"Wipro Limited Earnings Conference Call"

April 25, 2012

Moderator: Ladies and gentlemen, good day and welcome to the Wipro Limited Earnings Conference Call for the period ended March 31, 2012. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call please signal an operator by pressing '*'and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sridhar Ramasubbu. Thank you, and over to you, sir.

Sridhar Ramasubbu: Thanks, Marina. Good day to all of you. This is Sridhar and I am joined by Manoj and Aravind from the IR team in Bangalore and on behalf of the entire Wipro team, a very welcome to all of you. We are pleased to host Wipro's 4Q FY '12 earnings call. Regarding the materials for this call, we issued the press release yesterday late night EST and we will have time for Q&A at the end.

Before we start the call an announcement, we are holding our Analyst Day event on May 18 in New York Midtown and invites have been sent to all investors in our database. If any of you have not got the invites please reach out to us. We are looking forward to seeing you on May 18 in New York.

The format for today's earnings call is as follows, Azim Premji, Chairman will give us an overview of our Wipro business, T. K. Kurien, (T.K. as he is known) will share his perspectives on the IT business side, Suresh Senapaty – CFO, will comment on the IFRS financial results for the quarter ended March 31, 2012. They are joined by BU heads and other senior members of the Wipro management team, who will be happy to answer your questions.

As always, elements of this call and the management's view maybe characterized as forward-looking under the Private Securities Litigation Reform Act 1995 and are based on management's current expectations and are associated with uncertainty and risks, which could cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with the Securities Exchange Commission in the US. We do not undertake any obligations to update forward-looking statements to reflect events or circumstances after the date of filing thereof.

The call is scheduled for an hour. The presentation of the 4Q FY12 results will be followed by Q&A. The operator will walk you through the Q&A process. The entire earnings call proceedings are being archived and transcripts would be made available after the call at our Company's website. A replay of today's earnings call proceedings will also be available via telephone post the call. During this call, I am also available on e-mail and through mobile as well to take any questions and table it to the Wipro team in case you are unable to ask questions for any technical reasons.

Ladies and gentlemen, over to Mr. Azim Premji– Chairman, Wipro.

Azim Premji: Good evening to all of you. Just let me quickly summarize some financial results of Wipro Corporation consolidated results. We recorded revenues in Q4 FY12 of Rs. 99 billion, YoY growth of 19%. For FY12 Wipro recorded revenues of Rs. 375 billion, YoY growth of 21%. Net income for the quarter at Rs. 14.8 billion, YoY growth of 8% and net income for the year at Rs. 55.7 billion, a YoY growth of 5%. IT Services business delivered sequential growth in line with our guidance.

A quick summary on our assessment of the macro environment - Overall, macroeconomic environment continues to be volatile. While we have seen signs of positivity in the environment in the last three months customers continue to be cautious. In our discussions with business leaders we are seeing customers focus on globalization and productivity.

Since clients want to identify newer growth opportunities, what they seek from us as a service provider is collaborative innovation and solutions which can change the way they do business, bring in more revenues and improve customer insight. This approach is changing the nature of demand we are seeing and it is reflected in our stronger pipeline. However, these programs have a long cycle time for closures.

Some highlights on our Wipro Consumer Care and Lighting business. In Consumer Care and Lighting, we saw another quarter of 20% plus growth. Santoor revenues have crossed Rs. 10 billion milestone coinciding with the completion of the 25th year of its existence. Unza business continues to do well with Enchanter brand crossing the milestone of $100 million of revenues.

Wipro Infrastructure Engineering: We continue to see a strong growth in the Wipro Infrastructure Engineering business, with India doing well and Europe stabilizing. Successful entry into two key growth markets; Brazil integration is on track, strong signs of synergy from the global OEM and sourcing from the low cost country. We have set up a manufacturing base, a second location in China. We have successfully completed a Joint Venture agreement with Kawasaki. Production to start by second half of Financial Year '13.

Some highlights of our initiatives on sustainability. We recently released our fourth sustainability report, titled "The Imperative of Hope" The report provides strategic insights into our vision, goals and progress on our sustainability initiatives. Based on an independent assurance by DNV, the report has been awarded an A+ rating for the fourth year in succession, clear reflection of the quality and strength of our sustainability disclosures. We were recognized by the Ethisphere Institute, a leading business ethics think-tank, as one of the 2012 World's Most Ethical (WME) Companies. I will now request Senapaty to give a brief overview about our financial results, followed by T.K. Kurien on our IT business.

