"Wipro Technologies Limited Conference Call-India"

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Moderator: Ladies and gentlemen good day and welcome to the Wipro Technologies Limited Conference Call. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. Please note that this conference is being recorded. After the presentation, there will be an opportunity for you to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing * and then 0 on the touchtone telephone. At this time, I would like to turn the conference over to Mr. Rajendra Shreemal, thank you and over to you sir.

Rajendra Shreemal: Thanks everyone. I would like to thank all of you for joining the call with us today. A very good morning to the people who have joined from America and good day to all of you for people joining from India and other parts of Asia Pacific and Europe.

As the operator just mentioned, my name is Rajendra Shreemal. I head the Investor Relations along with Aravind in Bangalore and Sridhar Ramasubbu in U.S. We handle the investor interface for Wipro. We thank you for your interest in Wipro. It is a great pleasure. I take the opportunity to welcome you all to Wipro's conference call post our results for the fiscal quarter ended September 2010.

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

Before Mr. Premji starts his address, let me draw your attention to the fact that during the 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 the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with the Securities Exchange Commission of U.S. Wipro does not undertake any obligation to update forward looking statements to reflect events 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 to all of you. Let me just cover some key points about IT services business and our IT business. We had a decent quarter with 6.6% sequential volume growth and 5.7% sequential growth in revenues in dollar terms. Despite macro uncertainties at a micro level, customers are spending their budgets and demand environment is very strong. Discretionary spend is picking up. Pricing environment is stable with the potential for price increases next year.

As was anticipated our margins have dropped to 22.2% driven by RSU and progression of over 20,000 people and the impact of Forex as well as increased spend on sales and marketing. We remained completely committed to driving operational excellence and margin improvement and we will drive that relentlessly. Also wanted to highlight some of the specifics of our results:

Retail and transportation, health care and services, telecom, and energy and utility led the growth over the vertical. Technology infrastructure services, product engineering services, consulting and package implementation contributed to service line growth. We had a strong growth in Europe and the emerging markets. The industry has seen much stronger volume and revenue growth this quarter and we recognized and acknowledged this with respect to our performance. We want to assure you that we will rise to this challenge and ensure that we will return to be among industry leading profitable growth companies. We are putting the entire muscle of our organization behind this.

In the past 6 months, Wipro Eco-energy has moved from concept to reality. We have sharply narrowed our focus into areas where intellectual property can be leveraged to create a scalable business. We are leveraging Wipro's customer base to offer these services.

I would now like to hand over to Suresh Senapaty, our CFO to quickly cover financial highlights of this quarter.

Suresh Senapaty: Good day ladies and gentlemen. Before I dwell into our financials, please also note that for the convenience of our readers, our IFRS financial statements have been translated into dollars at the noon buying rate in New York City on September 30th for cable transfers in Indian rupees, as certified by Federal Reserve Board of New York which was $1 = Rs. 44.56. Accordingly revenues of our IT services segments that was $1.273 billion or in rupee terms 57.47 billion appears in our earnings release as $1.29 billion based on the convenient translation.

Our IT services revenues for the quarter ending 30th September was $1.273 billion on a reported basis, a sequential growth of 5.7% and year-on-year growth of 19.5%. On a constant currency basis, our IT services revenue was $1.261 billion. We had a good quarter of growth driven by specific verticals and service lines:

Among the verticals, retail has led growth with 9.7%, healthcare with 8.8%, telecom with 7.7%, and energy and utility with 6.5% on a sequential basis. BFSI had an inline quarter with 5.7% sequential growth. Package implementation and product engineering solutions have driven growth in the quarter with 6.8% and 15% growth respectively. Technology infrastructure Services is continuing to see strong traction with 6.6% sequential growth and 23% year-on-year growth.

Among the geo, Europe saw a surge with growth of 10.3% on a sequential basis. Our investments in emerging markets are continuing to pay off where strong growth in India and Middle East business and APAC and other emerging markets of 5.3% and 11.1%.

We have 20 customers with revenue greater than $50 million on a trailing 12-month basis up from 70 in the previous quarter. We saw another quarter of strong volume growth of 6.6%, a highest volume growth in the last 12 quarters. Offshore mix went up 50 basis points on the back of the 7.4% volume growth in offshore. Pricing increased in the current quarter by 1.1% onsite and 0.2% offshore. It is driven by the benefit of cross currency. Our proportion of revenue from fixed price projects dropped by 0.6% to 44% in the quarter.

