



Wipro Limited

Q2 FY 2015-16 Earnings Conference Call

October 21, 2015

MANAGEMENT:

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Wipro Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to you Mr. Aravind Viswanathan. Thank you and over to you sir.

Aravind Viswanathan: Thank you, Inba. A warm welcome to our Q2 Earnings Call. We will begin the call with Business Highlights and Overview by TK Kurien – Member of the Board and CEO followed by Financial Overview by our CFO – Jatin Dalal. Afterwards the operator will open the bridge for Question-and-Answers with our management team. The senior management team of Wipro is here to answer your questions.

Before Mr. Kurien starts, let me draw your attention to the fact that during this call we may make certain forward-looking statements within the meaning of Private Securities Litigation Reform Act 1995. These statements are based on management’s current expectation and are associated with uncertainties and risks which may cause the actual results to differ materially from those expected. The uncertainties and risk factors are being explained in our detailed filings with the SEC. Wipro does not undertake any obligations to update the forward-looking statements to reflect event and circumstances after the date of filing thereof. The conference call will be archived and the transcripts will be available on our website wipro.com.

Ladies and Gentlemen, let me now hand it over to Mr. Kurien.

TK Kurien: Good Morning and Good Evening to everyone across the world. Let me begin by talking about our performance and I will share some perspective around demand environment and strategic focus areas that we have at Wipro. In Q2 our IT Services revenue grew 3.1% sequentially in constant currency ahead of the midpoint of our guidance. It has been a quarter of all round growth; the Retail Consumer, Transportation and Government business and the Manufacturing and Hi-Tech business showed momentum with growth rates of 3.5% and 3.6%. Healthcare and Life Sciences recovered in Q2 with a 4.2% growth and we expect the momentum to continue in the back of strong deal wins. Global Media and Telecom showed sequential growth of 4.4%; however, we expect weakness to continue in the OEM space, while service providers will see momentum. The Energy, Natural Resources, and Utilities business which was impacted by steep fall in commodity prices, delivered flat result in constant currency. With customers increasingly focusing on cost take out and consolidation, we are building on our market leadership in this segment. The Banking and Financial Services business unit saw a pickup in Q2. We have seen growth in securities in capital markets. Banking has been focused on significant cost take out and Insurance continues to be in the investment mode for us.

Amongst Service Lines, the Business Process Services business has done well with a sequential growth of 7.1% while Analytics grew by 3.3%. Product Engineering has shown consistent growth in the last



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few quarters. Global Infrastructure continues to be a very exciting market for us and we are seeing a healthy pipeline and strong traction.

As we look forward, we are seeing a stable demand environment, we continue to see strong competition around large deals, and there is clearly pressure on pricing with respect to new deals. The deal sizes are getting smaller and the number of multi- \$100 million deals have clearly reduced in the marketplace.

Our investments in HOLMES, our Cognitive Intelligence platform and the Next-Gen Delivery program will give us a competitive edge in competing for large deals. In the Digital space we believe that partners who can provide end-to-end Design and Engineering services will have an edge in winning Digital deals and we are investing heavily in that direction.

Overall, our guidance for Q3 is impacted by higher furloughs, lower working days and slower ramp up on the deals that we have closed. However, we aspire to achieve the second half better than the first half.

Let me talk a little more in detail around the areas of focus. Our Digital business shows strong traction with 7 deal wins this quarter. Designit was integrated in the current quarter (Q2) and we have had two wins by taking an integrated proposition of Wipro Digital and Designit. Our industry leading combination of design and build capability along with experience is unique and offers clients new and more effective way of working. For example, Chelsea Football Club and a Tier-I bank will leverage combined capability to design and deliver remarkable experience for their fans and customers.

While our Digital business offers clients differentiated service we expect the downstream business multiplier to be in the range of 5x to 10x. Leveraging the traditional technologies as well as SMAC based upon the stage in which we can engage.

We have launched a focused program to train around 10,000 employees in Digital Technologies during the year. As Wipro Digital gains traction it will drive greater impact through reshaping the form and scale of our customer engagement.

Our Cognitive Intelligence Platform -- HOLMES has enabled us to offer a new suite of customers and solutions to our customers. We are working on 12 engagements on business critical areas like Fraud Detection, Compliance, and Knowledge Virtualization with marquee clients including leading Wall Street banks and a large manufacturing company. On productivity improvements, we have made significant stride through our Next-Gen delivery program and through the deployment of HOLMES. A year back we had launched the Next-Gen delivery to achieve a step jump in delivery productivity by relooking at traditional delivery model. By deployment of Next-Gen in 55 large accounts and leveraging hyper automation we have been able to drive significant productivity gains and offer



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customers shorter cycle time. This has resulted in releasing over 3,000 employees from maintenance projects over the past 6-months who are now being trained and redeployed in digital technologies.