Suresh C. Senapaty: Good day, ladies and gentlemen. Before I delve into our financials, please note that for the convenience of readers, our IFRS financial statement has been translated into dollars at the noon buying rates in New York City on March 30, 2012 for cable transfers in Indian rupees as certified by the Federal Reserve Board of New York, which was $1 equal to Rs. 50.89. Accordingly, revenue of our IT Services segment that was $1,536 million or in rupee terms Rs. 76 billion, appears in our earnings release as $1,491 million based on the convenience translation.

Let me start by saying that the Board of Directors have proposed a final dividend of Rs. 4 per share taking the overall dividend for the year to Rs. 6 per share.

Moving on to the quarter performance, our IT Services revenue for the quarter ending 31st March 2012 was $1,536 million on a reported basis, a sequential growth of 2% and a YoY growth of 10%. For the full year, we delivered revenue of $5,921 million, YoY growth of 13.4%. For the quarter, growth was led by Energy and Utilities with a sequential growth of 6.8% and Retail of 5.9%. We saw weakness in Telecom vertical, particularly on the OEM side. BFSI was impacted by weakness in investment banking in the current quarter. From a service line perspective, we saw a strong growth in Infrastructure Services at 6.4% and Business Analytics at 5.4%.

We move the needle further on our focus area of client engagement. In the current quarter, on trailing 12-months, we have seven accounts which are more than $100 million in revenue, up from three last year. We are happy with our progress and we will continue to make investments in this area.

We saw an improvement in revenue productivity in the quarter. Offshore realization improved by 1.4% and onsite realization improved by 0.4% sequentially. We continue to characterize the pricing environment as largely stable. Sequential volume growth in the current quarter was 0.8%.

Operating profit drop was limited to 10 basis points despite the strong appreciation of the Rupee in the quarter. As of March 31st 2012, our days of sales outstanding (DSO) showed marked improvement and was at 70 days down from 71 days in the previous quarter.

Our IT Products business showed EBIT growth of 32% YoY in the current quarter. Consumer Care and Lighting business continued to see a good momentum with revenue growth of 25% YoY and operating profit growth of 30%.

On the foreign exchange front our realized rate for the quarter was Rs. 49.43 versus a rate of Rs. 50.53 realized in the last quarter. On a QoQ basis, FOREX gave us a positive impact of 10 basis points to operating margin. Our OCI reduced from Rs. 5.5 billion to Rs. 1.6 billion as of period end and we had about $2 billion of Forex hedges outstanding. The effective tax rate for the quarter was 21.2%.

We generated a free cash flow of Rs. 16 billion in Q4 of FY12 as against Rs. 8 billion in Q3 which was 109% of the net income. Operating cash flow was Rs. 18 billion in Q4 as against Rs. 11 billion in Q3. Operating cash flow was 121% of the net income. Our net cash balance on the balance sheet was Rs. 69 billion, an increase of about Rs. 16 billion. Now, let me hand over to T.K. Kurien to give an update on the IT business.

T.K. Kurien Good morning, ladies and gentlemen. In the last few quarters, we have made significant investments in making sure that we really kind of approach the market in two ways. Our belief says that the market is kind of very quickly polarizing itself to high degree of differentiation in the front and a significant level of standardization at the back and all our investments in the past couple of quarters have really been focusing around maximizing the advantage that we would like to get from this move.

We entered Q4 with challenges and faced with macroeconomic volatility and despite these challenges we have been able to deliver in the guidance range that we have committed. Our pipeline is robust and given the nature of deals and the proactive engagement, closure is taking time. The nature of our pipeline has changed and today a healthy part of our pipeline is proactive. As we look ahead, we see signs that closures will pick up in Q1 and growth will come back in the next couple of quarters.

But let me just give you a sense of the highlights. The focus in account mining and alignment of accountability at the account level are beginning to show results. Our top 10 accounts contributed immensely to our revenue growth. We now have seven of these relationships crossing the 100 million revenue mark compared to just three a year ago.

The top 10 accounts grew faster than company average growth for the average size of the top 10 accounts have gone up from 111 million to 123 million YoY. Our customer satisfaction across accounts continues to improve with a 20% improvement in the top two boxes. In fact, the improvement trend is across all outcome measures, loyalty, advocacy and overall satisfaction.

