And typically the type of deals that we are winning in India and Middle East, Unitech, which we won last quarter or Aircel which we won a couple of quarters back is a broad representation of some of the large opportunities that we a re contesting. I am not talking necessarily about the size, I am also talking about the complexit ies, the fullness of the proposition that we offer as full solutions to customers. From a vertical perspective in these markets telecom is large and big, government presents a gre at opportunity, in fact last quarter, we won a fairly large contracts of ESIC, education is a big segment, I would say broadly the growth in these markets is across all segments. Maybe what attract more attention to the telecom sector and the government se ctor, but there is a good strong broad based growth happening across the entire markets in India and Middle East. Energy and utilities, is another sector which one can single out and then shift , particularly in the Middle East, there is a large proportion of our deals has been from that sector .

Divya Nagarajan : Great. My next question is to Pratik. Pratik, could you just give a sense of the kind of attrition we had in employees across the BPO and India, Middle East segment?

Pratik Kumar: So Divya, we gave an overall number and on an overall basis our net add ition has been 711 which we have shared. And that is the number which we have indicated.

Suresh Senapaty: What has happened is over a period of time I think we are finding a fairly decent component of people engaged in BPO , IT in WT, and IT in Wipro Infotech, we're able to move them from one job to another. So from that point of view what makes sense for us is to report a total number.

Divya Nagarajan: Fair enough. And lastly just on e book-keeping questio n, what are the kind of tax rates that are you looking at for the full year with the next with STPI being extended.

Suersh Senapaty: The quarter 1 tax rate you saw was about 15.5% which should be within that narrow range as we go forward in the current yea r, so far as next year is concerned one does not given a specific guidance but we do not think it will be significantly different than, it will be within 100-200 basis points.

Divya Nagarajan: Right. Thanks. And all the best for the rest of the year.

Moderator: Thank you, Ms. Nag arajan. Our next question is from the line of Sandeep Shah of ICICI Securities. Please go ahead.

Sandeep Shah: Sir, last quarter in our commentary in terms of pricing was a little better than the other vendors, but this time if we l ook at the offshore pricing has declined by 1.1% despite there are some positive benefits from the cross currencies, is there a pricing scenario for us has been changed?

Suresh Senapaty: Sandeep, last time when we talked about it we gave the guidance for the current quarter itself. We said that the decline we were expecting would be both in terms of pricing as well as volume.

Because Q4 was also soft, we said in Q4 that we have been able to hold on to the pricing but volume will decline. And we said that quarter 1 will be a case where both of them will decline and then as we go forward we hope to look at more upside on the volume. And in consequence to that, what we have gone through in quarter 1 is a little muted than what we had communicated at that time.

Sandeep Shah : Okay. So we maintain like flat to -5% outlook we have given last time.

Suresh Senapaty: Well, we have never given any specific guidance except for the immediately succeeding quarter.

Sandeep Shah : And just last thing, for offshore pricing can you give us the constant currency decline?

Suresh Senapaty: About 2.4%.

Sandeep Shah: Okay. Thanks a lot.

Moderator: Thank you, Mr. Shah. The next question is from the line of Srivatsan Ramachandran of Spark Capital. Please go ahead.

Srivatsan Ramachandran: Hi. Just wanted to get a sense of the forex loss we had, slightly larger than what we had about 146 crores, it is mainly due to restatement of monetary assets & liabilities or is there more to it?

Suresh Senapaty: Yes, mainly because of the translation. Overall, if you look at the impact on the operating margin it is about 1% plus.

Srivatsan Ramachandran : This is mainly on the ECB loan we had I guess.

Suresh Senapaty: No, no, that goes to capital account hedging. This is primarily in terms of translation.

Srivatsan Ramachandran : Just wanted to know what is Wipro's view on the recovery as it is we are going to see the recovery happening in broad IT services, is it going to be driven more by traditional application development and maintenance of systems integration work or do you think it will be driven more by the OPEX end of this budget line more in IMS and BPO. What could kind of improve the overall scenario more than what it is now?

Suresh Vaswani: This is Suresh. If you look at it from a service line perspective we definitely see that the BPO business, the infrastructure services business and the package implementation business would drive stronger growth compared to the traditional ADM business, or compared to the traditional product and engineering services business as well. So BPO, infrastructure, package implementation, and testing services would be the growth drivers I would say across all the sectors relative to ADM.

Srivatsan Ramachandran: Thanks a lot.