Given the speed of innovation, emergence of new business model, market leadership requires us to work closely with the broader ecosystem of customers, partners, and start-ups. On the customer side, we are partnering with the Tier-I automotive company in the development of their Connected-Car technology. We have also increased focus on deepening partnership with other leading technology players.

Wipro was recognized as a Premium Consulting Partner third time in a row and also a strategic partner under the “Think Big” category at AWS re-Invent 2015. In addition to this Wipro recently become a member of the elite “audited” group of AWS Managed Service Partners globally with a perfect score.

The other initiative that we have is Wipro Ventures. Our \$100 million venture fund arm is engaging closely with startups in emerging technology areas. Our customers have responded positively to our strategic initiatives. Our customer satisfaction scores improved by 110 basis points compared to the previous quarter. Across the organization we are investing in building the workplace of the future. We are driving targeted training programs around imparting next gen technology and building a mindset around continuous learning, collaboration and innovation. Our employees remain highly engaged. Our attrition levels remain in the narrow range.

I will now request Jatin to walk through the financials with more details. Thank you very much.

Jatin Dalal:

Thank you, TK. Good Day, Ladies and Gentlemen. It is a pleasure to speak to you all again. Before I speak on the Financial Performance of the quarter, kindly note that for the convenience of our readers, our IFRS financial statement released today have been translated into dollars at noon buying rate in New York City on September 30th, 2015 for the cable transfers in Indian Rupees as certified by the Federal Reserve Board of New York which was \$1 equal to Rs.65.50. Accordingly, our Q2 revenues of our IT Services segment that was \$1831.9 million or in Rupee terms Rs.120.4 billion appears in our earning release as \$1838.6 million based on this convenience translation.

At Wipro Limited level, gross revenues for the quarter-ended September 30th, 2015 grew by 7% y-o-y surpassing Rs.125 billion. Net income for the quarter was Rs.22.4 billion, an increase of 7% y-o-y. Revenues in IT Services segment grew by 3.1% in constant currency which was in the top quartile of the guided range. Revenues in dollar term for the quarter was \$1831.9 million, a sequential growth of 2.1% on a reported basis. Margins in IT Services segment was 20.7%, 25 basis points lower than the margins in Q1. The headwinds were primarily due to impact of salary increases for two additional months in Q2 and slightly lower utilization. This was significantly offset by the productivity gains driven by internal initiatives. The impact of cross-currency volatility on operating margin was squared off or offset by the gains that we received from rupee depreciation.



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In Q2, the IT Products segment delivered revenue of Rs.5.4 billion, a de-growth of 41% year-on-year. The lower revenue was on account of extended holidays in the Middle East due to Ramzan and Haj and delay in completion of milestone in certain customer projects.

Let me talk about forex and Effective Tax Rates.

On the FOREX front, our realized rate for Q2 was Rs.65.74 versus a rate of Rs.64.53 which was realized for Q1 of this fiscal. As of period end, we had approximately \$2.2 billion of FOREX derivative contracts as hedges excluding capital hedges. The effective tax rates for the Q2 was marginally higher at 22.4% as against 21.2% in Q1 of this fiscal. We expect the effective tax rate to be plus or minus 100 basis points as we go forward.

Let me talk about the Cash Flows. We generated operating cash flow of Rs.15.8 billion for the quarter, which was 71% of net income and free cash flow of Rs.11.7 billion which was 52% of net income. If we look at the first half of the current fiscal year, the operating cash flow was 85% of net income, this is comparable to the first half of the previous fiscal year.

During Q2 we paid out the final dividend for the fiscal 2014-'15. Net cash available at September 30th 2015 was Rs.184 billion or \$2.8 billion.

We will be happy to take questions from here. Operator, you may open the lines now.

Moderator: Thank you very much, sir. Our first question is from the line of Sandeep Muthangi of IIFL. Please go ahead.

Sandeep Muthangi: I have a question on the guidance for 3Q. You have mentioned furloughs and slower ramp ups being the key additional headwinds. Can you give us some more color on that especially what is leading to the slower ramp ups, and are you seeing these furloughs being across your clients in a vertical or are these limited to specific clients?