The other pillar of our strategy has really been around employee satisfaction. Our quarterly annualized employee attrition fell QoQ between Q4 of last year and Q4 of this year by 6.5% to 14.4%, a clear reflection that our engagement measures are working.

In the last few quarters, we have basically focused on four themes that we see broadly reshaping our future. One of them is variablization of technology. The second is consumerization of technology for business value. The third is business performance improvements through Analytics and the fourth is innovation to win in a world of constraints. We see these four trends driving the next technology disruption, which really would be at the intersection of Cloud, Analytics, and Mobility.

And here is what we have achieved in these three areas. The Analytics business continues to show an impressive growth, registering a 5.6% QoQ growth. We have added 35 new accounts this year. Our customers are investing a significant portion of their IT budgets in Analytics and we expect this to increase further.

Our Cloud business continues to make rapid progress in the current quarter. We have had 40 new wins across various industry segments and client engagements. We see a complexity of Cloud deals increasing rapidly suggesting that Cloud is now seen as part of the enterprise IT strategy by most of our customers.

On Mobility, we continue to see traction in the Mobility space and have added over 50 new customers across different industry verticals during the year. Wipro AppLife, the Wipro enterprise app store for Wipro which was launched last quarter has seen traction with over 50 apps developed by employees which are now commercially viable.

I would like to conclude by saying that the last five quarters have been exciting. We have seen lots of changes and wins. I believe we are in the right track and we expect to continue with it. Thank you.

Moderator: Sure, sir. Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from Joseph Foresi from Janney Montgomery Scott. Please go ahead.

Joseph Foresi: I think you talked about in your initial commentary that you had a pretty sharp pipeline and you expected to see that. But the guidance for the next quarter actually is from negative to a positive. Maybe you can help reconcile those two comments and is this something that is client-specific that is going to affect next quarter and why do you feel confident about the future?

T.K. Kurien Joe, I will quickly give you a little bit of color on that one. There are two parts to it. If you look at the India business, our India business in Q1 is showing a negative growth vis-à-vis the last quarter. That is primarily driven by two segments; one is Telecom and the other one is Government. Now, we had a decent growth of 7% in Q4, so it is really coming off that. In Q2, we expect to see the India business come back, not necessarily driven by these two verticals, but driven by other businesses we expect that we will close and sell in Q2. If you look at it,that is one part of the problem that we had, which we said in the guidance, and the story in India with Telecom and Government is a fairly well-known story, so I will not go into the details. As far as the regular global business is concerned, we saw some delays in the order closure in Q4 of our year, which is Q1 of the calendar, and that has been deferred really to Q1 of our fiscal, and we are right now seeing some of those deals closing. So to that extent, it gives us a little more confidence as we go through the quarter that closures would be reflected in top-line growth in Q2. That is fundamentally what is driving.

Joseph Foresi: What was causing the delays and why they started to close now?

T.K. Kurien: It is kind of strange. I think it is a combination of two things. One is that a lot of the deals that we are now closing were proactive deals. The other one was the whole cycle of contracting which is just kind of dragged in a lot of cases but we see that coming to a closure. In our business, both in the BPO business as well as the IT business, typically what happens is till the time we contract till the time we close is typically a two-month cycle and then the billing happens three months after that. We have seen clear issues in terms of contracts and contract closure because I think the kind of deals that are out there have a risk element to it that we have to necessarily talk to before we go and sign.

Joseph Foresi Can you talk about any financial wage increase in this year and just how you are looking at the headcount at this point attrition coming down?

T.K. Kurien Here is what it is. We have messaged very clearly that our wage increase were going to be on the 1st of June every year. There is nothing that we are doing right now that makes us believe that we need to change that view. So, we will continue to give a wage increase on 1st of June. The percentage of wage increase we have not yet closed but the range that we would give would be competitive in the marketplace. But, broadly, if you look at the market scenario, we really believe that we cannot head for the hills just because we have got a quarter guidance, which is not exactly in line with what we expected. So, I think that is not a reason for doing that. But I think the bigger thing is long-term. We would like to remain invested in this business. We would like to really kind of bring in superior talent into the company and that is the driver. So for us, we are playing this game from a slightly longer-term perspective rather than a quarter-to-quarter perspective.

Joseph Foresi: I was wondering if you could just characterize where do you think you are at in terms of the organizational changes that are done and the benefits from that, maybe you could just characterize that for us?