Attrition on a quarterly analyzed basis went by 50 basis points to 23.5%, but we are starting to see our employee related initiatives yielding results. September attrition was the lowest in the last 6 months. Operating margins of IT services dropped 250 basis points sequentially impacted primarily on account of ForEx, progression to employee, RSU grants and investments in S&M. This was partially offset by improvement in bulk. As of 30th September, our DSO was 69 days, up from 65 days in the previous quarter. 84% of our debtors are less than 30 days old.

Our IT products business showed sequential growth of 29% revenue in current quarter. We grew PBIT sequentially by 58% in this current quarter. Wipro Consumer Care and Lighting business continued to see good momentum with revenue growth of 20% year-on-year and PBIT growth of 13% on a year-on-year basis.

On the Forex front, our realized rate for the quarter was Rs. 45.15 versus a rate of Rs.45.69 realized for the quarter ended June 30th. On a quarter-on-quarter basis, Forex gave us a negative impact to margins including the benefit of cross currency of 1.2%. As the period ends, we had about $1.5 million of Forex contracts.

Our OCI losses reduced by 268 crores in the current quarter to 369 crores. The effective tax rate for the quarter is 14.55% and ETR at normalized level is 16.95%.

Our net cash balance as on balance sheet was Rs. 44 billion. We generated a free cash flow of 4.3 billion during the quarter.

We would be glad to take questions from here.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of S. Nataraj from Quantum Advisors. Please go ahead.

S. Nataraj: Good afternoon. Just wanted to get a perspective on your infrastructure side of the business. You had mentioned in your annual report that you got some 1850 crores of order book last year. Just wanted to gain what is the strategy there, you have invested in Lavasa, Delhi airport. Why do a very asset intensive strategy on that side and your thought process behind it. What are the risks on that side?

Suresh Vaswani: So you are specifically referring to infrastructure services business which is a large part of our total IT services business and it accounts as much as 21% of our business. This is a business where we have very strong presence particularly on the system integration aspects of this business in India and in the Middle East and this is a business which we have traditionally been in for very-very long and our covenants in this business led to the creation of infrastructure services business that we have launched globally where we are leaders in the segment. Recently, we have done a few acquisitions which have further enhanced our proposition here. We acquired Infocrossing which enhanced our value proposition as it lends to becoming a complete infrastructure outsourcing company for the U.S. markets. We have acquired data centers in Europe as well and we mentioned that last quarter and we built up also now significant managed data center services capacity in India. So all in all, we are fairly complete in so far as this segment is concerned, offer end-to-end infrastructure outsourcing solutions and offer very innovative managed services solutions for our customers globally. So it is an area where we continue to invest in and we believe will continue to be a growth driver for us going forward.

S. Nataraj: My question is why do asset intensive? Why pick up a stake in projects when you can partner with somebody who can do the asset intensive business, you do the services part of it, I just wanted to understand the rationale behind that?

Suresh Senapaty: That is literally, our intention is not to take them in our books but basically we make sure that there is a partner who can invest in to those assets. So what we do is in this particular case, it is an interim case where the assets are there in our books, but eventually it will go off our books because there will be some financing agency which will finance it on non-recourse basis.

S. Nataraj: Alright, thanks.

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

Srivatsan Ramachandran: Hi, just wanted to understand, we see a volume growth of 6.6% but dollar term growth of 5.7% and cross currency just wanted to understand what is driving this dichotomy?

Manish Dugar: If you look at the matrices, you would see that there has been an increase in our offshore revenues as well and as you know that for the same individual billed in offshore, the onsite revenues are close to 2.5 times that of offshore. So if you do a combination of increase in offshore mix with the increase in rate realization and the volume growth, you will find that the maths tracks off.

Srivatsan Ramachandran: And then just wanted to understand if there is any demand that we have to let go due to supply side constraints during the quarter?

Girish Paranjpe: **Even in the** best of time, nobody can do 100% fulfillment. So there are always situations where there is certain demand that we will not fulfill either because it kind of showed up too late on a supply chain or it was not priority for us and we will selective from what we have been doing.

Srivatsan Ramachandran: Thanks a lot.

Moderator: Thank you. The next question is from the line of Anurag Purohit from Alchemy Shares. Please go ahead.

Anurag Purohit: Good afternoon and thanks for taking my question. My question was regarding the employee recruitment in this quarter, of course attrition has an impact on employee recruitment, but if you were to look at the increase in sales and support staff, the increase in technical employees looks even lower. So, a little bit color on that and especially considering that you had given promotions as well as RSUs during the quarter.