T.K. Kurien: Let me answer that in two parts if I can; first is if I look at slower ramp ups we have won quite a few consolidation deals which we are right now in the process of transitioning. So our own sense is that the revenues that we expect to see from that may not be in this quarter. We will probably see it in the quarters to come. The second one is on furloughs itself. If I look at it last every year when October comes along we do a poll of our customers to get a sense of what the furloughs would look like as they go towards the end of the quarter. We are seeing some guidance from some of our Manufacturing customers, some of our Banking and Financial Services customers and also some of our Retail customers if they may have furloughs in December. It is right now tentative but in cases where we have got T&M contracts it is very difficult for us to go out there and collect revenue especially when they are on holiday. So that is what we have built into our guidance. Frankly, right now, from our perspective the way we see it is that there is an opportunity out there depending upon how the quarter



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progresses to see how we can kind of work on this number, but right now we have given you a top end and a bottom end and that is the range in which we expect our final results to kind of fall.

Sandeep Muthangi: Just a quick question on the vendor consolidation bit. Usually in these situations I understand it your wallet share would have increased significantly, but have you seen any erosion of your pricing or the margins in these deals?

T.K. Kurien: So “Will pricing be under pressure?” Absolutely yes. On margins we think we have enough levers to make sure that we are able to defend our margins.

Moderator: Thank you. Our next question is from the line of Diviya Nagarajan of UBS. Please go ahead.

Diviya Nagarajan: Two questions for you Mr. Kurien; First is on the furloughs. Typically, when we see customers coming back to us and talking about potential incremental furloughs over and above normal seasonality, how should we read this -- is this a sign that there is increased cost pressure at their end and that could potentially impact budgeting season going forward?. Number two, like you pointed out BPO has done very well in this quarter. Could you just run us through what contributed to the growth this segment within BPO that contributed well?

T.K. Kurien: Diviya, it is pretty simple. Typically what happens is we look at our client base and typically we at the beginning of October assess budget that are available to complete whatever projects that they may have as they go towards the end of the year. So what we see right now is that across some of the segments that I talked about, there is clearly pressure on the run side of the business. Not necessarily on the change side of the business, but again if they have a furlough right now it is a little uncertain to ask as to whether the furlough is going to extend to the change side of the business which is typically programs driven by business or whether it is going to be only restricted to IT. And I think that is where a little bit of uncertainty is coming in. As we change our business mix from selling purely to IT to selling also to business, frankly that is an area that we would not typically be used to in the past and today we are guessing on what that might look like as we go into the quarter. So to that extent it is not a reflection of what is going to happen next year but it is really a reflection of our lack of knowledge, if you may, to some extent.

Diviya Nagarajan: My question on what is driving BPO growth this quarter? And could you also run us through how your BPO offerings evolving which might be contributing to this growth?

T.K. Kurien: So on the BPO side, let me hand over to Abid, Abid as you know is our Group President and Chief Operating Officer and he can take the question on BPO and give you a sense of our broad strategic area and what we are doing to kind of accelerate the growth there. Abid?

Abidali Neemuchwala: Thank you, TK. So on BPO let me talk a little bit about how we are executing on our strategy which is around increasing our penetration in what do we call as the “Domain-based Business Process



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Services.” We are increasing the level of robotic automation that we do, we have already touched over 20 clients in doing that and then we are investing in platform or business process as a service. And all of these elements of our strategy are delivering results. Primarily, in Q2, we have also been able to drive higher volumes and a lot of our business is moving to a transaction-based pricing and there we have seen a certain level of uptick in the volumes which have delivered higher revenue growth in Q2. So overall from a strategy perspective, we have been able to see results, at the same time the current quarter’s uptick is on higher volumes that we have seen from the transaction-based pricing engagements..

Moderator: Thank you. Our next question is from the line Trip Chowdhry of Global Equities Research. Please go ahead.

Trip Chowdhry: A question I had was regarding consolidation deals. I was wondering we talked about vendor consolidation. Are these deals when transferred and transformed, would they have technology consolidation piece rate also?

T.K. Kurien: It is pretty clear that what happens is whenever people go through vendor consolidation it is not just the rate consolidation and the consolidation of vendors skill set, I think clearly what happens is that there is a significant level of technology upgradation that happens because with more and more Agile and DevOps coming in the fundamental infrastructure on how you run your development projects is also going to change. So clearly we see a technology refresh also coming in both at the infrastructure-led as well as on the platform for Application Development.

Trip Chowdhry: I had a question on Cloud also. Like if we read the popular press we are getting an impression that the whole world is probably going to run, this is at least some of the workloads on AWS or others. Do you think that is an accurate picture of really what is happening at the customer level or it could be something that is conceptual at this stage?