T.K. Kurien: So here is what we are seeing. The organizational structuring and the organizational alignment is pretty much kind of complete. Of course, change like everything else is never static, and it is always ongoing. But having said that, the big changes that we had to do with the organizational level are all complete. I think fundamentally now, we have to kind of realize the benefits of what we have done. We have seen early signs of that, but we think this year it is going to be a defining year for us to make sure that we are able to kind of apply the impact of what we have done during last year.

Moderator: Thank you. The next question is from Jeff Ulin from Pacific Crest. Please go ahead.

Jeff Ulin: A little bit more on pipeline. Looking forward how do you see the mix in your business shifting between longer-term annuity, outsourcing contracts, and shorter-term more discretionary type contract?

T.K. Kurien: Jeff, very quickly let me give you a little bit of color on what is happening on the pipeline. If you look at the environment around this, one of the things that we are absolutely looking for a stability of business, because discretionary project as they come and go, it creates significant volatility in terms of the top-line. So, we are trying to kind of make sure that we build our sales portfolio in a way, whereby, we have a significant portion of business that is fundamentally on an annuity, which really creates our annuity stream. I think that is one big focus. Having said that, it is important for us to make sure that the annuity streams that may be bound by contract, ultimately, you can be disintermediated from that particular game, if you are selling a monoline. So, selling integrated deals is becoming one big focus area for all of us. The third big thing that we are looking at is to make sure that we have enough of a bench sitting onsite and we also have people who are sitting there, who are actually in front of a customer like architects / program managers who can pick up discretionary projects around specific solution areas that we have articulated in every vertical, and start deploying those solutions at a quick notice. So, we have done all three. Our belief is that with discretionary budgets do come back we do not want to be caught on the wrong foot. So, to that extent whatever investments we have to make in front of the customer that is one area that we will not downsize. We will continue to kind of make sure that we remain invested with the customers.

Jeff Ulin: How do you describe the deal making environment? Do you find majority of your wins are coming from RFP type situations or are you winning more sole source type of deals?

T.K. Kurien: The problem that we have right now is that there are a number of deals which people are going out into RFP are kind of getting smaller and smaller. And it is not the quantum, it's about number of deals. So, we have our sales force and our solutioning team and our consulting team have got a lot of work to do to remain proactive. Traditionally, that is an area that we have not done very well on, primarily because if you look at most of us, we have been managing demand rather creating demand and that is a big shift that is happening right now with the sales force. Are we there yet? The answer is no, but that is right now work in progress for us.

Jeff Ulin: Financial Services down quarter-on-quarter. Was any particular geography strong or weak or any particular segment weaker than the other?

Soumitro Ghosh: Out of the three segments which we address, Insurance, Retail Banking and Securities, Capital Markets. Insurance and Retail Banking are doing pretty strong. Securities and Capital Markets, especially the IB segment is a little bit of challenge. So that is where investment dollars are concerned that is a little bit of challenge. Overall, I think Retail Banking is extremely strong. We are seeing lot of money being spent in top-line growth initiatives, lot of money being spent in areas like Regulatory, in areas like Analytics and the Digital Channel. Insurance, we see a fair amount of growth in terms of again top-line growth. Investment Banking, though it is a challenge, we believe that that are a lot of opportunities out there, specifically around cost take-out, cost variablization as well as a lot of asset monetization, that is one and the second is a lot of money is being spent though perhaps the pace has slowed down a little bit in the regulatory space.

Moderator: The next question is from Trip Chowdhry from Global Equities Research. Please go ahead.

Trip Chowdhry: Three-part question. You did mention that there is a lot of interest in Cloud, Mobility and Analytics. I was wondering if you can on each one of those give us a sense like which products in each of those categories. How much is Wipro's intellectual capital or intellectual effort on top of those? And the third aspect, how much is the services part on top of those? So just a general split among these various categories.