Moderator: Thank you, Mr. Ramachandran. Ou r next question is from the line of Nitin Padmanabhan of Centrum Broking. Please go ahead.

Nitin Padmanabhan: Hi. If I look at the headcount and back-calculate from the onsite and offshore man-months available net-net looks like the IT services has seen a 1,490 decline in net headcount. So are we likely to see that improve going forward or this quarter be en the bottom there? Second question was with regard to if you could just throw some light on the what opportunities specifically you are seeing within the Cloud Computing and you were also talking about water as an opportunity, water and other initiatives, so if you could just highlight on that as well?

Manish Dugar: This is Manish here, your question is around the numbers translating to a headcount drop in Wipro Technologies.

Nitin Padmanabhan: IT services.

Manish Dugar: As Senapaty said that because of fungibility of resources between our different businesses we would rather look at overall number and maybe we can do this offline but I do not think the number translates to the number that you are hinting at.

Suresh Vaswani: I think the second question you asked was with respect to Cloud Computing so clearly this is fairly strong trend particularly from a medium and long term perspective. Cloud Computing is one of the big themes that we are driving as a company across all SBUs in terms of investment, in terms of creating propositions. So very specific to what we do in Cloud Computing, we do consulting, we do system integration, implementation and maintenance for creation of private clouds for customers, or for creation of public clouds for service providers. We also have launched a few solutions in the cloud so to speak, one of them is a healthcare information system that we offer in the domestic market to ho spitals, second is a sustainability measurement solutions that we offer to global customers, and very recently we have launched in the software as a service or as a cloud service in the EDI and the document management space. So cloud is a big thrust area for us. We are taking fairly strong steps in terms of making sure that we gear ourselves up for the opportunity as it rolls out in the future.

Nitin Padmanabhan: Right. And there was also something on water and this as a big opportunity over the next three years and renewable energy.

Anurag Behar: Hi, this is Anurag Behar. So I think before I begin answering your question let me just anchor the timeframe correctly. We do think this is going to be a very significant business, but this is not going to happen o ver the next three or four or six quarters. And our belief is anchored on this notion that if you look at the next 5 to 15 year period, anything that is driven by concern around ecology that is clean energy or water that is going to grow dramatically. So w e are investing in that space. At this moment we are offering two things. One is water treatment plant for industry which basically deliver re -use of water and the other is the offering technology agnostic s clean energy solutions to client site meaning if you have got a campus we can go and consult you as to what kind of a mix of renewable energy that you should be having. At this moment we have about 280 people working in these businesses, like I said, I do not think we would have some headlines grabbing numbers in the next four quarters or six quarters, but if you would ask me in 5, 10, 15 years' time, this is going to be a sizeable business.

Nitin Padmanabhan : Thank you.

Moderator: Thank you, Mr. Padmanabhan. Our next question is from the line of Rahul J ain of Mata Securities. Please go ahead.

Rahul Jain: Good afternoon, sir. I just wanted to ask that we have been seeing reduction in debt in this particular quarter. So I just need to understand is it a regular payment or we are just paying off some of it?

Suresh Senapaty: The debt that we have except about $350 million being an external commercial borrowing for over a five year period, the balance debt is primarily short-term. So there we have a three months, six months, nine months, one year maturity at best. So we have seen a quarter-on-quarter decline of some of those debts.

Rahul Jain: So do we see this thing to fall if we do not have any specific utilization of the resources right now?

Suresh Senapaty: No I think we have net of debt about $600 million of cash which is double the amount that we had in the beginning of the quarter. And objective to which we will be able to take advantage on the kind of business opportunity including the strategic purposes like M&A.

:**Rahul Jain**: Okay, sir. Thanks a lot, sir.

Moderator: Thank you, Mr. Jain. Our next question is from the line of Dipesh Mehta of Khandwala Securities. Please go ahead.

Dipesh Mehta: Can you tell me the growth rate of our global IT services excluding Info crossing and BPO? And second question is a bout general business outlook, what kind of traction we are seeing in BPO and ADM business?

Suresh Vaswani: Let me answer the second question first please. What are the prospects that we see for BPO and ADM? BPO, clearly there are good prospects. If you just see the growth in the BPO services business last quarter was 4% sequential, and year-on-year was 4%. So clearly it is the business that is driving growth for us and we see that as an increasing trend going forward as customers look for more transformation in terms of their processes and more integrated solutions in terms of BPO and IT. So clearly BPO will be a growth driver for not only us, it will also be a growth driver for the industry and some of NASSCOM predictions also predict that was the first one. ADM is more a steady-state business, more legacy and that is why we will see lower growth compared to some of the other service offerings and the service lines that we get to the market.