T.K. Kurien: I think it is very real. Across customer base we are seeing Hybrid Cloud coming in a fairly large way. We are seeing more and more work loads are moving on to the cloud. But I think more than that what we are now seeing is very interesting. We are also seeing a significant level of Open Source actually coming in into the in-premise infrastructure-led. So for example for the first time some of our larger customers we are seeing KVM coming in to go up there and that being used to virtualization rather than VMWare. So we have seen some significant movements in terms of technology. Where it will finally end up, who knows? But I think in the next couple of years we will go through a level of experimentation.

Trip Chowdhry: Last question I had was regarding the applications. Are you seeing the customers asking Wipro to create or develop a custom app that is completely in a new category that never existed before?



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T.K. Kurien: Again, it is very difficult for me to answer that question but all I can tell you is that the focus on Digital is becoming bigger because fundamentally what is happening is that really means for us as for large companies like us which has got a very large application space. What it really means us is reskilling a whole bunch of people. Because now for development of digital technologies in the front end basically what you need is you need these skills to come together; number one needs basic language skills, you need more database and other skills. With this combination that has been really present in individuals for new development to take place. To answer your question I think the next big change is going to happen in the Application space in terms of development. When you have context and locations being integrated into applications through Apps and that we are not seeing yet at least in Enterprise customers.

Moderator: Thank you. Our next question is from the line of Mukul Garg of Societe Generale. Please go ahead.

Mukul Garg: TK, I just wanted to ask some follow up question on the furlough impact. Can you help us understand given that we have not heard a similar commentary from any of your larger peers why is this becoming such a big issue this year, have you seen something similar in previous years also or is this the case that your Change side of business has become so significant that it is actually impacting your visibility?

T.K. Kurien: I think there are two reasons behind it; I think the Change side of the business clearly has become bigger and that to some extent that is impacting visibility. The second is that the furlough cycle is one component. The second big component is that I think I mentioned this pretty clearly that we have won quite a few consolidation deals which we are right now under process of consolidating the base out of the existing vendors in that particular space. That transition during the transition period we are not going to get any revenue. So if you ask me the reasons for the lower revenue this quarter, I think it is kind of evenly split between the two. So we may have a slightly higher impact of furloughs but I do not want to take away the whole conversation to only furloughs, it is not only furloughs.

Mukul Garg: If I can probe you something longer term may be next year and I am not asking for a guidance because you do not provide one but given that even if you do a good Q4 you will still come out with less than 5% Y-o-Y growth and this has been the trend for last few years, so how do you see next year panning out, what are the steps which you are taking to improve the growth rate and may be get into double-digit growth?

T.K. Kurien: So I think if you look at the drag that we have had over the past 1-year. Primarily it has been contributed by our Energy and Utilities business that is really contributed in a big drag for us. It has been a big drag for the past 18-months after many years of actually significantly higher double digit growth. It has typically been in the teens at worse. So we expect that customers especially in the segment will go through cycle and as they go through cycle we will have reduction. However, the good news is that as we go through consolidation deals we are winning more than a fair share of consolidation deal. So to that extent we are pretty confident when that market comes up which we expect to do so next year, we will do very well in that segment. Healthcare overall carries a very decent



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backlog in terms of order book and we expect the performance to continue next year too. As far as Manufacturing is concerned we see an uptick. I think the one area which continues to be perhaps a little bit of a problem which we need to solve is really the Insurance business that we have had because that business has grown very well for all our competitors but us is remain more or less static and that is something that we need to work on as we go into the rest of the year.

Jatin Dalal: So Mukul TK answered that question at a strategic level, but really finally boils down to executing well during every quarter and you have seen our performance in Q2 where we have come towards the higher end of our guidance and I think our endeavor is that to get every quarter right and not worry too much about what it translates in terms of full year number for next year, etc.,

Moderator: Thank you. Our next question is from the line of Sandeep Agarwal of Edelweiss. Please go ahead.

Sandeep Agarwal: TK, if you see our client category again it is a quarterly phenomena I understand but if you see our customer size distribution part of the data sheet which have been provided, we are not seeing big traction in the 100, 75 even 50, 20 million category, in fact we are seeing some traction probably in the 3 million category, that is it on the client side, other than that the whole distribution size of the customer remains quite muted. So what is causing this? And also although we have added 67 new customers in the quarter, we are not possibly seeing any kind of significant traction on any of the areas where it has been reported. So I understand the part that you will not be able to get revenue in one quarter, two quarter from the client but we are not seeing the traction in revenues in spite of adding good numbers even in the past. So can you please elaborate on that part?