Suresh Vaswani : We've added around 3000 people net headcount this quarter and this is after adding close to 18,000 people over the last 4 quarters. Clearly, we are responding to a demand environment. The demand is there in the market and that is validated by the continuous volume growth we had over the last many quarters. This year, we've added lesser number of people primarily to optimize our bench. So if you look at utilization data, it has come down over the last couple of quarters because we have been wanting to make sure that we addressed demand adequately and the lesser manpower addition this quarter has been to just make sure that we stay balanced in terms of utilization versus addressing the demand.

Suresh Senapaty: And also if we were to gross up the reduction in the headcount in the BPO side, then on the IT side the net add is 4200 that compares with about 5000 in quarter one.

Anurag Purohit: The revenues in BPO seemed to be quite muted on quarter-on-quarter basis, any particular reason for that?

Suresh Vaswani: So we had some ramp downs in some of our larger programs. So which is why the BPO growth including this quarter is muted in terms of the sequential growth, but in terms of deal pipeline in terms of funnel pipeline and in terms of order closures they have been fairly strong in the BPO side.

Anurag Purohit: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Mitali Ghosh from Bank of America. Please go ahead.

Mitali Ghosh: Good afternoon. The first question is regarding the pipeline and if you could talk a little bit about how the addition to pipelines have been looking this quarter and how the order book has grown, any changes you see to the pace of sales cycle?

Suresh Vaswani: Our pipeline has been fairly steady this quarter and it has certainly shown an increase over the previous quarters and we have said that quarter after quarter. We do believe that we are in a strong demand situation where you have to do both - create demand as well as address the demand that is there and clearly the sort of volume growths that we have had continuously is an indication of pipeline as well as deal closures. We have announced 7 large deals this quarter on the back of 7 deals last quarter, so deal closures have also been fairly robust.

Mitali Ghosh: Right and you had a very good quarter about couple of quarters back when I think you closed to about billion dollar kind of TCV and also you had pretty decent client additions even in this quarter, so just had a question in terms of the ramp up of those deals and clients, what sort of a trajectory should be really expect there, are they on track or are we likely to expect them more in the next few quarters?

Suresh Vaswani: We do not really give guidance for beyond the next quarter. So we have given our guidance, but clearly it is a strong demand environment. We are addressing the demand, we are seeing fairly healthy pipeline, we are seeing good closures, and our view of the market and our view of how our growth will be is very optimistic.

Girish Paranjpe: Little bit adding color to what Suresh said. You are right that we had good wins and I can say that there is no surprise in terms of when we expected fulfillment or the ramp ups to happen versus what is taking place. So to that extent, there is nothing unusual that is kind of not reflected in our results.

Mitali Ghosh: But it would be fair to assume that some of those transitions are probably still taking place?

Girish Paranjpe: That is right.

Mitali Ghosh: And secondly just on the margins, the margin outlook I think this quarter the hedges have been a big headwind for you. So, if you could give some color in terms of the next couple of quarters, how the hedging situation looks, what we should expect from a margin perspective? And also given that utilization probably can improve any other lever if you just like to give us some indication of what we should expect over the next couple of quarters, at least directionally?

Suresh Senapaty: Mitali clearly when we had started the quarter we have talked about two headwinds specifically with respect to the accounts and the progression that we gave and the ESOPs that we gave and the second one is with respect to the Forex we had an uptick in quarter one. So one we will have an adverse impact in the current quarter etc and also what we saw is the spot INR-dollar has moved something like 3% which is like annualized 12%. So in that context, these were adverse effects for us on the INR side and net of gain on the crosses of about 1.2%, on an account of compensation is about 1.3%. So net-to-net is about 2.5% while there is a little bit of plus and minuses in terms of investments in sales and marketing. And what I was saying therefore we had some extra investments in sales and marketing which was recovered through the improved operations, but net-net the headwind of Forex and compensation increase and Stocks grant led to the 2.5% decline, but simultaneously while we got about 1.2% on forex would mean about a $15 million of hit in the quarter 2, we have got the OCI losses down by about $60 million. So that is a good thing. So from that point of view, you will see a much more moderated Forex impact as you go forward and B) is similarly therefore because of the compensation increase will take some quarters to be able to recover that. So we are all familiar with the various levers that are there and we are pretty determined to be able to make sure that in next few quarters, we will be able to restore the margins.

Mitali Ghosh: That is really helpful. Just one last question if I may in terms of the top clients, the growth seems to have been somewhat muted this quarter. So just wanted to understand whether that is like a quarterly aberration, any trends in those clients that we should be aware of going forward?