Suresh Senapaty: So far as the growth been talked about the BPO an d Infocrossing, BPOs Suresh Vaswani just now told you about the growth rate that we got and so far as Info crossing is concerned it is part of our business infrastructure services practice and that practice has grown YoY 8. 7% in quarter one.

Dipesh Mehta: Can you tell me the exact number for global IT services, excluding both Info crossing and BPO?

Suresh Senapaty: Infocrossing is part of IT infrastructure services . It is not independent anymore. BPO being a practice we are able to communicate that. But Info crossing is now part of the overall TIS.

Suresh Vaswani: I think you are talking about global IT services; global IT service is a total services that we deliver globally including India. That is where we announced our results and where we achieved US$1033 m illion which corresponds to sequential decline of 1.3%, and a year -on-year decline of 3.3% that is global IT services.

Dipesh Mehta: Thanks.

Moderator: Thank you Mr. Mehta. Our next question is from the line of Rachana Pandit of Ventura Capital. Please go ahead.

Rachana Pandit: Sir, I want to know client concentration for June quarter, concentration I mean to say the contribution towards the revenue of the top client and top five clients and the ten clients.

Suresh Senapaty: Top customers in dollar terms 2. 4% to 2.6%, top five 10.8% to 11.4%, and top ten 19.7% to 20.6%.

Rachana Pandit: And second question is the utilization rate I want to know for this quarter?

Suresh Senapaty: It is up by 1.6 percentage points , 70 is on the gross basis.

Rachana Pandit : Okay. Thank you so much.

Moderator: Thank you, Ms. Pandit. Our next question is from the line of Yogesh Aggarwal of HSBC Securities. Please go ahead.

Yogesh Aggarwal: Sir, broadly it was expected that IT budgets would increase next year in 2010 and considerin g how hardware has performed badly this year and there is a big upgrade cycle also coming up , do you believe that the larger proportion of the incremental IT budgets would be more focused towards hardware buy out and not for IT services comparatively?

Girish Paranjpe: Very difficult to answer at this stage when the budgets for 2010 are not even in the proper…..so perhaps little premature to answer that question. Maybe once we have better sight of the 2010 budget, we will be able to at least say whether it is likely to be tilted towards hardware or services or products.

Yogesh Aggarwal: Okay. No worries. Thanks a lot.

Moderator: Thank you, Mr. Aggarwal. Our next question is from the line of Shraddha Agarwal of B&K Securities. Please go ahead.

Shraddha Agarwal: Hi, sir, good afternoon. Just wanted to check how is the hiring phased out for the remaining three quarters of the year?

Pratik Kumar: Shraddha, we have shared with you the numbers which we have added on for this quarter. We do not give guidance in terms of the hiring for the remaining part of the year. But we have shared something which can get communicated again we have given firm dates to the campus joinees and they would continue to be brought in over the next two quarters. All the offers which we have made to people and that was remaining for them to actually come on board will get done with over the next two quarters.

Suresh Senapaty: Headcount increase will happen in line with the volume growth that we will expect as we go forward, that is embedded into quarter-to-quarter guidance that we gave.

Shraddha Agarwal: Sure, sir. And just one general question, what is the difference in dem and dynamics which you see in US versus the Europe?

Suresh Vaswani: I would not single out US versus Europe. I think the economic impact globally is pretty much the same, the only thing I would say is Europe since it is relatively speaking especially some countries in Continental Europe is relatively new to outsourcing, we are now beginning to see fairly interesting opportunities, particularly in Continental Europe countries like Germany and France, which are beginning to open up for outsourcing to service providers like us.

Shraddha Agarwal: Sure. And sir, last if I can ask one bookkeeping question. What is the OCI balance at the end of this quarter & the hedge cover?

Suresh Senapaty: It is down from about 1600 plus crores to 1200 plus.

Shraddha Agarwal: And the hedge cover would be?

Suresh Senapaty: The net of assignment of about $1.2 million,.

Shraddha Agarwal: Sure, sir. That is really helpful. Thank you.

Moderator: Thank you, Ms. Agarwal. Our next question is from the line of Viju George of Edelweiss. Please go ahead.