T.K. Kurien Here is what it is. Trip, what I will do is I will answer the question with one example. And what I will do is I will talk specifically with Analytics and Mobility because that may give you a sense of what we are seeing in the marketplace and how we are building intellectual capability in that area. So, one of the big projects that we have executed last month was around whole concept of performance management for equipment, which really is all about machine data, interpreting machine data and doing auto analysis behind that using expert systems. So this is a manufacture of computer equipment and fundamentally what we did was that we put in a sensor that took pretty complex equipment, pick up data and make sure that warranty calls and performance management calls were done on an automated basis rather than kind of having human intervention of any sort. We found that we were able to cut using just the data that we were getting from the system. Our effort to resolve was down by almost 80%, our time to resolve was almost down by 90% as an example. So the intellectual property that we built-in top was the business rules that actually impacted with performance of that particular equipment and then our ambition would be long-term to link that back into the process knowledge, because if that particular equipment is in a particular critical process, then we can go back say, hey, listen the profits may get affected with a particular kind of sale. So we can do not only with failure management but we can also do proactive comparative sales.

Moderator: Thank you. The next question is from Edward Caso from Wells Fargo. Please go ahead.

Edward Caso: The day sales outstanding, what's that number?

T.K. Kurien: 70 versus 71 earlier quarter.

Edward Caso: And the tax rate, a little volatile, can you give us a sense for what kind of tax rate we should assume at the corporate level for the next several quarters?

Suresh Senapaty: We are expecting tax rate for the coming period in the range of about 1% to 2% of the normalized rate of tax that you saw in FY12.

Edward Caso: And can you give us your thoughts on your hiring plans within the context of increasingly difficult L1 visa, the ability to get L1 visa?

Bhanumurthy: What we are continuing to do is that, we do look at the visa regime; obviously, as you are seeing that there are certain kinds of delays that are coming up in terms of issuances of visas, because of multiple checks that continue to be there. What we have done is over the period of time we have built in processes internally so that we are compliant with the current regulations and we continue to be improving those processes. Our focus continues to be on ensuring that we get the right visas for our teams. The new cycle for H1, the window has opened right now. We continue to use that route as well.

Edward Caso: Can you talk a little bit about your plans to hire locals within both the US and the European market?

Bhanumurthy: Again, last year we continued to focus on hiring the right skill sets that are required within the local markets, and both the US, Europe and the Asian geographies where we operate in. Our focus has been to ensure that we bring in the right level of skill sets; we bring in the right level of leadership into our teams. Based upon that we have done the hiring, we will continue to do those hirings to match the skill sets that are required for our programs.

T.K. Kurien: I will explain very quickly. Our hiring philosophy long-term is that, we believe that ultimately we must build leadership in the local geography and the leadership must be to kind of imbibe the Wipro culture. So ideally, what we are planning to do in the coming year is basically hire folks who are freshers, bring them back to India, let them work here for some time, take them back into their own country, be it in Europe or be it in US, and then have them go through one more rotation in other countries before we get through themselves back into the country of the origin. Because that is the only way we as a company can build leadership in the countries, because having people flying from India is not really a way by which we can really build a Wipro culture neither we can have that client connects necessary and essential for us to survive in a geography long term.

Edward Caso: Can you speak to the Business Process Outsourcing marketplace and how your positioning is for that, where you see the market going?

T.K. Kurien: Last year has been a tough year for us in the BPO business and the good news is that if you look at it I think one of the big shifts that we have taken this year is that we are going after specific industry processes because we believe that the length in terms of most traditional services, which we were all strong in at one point of time like F&A and HR are slowly getting commoditized and it is important for us to stay ahead of the commoditization curve. So more work around Analytics, more work around industry processes are clearly the way we believe the market will head. However, having said that, I think what we are now seeing in specific places, there would be platform plays available. We are right now picking and choosing the areas that we want to invest in platform because platforms by themselves would mean there is going to be a high degree of standardization. And a high degree of standardization fundamentally means huge change management. So, we are just picking and choosing the areas where we do not have to necessarily go to the significant change management, because those areas we believe that we will be successful. In other areas we believe it is going to be much, much tougher for us to get there.

Moderator: Thank you. The next question is from Moshe Katri from Cowen & Co. Please go ahead.

Avishai Kantor: It is Avishai Kantor for Moshe. First, I want to talk a little bit about the BPO again. In the last few quarters as you mentioned a strong pipeline and some notable wins in BPO. When do you expect BPO growth to accelerate on a sequential basis?

T.K. Kurien: Here is what we expect to see. We expect to see growth coming back in this quarter and then after that we expect to see growth during the year too. However, having said that, the real impact of what we have done in the past couple of quarters and what we will continue to do over the next few quarters, we will see the real impact in terms of going back to over industry’s growth rate only next year. We would not see that this year.