Suresh Vaswani: In terms of our big drive in terms of account growth, we have a category of what we call as mega accounts, gama accounts which are roughly 65 accounts that we are driving strong account management processes where we have made investments in client engagement managers and where we have aligned our organization very strongly behind the client engagement managers. So if you look at it on a broader basis, instead of just top 5 or top 10, if you look at the top 25 accounts in terms of the sort of growth we have got there, the growth is significantly higher, than our average growth of 5.7% and those 25 accounts, our growth is close to 7% sequentially that is the way we would like to look at it because that is the way we are driving accounts, on a broader base of what we call as mega and gama accounts.

Mitali Ghosh: Sure appreciate that, but in terms of the top 10, is there any trend that we should be aware of in terms of penetration potential or any specific issues with those clients?

Suresh Vaswani: Our drive is towards driving growth in all mega, gama accounts and consequently also in the top 10 accounts, but what has happened in the top 10 accounts is some accounts, sudden ramp downs that happens in specific accounts so it tends to get a not complete view from the long-term perspective if you look at it just from a quarter perspective, but the general drive is towards driving account growth across mega and gama accounts including our top 10 accounts.

Mitali Ghosh: Thank you.

Moderator: Thank you. The next question is from the line of Mridul Gupta from Everest Group. Please go ahead.

Mridul Gupta: What kind of momentum are you seeing in this financial services vertical in terms of geographies and service offerings?

Girish Paranjpe: In financial services as you are aware capital market banks are fairly global, so it is not any particular geography oriented and there of course big centers are in New York and London and all decisions and investments are being made from there. As far as the commercial banks are concerned, we are seeing fair amount of traction both in Europe as well as in Asia-Pac where as we think that early next year the U.S will also pick up.

Mridul Gupta: Alright and in terms of services, are you seeing a trend towards preference for a particular kind of service or may be risk management or any other kind of solutions?

Girish Paranjpe: Certainly, I mean that is work being done in three areas; in compliance and risk management areas, there is work being done for integration wherever large mergers and acquisitions are taken place and the third area is just updating some of the old applications and systems which has tended to be not streamlined in the past.

Mridul Gupta: What kind of traction is cloud computing gaining in this space?

Girish Paranjpe: So I think every CIO has cloud on their agenda. The difference that we are saying is that some people are still in that kind of pilot mode or trying to understand and figure out how to use cloud technology in their organizations. Others have kind of moved beyond thinking and planning into at least taking some action. So we have probably had two very good wins in global multinational clients where we have moved ahead and got to a pilot stage where we are helping clients to move the pilot and create a longer term road map on how to leverage cloud.

Mridul Gupta: Thanks.

Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Good evening. Basically my question pertains to the product engineering segment where we have seen decent growth in the quarter. So is it basically we are seeing a good incremental business coming out from that particular or are we pretty sound in that space?

Girish Paranjpe: In product engineering, we had a very good quarter. A lot of the growth is really driven by upsurge in the semiconductor industry which is going to a cyclical upturn and there is a significant demand which is coming out of that but broadly speaking since we have now widened the market address of product engineering to cover sectors beyond hi-tech and telecom we think that there is opportunity in other industry verticals like manufacturing and consumer care.

Rahul Jain: And apart from the IT services any color you can share on the other segments how the different segments would pan out going forward?

Girish Paranjpe: When you say IT services other than IT services are you thinking outside the whole IT business which is consumer care and Wipro Infrastructure Engineering.

Pratik Kumar I will just take a minute to quickly brief you on Wipro Infrastructure engineering business, where we saw a decent growth both in terms of revenue as well as profitability and I think it is an indication of the way we have seen once again investment coming back in this sector both in India where we are predominantly there, as well as in the markets of Europe, where we have also significant presence. So, from our perspective, we are once again seeing after a long time, customers once again investing in capacity and that to us augers well for the remaining part of the year as well, thank you. So, I will just pass it on to my colleague Vineet to speak briefly on Wipro consumer care.

Vineet Agrawal In the consumer care and lighting business, we really have three verticals, one is our institution business which has commercial lighting and furniture. The commercial lighting has done well for us with our thrust on LED lighting as well as green buildings we light about 60% of our green buildings in the country today. In our modular furniture business, we have launched multiple products by international designers both in chairs as well as in furniture and that seems to be doing well for us and we are number two in the modular furniture business in the country today. In the India FMCG business which is really lead by Santoor and Yardley. Yardley is a new acquisition we did about nine months back that outperformed our expectations, the latent equity in India is higher than what we expected and our new commercial seems to be delivering. And Santoor continues to do well for us, we have also become number one in Karnataka beyond in AP and that thrust has augured well for us.