Viju George: Yeah, hi. I am just trying to understand your client drop out numbers. Over the past four quarters cumulatively you lost over a 100 clients despite adding 100 clients, so which means that you have lost on a gross basis of about 200 clients over that, on a base of close to 850 clients. So you have almost 30% drop out. Just can you throw some light on what is behind this?

Manish Dugar: Viju, hi, this is Manish here. If you look at the way we report our client drop out and client add, it is primarily based on the run rate revenue and you would agree that it has been significantly impacted by the curr ency and because we have got certain threshold below which if the customer goes in terms of a run rate in dollar numbers the customer is shown as a drop out, most of the reduction in the customers is coming because of that. But it is not necessarily a customer closure or it is not reflective of any disconnections with customers , so to speak.

Viju George: Sorry I did not understand that. Can you just clarify that a little more for me, Manish, please?

Suresh Senapaty: We started this with Wipro Infotech and w hen we put Wipro Infotech services into the overall IT services, Rupee/Dollar was 39 , 40 and now it is about 48, 49. So what we consider them as an active customer if in the last 12 months we have done an invoicing of a particular threshold. While earlier they were on a particular threshold at 40 to a dollar when it comes down to 48, number of dollar drops and therefore it falls below that threshold. So therefore I would urge you not to look at that data point in a focused way which could reflect in terms o f the business traction that we were getting. There has been a lot of marginal , particularly in India smaller customer base, where in Rupee terms they were meeting that threshold which is not because of the Rupee depreciation.

Viju George: What is the thre shold, Suresh?

Suresh Senapaty: The threshold we have is $37,500. It is 37,500 per quarter which means 150 ,000 per year.

Viju George : If I can slip-in one more question here, is it possible for us to have any outlook on the cash outflows you have on accou nt of either deferral or cancellation of hedges because that is seen in every quarter. And though the quantum is lower in this quarter we just want to get a sense of what it might be in the quarters to come?

Suresh Senapaty: Whatever OCI that we have signi ficant component of that is in the form of cash OCI. So consequently as and when you find liquidation of that it does happen without a cash going out. Last year when we created the OCI, we got into cash hit and not a P&L hit, and this time we are getting the P&L hit but not the cash hit.

Viju George: Okay, guys. Thank you.

Moderator: Thank you Mr. George. Our next question is from the line of Mitali Ghosh of Merrill Lynch. Please go ahead.

Mitali Ghosh: Hi, I had a question on the compensation, I am trying to understand the manpower costs, so just any rethink on the fixed wage hike or any changes you made to variable compensation and finally if there is any number that you think you could share on how the bulge mix is changing?

Pratik Kumar: Mitali, this is Pratik again. No, there has not been any change which we have made either to the fixed or to the variable costs of the salary. We had shared previously that we do not have plans to give individual annual merit salary increase which typically kicks-in in quarter two. So that is where we are as far as the salary component is concerned. On the bulge , considering that we have not been taking people in larger numbers, we have been able to hold on the bulge number to the same level in fact it has actually gone up by a percentage point and today it stands with 44% and which we think is commendable considering that we have not been taking lot of people on board that typically helps in improving the bulge.

Mitali Ghosh : This 44% is, number of people with less than three years?

Pratik Kumar: Yeah definitely with less than three years.

Mitali Ghosh : Okay, and just one more question. In terms of your dollar one to ten million clients there has been a significant drop this quarter, if we look at it on the trailing 12 -month basis. I was wondering if you just look at this on a quarter-to-quarter basis there is a different trend. Is there anything you want to highlight with respect to this?

Suresh Senapaty: No, the same thing Mitali again because Rupee/Dollar is getting into a higher level of volatility there. Maybe we need to think of some different kind of reporting now because so many questions we get on that. But I think it is a good input from your side that we should re-look at it.

Mitali Ghosh : Thank you..

Moderator: Thank you, Ms. Ghosh. Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the conference over to the Wipro management for their closing comments. Please go ahead.

Rajendra Shreemal : Thank you, Rochelle. We thank you all for participating in this call. Should you have missed anything during the call the audio archive of this call will be available on our website and we would also be putting up a transcript of this call very soon. And of course should you need any information, the Investor Relation Team would be delighted to talk to you and have a wonderful afternoon. Thank you.

Moderator: Thank you gentlemen of Wipro Management. Ladies and gentlemen thank you for choosing the Chorus Call Conferencing Facility. Thank you for your participation and you may now disconnect your lines.