Avishai Kantor: And which verticals seem to be driving growth in BPO, which really seem to be stronger?

T.K. Kurien: Banking and Financial Services continue to be strong and the next area that we see a significant traction is in Healthcare. These are the two areas. In fact, on the Healthcare side, we have had some very nice wins over the past couple of quarters in that particular area, and we see that clearly growing. I can ask Sangita to answer specifically what she is planning to do in that particular segment.

Sangita Singh: This is Sangita and I manage the Healthcare and Life Sciences business. So, we have seen an energized growth engine in the last Q3 and Q4 largely around Life Sciences, where customers seem to be investing around three areas; one, which is around increasing productivity where we leverage our bread and butter business in the form of Infrastructure and BPO. We also see our customers investing around accelerating growth and there everything around digital marketing, CRM is what we have been making ourselves available for our customers. Finally, in the innovation business, the new greenfield projects around Big Data, Analytics and Mobility is what is driving some of the growth in the Life Sciences business. Come to the payer and provider, in which we are a relative upstart, we are leaning largely around the new greenfield areas, once again Mobility and Analytics, also the acquisition that we have made with the Infocrossing and the Healthcare business of Infocrossing, we are able to leverage the platform that we have for Medicare and make it available for some of the large payer clients of ours. Largely, on the success of some of the CSAT that we have had with our top customers, we hope to mine them much better and apply a dual strategy of mining and hunting to see the robustness in our growth.

Avishai Kantor: Should we expect any new offerings in the BPO in the near-term?

Sangita Singh: Yes, we are seeing ourselves being able to offer very specialized services for Life Sciences, Medical Devices in the BPO space. Today, we work with a large payer, which we believe is really the mother ship as far as the Payer business is concerned and the work that we do in the BPO space over the last eight years is very unique to Wipro and we should be able to leverage that to other customers as well. So, it would be more around assetizing it and more around productizing what we have already done with our customers.

Avishai Kantor: My next question I have is any notable trends in offshore pricing going into fiscal year '13?

Jatin Dalal: If you see this quarter offshore pricing has improved 1.4% sequentially and if you see last four quarters and if you see the range, we are trending at the higher end of that range. Going forward, we believe that the pricing and per person realization should remain in a stable environment. We do not see a significant uptick given the uncertainty in the market as well as we do not see a significant negative pricing.

Avishai Kantor: And the last question is on China. Any changes on your China strategy, your initiatives or how you consider China?

Bhanumurthy: Our center in China continues to serve our global customers, that has been our strategy. Our strategy has been to serve our global customers through the center depending upon the skill sets required and the nature of support that is required and we continue to grow that part of the center. Our investment in that center has increased in terms of getting the local talent into that place and also ensuring that there is an adequate training that is there in place both the technical and the soft skills and communication. So, we continue to stay invested in China and we are seeing certain categories work moving to that center right now.

Moderator: Thank you. The next question is from Shashi Bhushan from Prabhudas Lilladher. Please go ahead.

Shashi Bhushan: We have seen a good investment uptick in our sales and marketing effort, in fact, highest as a percentage of sales in the recent times. I have two parts of questions related to that. Do we further see acceleration in S&M effort in FY13? Or second, is there a different approach to our sales effort that we are taking, you talked about hunting and farming in the morning conference call. So are we spending that extra dollar for hunting or for farming?

T.K. Kurien: Good question, Shashi. Let me answer that in two parts. First is that our S&M expenses would go up during FY13 because our belief is that again in difficult times it is important for us to make sure that we are able to kind of stay invested in part of the customer. It is absolutely critical. So our S&M expenses would go up. Second is where would the S&M expense go up? Would they be allocated more to mining or the hunting? And I think that is the question that I cannot answer with any degree of certainty because fundamentally what we are doing is we are going to create a hunting team, we already have the farming team created ; we have aligned all our 138 accounts across in terms of making sure that everybody is aligned from a service line perspective and as far as the client management perspective as part of the customer and really our game would be as far as the accounts that we are already in, our biggest focus would be to make sure that our breath of calling changes and calling on different stakeholders changes. While on the other hand as far as hunting is concerned we continue to go all out to make sure that more monolines and more integrated services continue to be sold, where we actually act as disruptors to grab market share and that is really the ambition.

Moderator: Thank you. The next question is from Swami Shanmugasundaram from Morningstar. Please go ahead.