In the international business which is Unza business we acquired three years back. China continues to do well with over 26% growth, Middle East continues to do well, Malaysia continues to do well and our three key brands which are Enchanteur, Romano, and Safi all the three have done much better than expectations. So, overall on track on Unza acquisition. I will pass it on to Kurien who will talk about the Eco-Energy Business.

TK Kurien Good afternoon guys. The eco-energy business got three segments - one is where we do what is called is as managed energy services and the second is we also deal in the renewable products and the third is we also deal in the renewable products insofar as it applies to megawatt solar kind of areas. This quarter again, like everything else it has been six months we started this business. We have had some early successes, we expect to have significant growth going forward but right now we are in the pilot stage with regard to quite a few projects that we have on board that is an essence by the eco-energy business.

Moderator Thank you. The next question is from the line of Dipesh Mehta from Khandwala Securities, please go ahead.

Dipesh Mehta I just want to understand from the calendar year 2008 and for the couple of quarters, we are very slow down because of the macroeconomic situation and last four quarters, almost all peers has reported good growth number and we are languishing behind them. So, now going forward what kind of growth trajectory can we expect, whether we would expect, let us say next six quarter to lag behind or we expect to match industry and may be outperform it going forward that is my first question. Second question is about our miscellaneous expenses. This quarter it has increased, so can you throw some light on it? Third question is regarding product business. So, what kind of growth traction are we seeing? Thanks.

Suresh Vaswani Okay there were three questions, I think I have missed your second question, but broadly we certainly will drive the industry leading growth, our ambition will be to drive industry leading growth and industry margins going forward, so that is what we hope to drive that what we hope to achieve.

Dipesh Mehta Sir, just to drill it further, can you throw, if management is considered what are the factors, because for the last at least I think six-seven quarters, we are lagging behind our peers, so any specific reason or client specific issues?

Suresh Vaswani I will not get into a comparative analysis but speak more about what we are doing and how we see ourselves panning out in the market going forward. Clearly, we are making sure that we deliver strong strategic value to our customers, so we said this before as well that we want to build our system integration business, we want to build our transformation business, we want to offer integrated services to our customers then can create more impact from long-term perspective. As against let us say basically picking up low level demand that could be there, but that is what the demand is really transitional. So, our first is in terms of really seeing what customers are looking at, really seeing what they would like to take from IT service providers and BPO services providers that can create an impact on the business and working extremely closely with them. So, in terms of strategy, it is clearly aligned towards customers and building strong value preposition in terms of practices and that is what we plan to drive. We believe that this strategy from a long, medium term perspective is sustainable, will drive sustainable industry within growth and will drive sustainable margins, so that was your first question. Your second question I sort of missed.

Dipesh Mehta That is miscellaneous expenses that has increased quarter-on-quarter, so any specific reason?

Suresh Vaswani What was third question, come back to that?

Dipesh Mehta It is about product business.

Suresh Vaswani So, let me cover the products business, our products business is very centered around India and the Middle East where we do a lot of system integration business around the products. So, the thrust of our business in India and Middle East is not products for the sake of products but really products for delivering a full value proposition to customers in terms of systematic integration and services and that is what our drive will be. The products business has shown very strong sequential growth this quarter, but would have shown a year-on-year decline and that year-on-year decline is basically related to a very large contract that we have executed in the same period last quarter, where we had a lot of product billing. But leaving that aside the business continues to grow and our drive is to grow business, to grow our services business and that seeing the cornerstone of our value proposition in the emerging markets.

Dipesh Mehta Okay thanks.

Rajendra Shreemal And Dipesh this is Rajendra Shreemal here with respect to your specific question on miscellaneous expenses which is in the schedule 16 expenses by nature, the primary reason for it to go up is been the increase in provisioning for warranty expenses and also we have some increased expense on the BPO side of the business.

Dipesh Mehta Okay then that is one of or it is likely to continue?

Rajendra Shreemal Because we had a higher sales of the product this time that is the reason for the warranty provision and that more assets these product line.

Dipesh Mehta For BPO, I am specifically asking. BPO you said some of the-

Rajendra Shreemal No, BPO business whatever the provision it's a typically facility cost, so it is a recurring one.

Dipesh Mehta Okay thanks.

Moderator Thank you. The next question is a follow up from the line of S Nataraj from Quantum Advisors, please go ahead.

S. Nataraj Yes, just want to understand you had mentioned about, in one of the conferences, that you want to increase in non-linear share from 7% to 8% to normal doubling it to the matter of 12 to 18 months, how is that progressing, if that is progressing well, why is it not reflecting in the margins.

Suresh Senapaty Are you talking about non-linearity?

S Nataraj Yes that is right.

Girish Paranjpe Okay, so hi Girish Paranjpe here, non-linearity initiative that is kind of progressing well in those last quarter we are around 11% of our revenues in non-linear. And we have made progress on all the initiatives that we had within non-linearity whether it is on new and more efficient deliver initiatives, whether it is on workforce ecosystem, whether it is around specialized services. In all those areas I think we have made progress, but as we can imagine as we kind of go further and further on this non-linearity path, this line kind of becomes more and more difficult.

S Nataraj So, what you mean to say is that non-linear will involve significant investment in cost upfront is that what you are saying that is why your margins were not there?

Girish Paranjpe Well, there is a platform it involves cost, not otherwise.

S Nataraj Okay, but if the contribution is increasing from 7 to 8% to 11%, sorry reporting on but why is it not improving your margins or productivity ?

Girish Paranjpe No, it is. Actually we do not count revenues as non-linear unless it improves the margins as well, so it has helped margins, but as you would have heard at the beginning of this call that we have invested, we have given promotion to almost 19,000 people given restricted stock options to a lot of middle management and senior management promotions and also done regular promotions. So, the cost of that plus the cost that we have, impact we had a currency, plus investment that we have made in sales and marketing had an impact on our operating margins for this quarter. So, as non-linearity which is not being there, our margin would have been impacted even more.

S Nataraj That is what I was next going to ask, the non-linear and this is not happening then your existing business would had significant margin contraction which you already would have done, right?

Girish Paranjpe That is right, so as I said between currency, competition increase and investment sales and marketing we have had kind of negative impact on margins that has been mitigated by operational improvements and non-linearity.

S Nataraj So, if you are putting Rs.100 of extra cost or $100 of extra cost on a quarter-on-quarter basis how much of the new money is going towards new business opportunity that you are pursuing, is it IT whole part is one but the other new business could be very significant investments upfront and that could scale up over a period of time?

Girish Paranjpe Outside IT business or within the IT business?

S Nataraj Within the IT business, what is the kind of cost percentage spending that you are doing in all the new businesses that you are doing, certainly involving IT services, which could be infrastructure services, it could be non-linear part of it?

Suresh Senapaty Oh yes, the investment in non-linear investments are in horizon two and horizon three so Lan why don't you give some flavor on the horizon two and three initiatives.

Lan Yes, the investments we make in horizon two horizon three initiatives are those projects which essentially are seeds of organic growth, in which investments will happen right now and the returns of these investments happens over a extended period of time typically sometimes, more like towards end of year two, or year three, year four, year five these are projects which are in the areas of either solutions, IPs, competencies or new market address, they spread across almost all industry verticals. At this point in time we have over three dozens of such initiatives going and we are investing a reasonable portion of what we think is important dollars with the objective of getting good returns over a longer period in time.

S Nataraj If you want to drive a non-linearity going forward will you compromise your linear growth for non-linear or how is the business structured around?

Girish Paranjpe No, it is other way round so we have goal thing that some fixed percentages of our business has to be of a non-linear nature because what is the goal that we have, we have that as we grow revenue, we do not want to necessarily add headcount in same proportion which has been history with all IT services not only with the Indian companies but global companies as well and we want to kind of reverse that trend. So, we have a goal that we will do some part of a business, which is of non linear nature. So, in some ways we are converting some of the existing linear business into non-linear, that is the best way I can put it.

S Nataraj Okay just one thing, at the year end you had close to a billion dollar of debt in your book, I just wanted to understand where is this debt going, what is the business that it is servicing?

Suresh Senapaty These are typically the working capital loans or first of all external commercial borrowings which you have taken long term with respect to the investments we had in infocrossing acquisitions.

S Nataraj That is primarily towards infocrossing?

Suresh Senapaty That is correct, it belongs more the balance are typically short run.

S Nataraj So, if you have cash why do not you pay other debt or you are looking for infocrossing itself to pay its own debt or what is your debt outlook on that?

Suresh Senapaty Look it is a long term debt and so you pay back after or as and when it comes to maturity.