Swami: My first one is about the R&D business. It is kind of being on a secular decline if I look at the number over the last eight quarters coming down from close to 16% of revenue to 12.5%. Kind of seeing that it is a drag on the overall growth. Would you mind talking about your plans for these factors, like how do you plan to reverse the trend and what kind of impact does this decelerating growth have on your margins?

T.K. Kurien: There are a couple of things and I will take the first part of the question and then kind of flip that question across to Ayan Mukerji, who runs the Telecom business and who can throw a little bit color on this. But, broadly as far as the R&D business is concerned, we are really changing our focus from simple sale of competency back to integrated facilities. That is one big change that we have made over the last year. The second big change that we are making is that traditionally, if you look at our verticals that we were strong in, these were basically Manufacturing and Telecom. Telecom had its own stresses in terms of equipment vendors and the R&D business in general, that explains how that is playing itself out and what we see here in terms of top-line growth. In Manufacturing which is another big area for us, again, on the Consumer Electronics side we have not seen a great growth. Those are two areas that have been affected. Clearly, we have four other verticals and SBUs. Our objective would be to make sure that the R&D business kind of get more breadth across and be restricted by these two verticals. But Ayan and Bala, you guys to talk from the manufacturing perspective.

Ayan Mukerji: My name is Ayan, and I can give you a perspective from a Telecom side. What we are seeing is with the change in market environment of Telecom products that are moving from voice to data, the investment on the Telecom side is more on the radio access network side and on the optical side. The legacy product that the Telecom industry had previously, the investments are moving from sustaining and maintaining the legacy products into cutting edge technology. And these technology areas are extremely on the cutting edge and the investments that have been made by the industry would take at least 12 months to 18 months for them to realize. As a result of which, their expenses that they have on legacy products is being reduced. So, it is not necessarily that the outsourcing strategy for the Telecom industry is undergoing a change, but it is the fact that the products that they build have to cater to the new requirements of data, video and voice. So, we continue to have a strong presence within the R&D in the Telecom industry, but the nature of work that we are doing is changing considerably.

N. S. Bala: And just to add to Ayan's comments, this is Bala, I run the Manufacturing and the Hi-Tech business unit. So within our segment, obviously, Product Engineering is a pretty significant proportion of what we do. To your point, I think there is definitely the fact that product lifecycle introduction has become much shorter now. There are many new models being introduced at a far higher pace. And therefore, the lifecycle of product development has been shortened quite a bit in the last couple of years. Having said that nature of work has definitely moved upstreams specifically in terms of what we do. We have currently engaged with a few customers in terms of driving entire products for emerging markets, and these products are not scaled down versions of global product. But the product that will be designed for an emerging market and should be taken back to developed countries. So, the base design itself will be completely different and it would cater to a completely new segment of the market. So, those kind of upstream projects which are really more end-to-end and which have a significant design component in them, are the focus areas that we are trying to do. So, as you would imagine a lot of them has to do with an integrated hardware and software design, and that is what we are focusing on right now.

Ayan Mukerji: Another addition here. The other thing we are seeing in the R&D in the Telco industry is the business model change. So, as our customers redeploy their scarce dollars, they are wanting their partners to invest. So the business model which you are previously more time and material and fixed price based is changing to risk/reward and revenue linked. So we have got three or four fairly large deals that are following this business model, where the revenues get realized in two to three years down the line.

Moderator: The next question is from Keith Bachman from Bank of Montreal. Please go ahead.

Keith Bachman: You talked about the Financial Vertical in terms of the March quarter but I would like to hear some comments as you look out over the next couple of quarters. Is it the growth market? Will it grow faster than or slower than the company average? Any kind of color there? And then the second question is relative to some of your comments as you look forward, how do you compare it with, let us say with TCS mentioned yesterday and why do you anticipate growing slower than TCS?

T.K. Kurien: So, I will answer the second question first and then I will hand over to Soumitro to throw some color on the Banking practices. Here is what we believe, at the end of the day, we do not guide for a full year, we guide only for the quarter. To that extent what you will see is Q1 guidance from us. We have not given any guidance for the full year. So it is difficult for us to comment as to TCS and how TCS is going to do and how we are going to do with vis-à-vis TCS because fundamentally we do not guide.