S Nataraj Okay, but you are not looking to reduce debt as we go forward?

Suresh Senapaty Well, it happens as we go along, I mean net of debt if you see in the cash we had is about a billion dollar.

S Nataraj Okay thanks.

Moderator Thank you. The next question is from the line of Mitali Ghosh from Bank of America, please go ahead.

Mitali Ghosh Yes sir, I just had two questions. One is on the compensation front, do you think you have sort of done for compensation increases this year or is there a possibility you could go back to your original cycle which was zero sometime in Q3 and Q4?

Girish Paranjpe Ms. Mitali there are many changes we have made kind reacting to the situation and we are seeing some positive impact of that where attrition has started to come down, but I think it will be unfair for us to kind of make any commitments on what we will or we will not do as the situation emerges. But as you would know that we had done full scale self revision February of 2010 and done a significant promotional increase for 19,000 people this quarter as well as giving stock options for a lot of middle management senior management. So, we have taken multiple action, now whether this is all, do we need to do more is something that we will have to watch quarter by quarter when situation differs.

Mitali Ghosh Right and secondly I just wanted to understand what are the trends you are seeing in the US versus perhaps in Europe, you have also mentioned that you expect US to recover sometime early next year, so just wanted to understand if you could just characterize what you are seeing in the US, may be which service line or verticals, you are seeing more demand from general client behavior?

Girish Paranjpe We also have Martha who will answer this question, but let me answer your question we seeing good demand in the US specific sectors where we see stronger demand includes the healthcare and services sector and that is reflected in sort of performance you seen from us on healthcare and services which is roughly 9% sequential. We see good demand of the US as it relates to the retail sector, as it relates to the banking sector and also I would say, as it relates to the energy and utility sector. So, summarizing healthcare, energy and utilities, retail and the banking sector, I think where the demand situation is challenging is more in the area of the technology sector where again if you see our performance it is muted and to an extent in the telecom sector. But all in all one would say that the demand situation in the US looks good, we have pretty strongly invested and investing in our strategic accounts and certainly you will see stronger results and stronger demand addressing from us going forward in the US market.

Martha Bejar: Okay, perfect. We also see in our US customers a lot of focus around discretionary spending and we see the transformational business and growth throughout these accounts, so we find that, it is right in line what we are driving in the market and so as Suresh explained within the healthcare and the finance sector, our retail looking a lot of business intelligence, that our customers are demanding so we see a very strong trend in that direction.

Suresh Vaswani: And just adding to that further the pipeline in US is good. The proportion of pipeline that the US carries in our mix is good and it is growing, so we see a robust demand environment as it relates to our business in the US.

Mitali Ghosh: So, any reason why this quarter was a little soft?

Suresh Vaswani: See, I would believe Mitali that it is a little sectoral because we have not grown in the technology sector, the demand there has been, I mean I hope there has been limited on account of the customer environment there. Few of the sectors have pulled us down and if I just look at healthcare it is all US and it is close to 10% sequential growth. Again retail it is largely US and we have had good growth.

Mitali Ghosh: Right.

Suresh Vaswani: We have a larger business in the US which is technology centric which tends to therefore drag the overall growth in the US market down and I mean that is the explanation.

Mitali Ghosh: Sure, so I mean just one last question then if I may so, even what is really happening in the technology sector and manufacturing perhaps, I mean those two sectors do not seem to have recovered as much as some of the other sectors?

Girish Paranjpe: So, Mitali as you are aware that technology has significant number of consolidation are taking place and whenever this kind of high level of merger and kind of acquisition activities is place, so all the traditional decision making slows down or you kind of win somewhere, you lose somewhere because companies have changed hands. So, that is really a little bit of question on technology but even in that I must say that the semi-conductor industry has been on a cyclical upturn, so there the demand has been pretty robust and we continue to see a lot of upside in that business.

Mitali Ghosh: Okay thank you.

Moderator: The next question is from the line of Varun Sharma from ICICI Securities, please go ahead.

Varun Sharma: Hi sir, can you throw some light on the sequential decline in constant currency pricing both onsite and offshore, we saw that in last quarter as well and what is the outlook going forward?

Suresh Senapaty: So, primarily like we said it is a pretty stable pricing environment, so it is something to do with some of the fixed price project where we have not done deal closure so we expect that to go back as we go forward

Varun Sharma: Okay and sir, is it going to increase going forward or I mean the way you explained that there is a certain fixed price projects that went down. So, can we expect it to increase going forward?