Soumitro Ghosh: I will give you a slant in terms of the respective verticals as well as the geography. So as I said earlier, Insurance and Retail Banking is showing a robust growth. Investment Banking is a little bit challenged and that is directly related to how the trading volumes are among all the investment banks and its direct relation to the market. So, we are seeing in Retail Banking as well as the Insurance segment, customers spending a lot in terms of growth initiatives, how to launch new products, new geographies, new channels, etc. While in Investment Banking perhaps the focus is more in terms of taking cost out, variabilizing the cost, asset monetization and the other place where they are spending money is regulatory. So that is at a segment level. In terms of the geography spread, we are seeing specifically a lot more traction in UK and Europe as far as Retail Banking is concerned. At least three of the top UK banks we are working with and there are big initiatives in all of them in terms of both revenue generation as well as cost take out. Overall, from a portfolio perspective of the emerging markets, we believe that there is a lot of money being spent in the emerging markets and the high focus area really there is in Banking and within Banking, the core banking space. So, what we have done as a part of the new year strategy is to form a dedicated unit, focusing on the emerging markets with a primary proposition around core banking. So we are building a team which focuses on core banking as a fundamental offering, and in addition, also transformational initiatives outside of core banking in the Banking space. In Insurance, a lot of the global insurance companies are expanding the footprint into these markets. So we are also focusing on building solutions where there can be an 'insurance in a box' proposition, which we are taking to these insurance companies.

Jatin Dalal: Keith, this is Jatin here. Just adding to T.K.'s comment on guidance, last few years of Wipro's performance, you will see that there is an element of seasonality in Q1, so I think that has also contributed to our guidance for Q1.

Keith Bachman: But just coming back to the question, would you expect Financial Services vertical in aggregate to grow at or below the company average growth in CY12 and that can either be from your perspective and/or the industry perspective? In other words, you talked about the pipeline being good. There is the pipeline and you see some recovery in the pipeline that turns into growth as we look at the back half of the calendar year for the Financial Services vertical.

Jatin Dalal: Keith, we do not guide for the full year, either for company or for a specific vertical. Let me take you for the last year performance you will see that the Banking and Financial Services had been in line with the company and we continue to see a robust pipeline for Financial Services as we enter the year.

Moderator: Sure sir. Ladies and gentlemen, we will take one last question from Swami Shanmugasundaram from Morning Star. Please go ahead.

Swami: My next question is about your Oil & Gas business. Just like you guys have been showing a very good momentum on this and I assume from a SAIC acquisition. So my question is can you talk about how the integration is going and how does the client base look like, rough estimate on multi-million dollar account?

T.K. Kurien: So, on integration on the SAIC side, I will ask Rishad talk on that.

Rishad Premji: So, the integration is complete and the integration has actually gone very well. It has become an integral part of our Oil & Gas business and vis-à-vis the traction that we are seeing relative to our overall plan at the time of closing the deal, we are very much in line. So, it is doing well.

Swami: Any inputs on your client base on your $50 or $100 million account. How does that pipeline look like?

Rishad Premji: The pipeline is strong. The beauty of that deal was we got a high number of clients, it is highly complementary to our client base and we are seeing good traction in terms of taking our services into that client base and taking the competency on the upstream side of Oil & Gas into our client base.

Swami: I think my last one is about the onsite/offshore mix. I just wanted to know how do I look at that going forward, onsite contribution, if I look at that, they have gone up over 200 basis points over the years. Is this is a temporary phenomenon as you invest and strengthening your clientele and client mining? The reason I am asking is, it does look like it does have an impact on the margins, the margins have come down from 22% to 20%, so just want to get your take on that?

Jatin Dalal: Swami, this is really a reflection of two things. The kind of demand that we see and also the new project start, both more onsite-centric to begin with. So I think the trend that you have seen over last the four quarters, that is more onsite-centric is really reflection of the deals that have sort of come through and is available in the marketplace and going forward, we continue to see a little bit more onsite-centric deal, and to that extent, I would say that there would be a little bit more bias towards onsite than it has been in the past. Let me say that Swami, what I must add is this business or this industry has evolved over the years to continue to move to work offshore and as we mature into this account, I am reasonably confident that we will have a lot more offshore in future quarters.

Sridhar Ramasubbu: So Marina, we will conclude the call. Thank you very much for your active participation. The IR team is available for any offline questions. Remember, May 18th Analyst Day in New York. Thank you so much.

Moderator: Thank you gentlemen of the management. Ladies and gentlemen, on behalf of Wipro, that concludes this conference call.