Suresh Senapaty: The very fact that we are working on non-linearity, the very fact that we are looking at working at more of value added services and the fact that our services businesses which tends to be better, pricing could go up, so the mix of business, non-linearity, etc, etc., which could help uplift from hereon realization.

Varun Sharma: Yes, alright okay thank you sir.

Moderator: Thank you. The next question is a follow up from the line of Mridul Gupta from Everest Group, please go ahead.

Mridul Gupta: Hi thanks I am not sure if you have covered it earlier but what are your hiring plans for the next couple of quarters?

Suresh Senapaty: Yeah the guidance that we have given translates you about 3.5% to 5.5% and largely given that it is quarter three lesser number of working days, it will be volume driven and from that point of view you can get an indication of what the hiring could be based on the kind of price utilization that will be done. But we do not give any specific guidance with respect of hiring; but hiring will be both campus as well as laterals.

Mridul Gupta: Got it okay thanks.

Moderator: Thank you. The next question is from the line of Aashish Chopra from Motilal Oswal Securities Limited, please go ahead.

Aashish Chopra: Yes, good afternoon sir. Sir, firstly just wanted to know in terms of our subcontracting cost which have been increasing both in absolute terms as well as a proportion of the revenues if I may take it that way so what is your outlook on those costs, how are we taking it?

Manish Dugar: Ashish, Manish Dugar here. Subcontracting is basically a reflection of what is the kind of what steps we are taking and are we looking at some skills which are not necessarily required over a longer period of time and hence we would probably like to leverage on outsourcing those for the time being rather than taking them permanently on rolls and as you have seen we have increased our offshore mix of business, which goes to suggest that we are looking at quality of business, which is more project-based, which gives us ability to ramp up on offshore. So, the primary reason why we have this subcontracting going up is our willingness and our ability to differentiate between the skills that we need permanently and that we need on short-term basis and this is one of the levers by which we want to ensure that our utilization keeps at a high level and just to say, while the percentage looks to be increasing from 8 to 9 what is important to remember is that this is not the same employees who are staying with us. This is the skill set which is churning and which is if we have hired for permanent basis would have impacted our utilization even more.

Aashish Chopra: Alright, okay and sir secondly sorry if I missed on this earlier the taxation, effective tax rate was lesser in this quarter, what is the outlook on that going forward?

Suresh Senapaty: We have said that we look at the normalized tax rate it would be within 2% points from there.

Aashish Chopra: Okay fine sir and lastly in terms of EBIT margins with the RSU cost now likely to persist at least for this year, how are we looking at the levers in terms of margins going forward, utilization also was at a slightly higher level, what would be the lever that would be there going forward?

Manish Dugar: Yes, Ashish Manish here, if you look at this quarter over last quarter other than the increase in people cost, the big items were increased in sales and marketing or rather the impact of currency that is in our P&L and currency being unknown that is a little unpredictable but typically the quarter you give increase, the quarter you create these people investments, there is a dip and you kind of recover it over a period of time as you keep taking in freshers. So, the view is that we should be able to look at our positive bias on margin on a medium-to-longer term basis.

Aashish Chopra: Right sir thank you so much.

Moderator: Thank you. The next question is from the line of Ashish Agarwal from Tata Securities.

Ashish Agarwal: Sorry sir if this question has been asked but just wanted to find out, with the attrition being so high, are we first of all considering any second round of salary hike? Secondly, if not they have given a salary hike in February. Historically, our cycle use to be somewhere in August-September for offshore, so when are we looking at these salary hikes in FY12?

Girish Paranjpe: You are right actually this question was covered, but all we are saying is that as of now there has been no decision with respect to that; we will be closely monitoring and then responding to it.

Pratik Kumar: This is Pratik here, I would like to say that even though the attrition number is going to be same to what was reported in Q1, I think important thing for us from our point of view to share is that through the quarter we have clearly seen that declining month-over-month and we do believe that during the course of the coming quarter as well that trend will continue.

Ashish Agarwal: Okay sir thanks.

Moderator: Thank you. As we have no further question, I would like to hand the floor back to the management for closing comments, please go ahead sir.

Rajendra Shreemal: Melissa, thank you and thanks also the participants who joined the call. The audio archive of this call will be available on our website and we would also be putting up the transcript of this call very soon and if you need any clarification, the investor relation team would be delighted to talk to you and have a wonderful evening. Thank you.

Moderator: Thank you gentlemen of the management. Thank you Mr. Shreemal. Ladies and gentlemen on behalf of Wipro Technologies Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.