Jatin Dalal: So there are two or three factors at play Sandeep, Jatin here. I think one thing which you must recognize is that these are dollar numbers and as you are aware there is at least a drag this year versus last year of anywhere between 4% to 5% on constant currency growth versus the dollar growth and this buckets are really drawn in dollar buckets. So there is some amount of what you would have crossed the buckets and moved up has not happened because we continue to measure in dollars, that is one. Number two, there is a movement which is both up and down and we have shared some challenges that we had seen in previous quarters on Energy business where we have lost revenues and that has also impacted a couple of customers there. So there is movement down as well as movement up, but on the whole it is stable or improved. And finally I would want to draw your attention to current quarter performance except ENU which also we had shared that is bottoming out in a material way vis-à-vis previous quarter, all the other five SBUs in constant currency terms have grown between 3% and 4% and some more than 4%. So effectively you are seeing the growth coming back and sooner or later that will reflect in buckets as before.

Participant: Sir also one more follow-up question, I want to understand that these top five contribution is down because of the top customer issue and is the same reason for even the top 10 or there is something else in the top five and top 10?



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T K Kurien: No, if you look at it if you take up the top two, the first customer we have had a decline and I think we have mentioned there clearly that we expect to see recovery in the beginning of the new year, that is number one. As far as the second customer is concerned, we have won a fairly significant consolidation deal and we expect to see that revenues also coming back strongly. As far as the rest of the customers are concerned, if you look at it in reported terms our growth rate is running from three to 10 customers our growth rate is running at 2.85% compared to a reported of 2.1% in dollar terms. So overall if you look at it, 8 of the 10 customers are doing better than average, it is two which are being effected which have dragged this overall number down.

Moderator: Thank you. Our next question is from Aishwarya K of Spark Capital. Please go ahead.

Srivatsan Ramachandran: Hi, Srivatsan here. Just wanted to get your comments on Europe, for almost now three quarters in a row we have been in YoY constant currency growth of 1% or 2% in the last three quarters in a row, so just wanted to understand is that some client specific issues or we have just not been able to win a fair share of deals, what is driving in the market which is at a very broad level pretty buoyant?

T K Kurien: Pretty much if you look at our growth in our ENU segment and if you compare that with the drop in Europe growth you will find a fairly good correlation. So whilst our Energy business has dropped significantly, that number reflects itself in also the ENU growth because supermajors that sit out of Europe in some ways contribute to the total number.

Srivatsan Ramachandran: Also wanted to get your thoughts on the Healthcare piece which was a good growth engine, we have seen quite a few M&As on the health insurance market. Just wanted to get your thoughts in terms of are you seeing any signs of some of the discretionary spend put in abeyance because of the corporate actions that we have seen. Wanted your thoughts on the same.

T K Kurien: So before that I thought I would add one more point, I think it is kind of interesting, I do not think we have communicated very well. The decline that we have had in the Energy segment has been made up by the growth that we have in manufacturing, especially Europe. So in spite of that we have seen probably, I would say tepid growth across Europe for the past couple of quarters and that could have just given you a sense of the hit that we have taken on Energy business. And with that let me hand it over to Sangita Singh to talk about Healthcare business.

Sangita Singh: So your question was about the industry and I would add to that the reason behind the momentum that we are seeing. So clearly the Healthcare and the life sciences industry is continuing to see significant traction largely lead by the Affordable Care Act, also enabled through the whole digitization that is taking place. We have been able to leverage that momentum really through the execution of our three pronged strategy that I had mentioned before many times. One is our ability to get more relevance with our customers, to be able to address the here and now, bread and butter business by giving them the price as well as the cost and operational efficiencies that they would need. A lot of that is enabled through our investments that we have made in artificial intelligence, our ability to deliver cognizant



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computing into the platforms that they would have as well as something around infrastructure solution. The second thrust that we are seeing is really our ability to open new marquee logos and we have had considerably a good quarter with our ability to open five new logos. Both of these two have been enabled through the investments that we have made over the last four years around differentiated domain solution, three of them being very key, one is Patient-Centricity, second is around Compliance and third is around Product Development, all of them blend itself very well to the new big digital focus that we are seeing with our clients, both are on process digitization as well as user experience. So those are some of the things that have really helped us, and needless to add a fantastic team that has been working to make this possible.

Moderator: Thank you. Our next question is from the line of Sandeep Shah of CIMB. Please go ahead.

Sandeep Shah: Just TK your explanation about the growth within the top 10 for this quarter is quite fair, but if I just look at the last eight to nine quarters and the absolute revenue base of top two to five and top six to 10, either it has on a quarterly run rate basis remained same or it has declined? While in the last several quarters each quarter we say that the client satisfaction scores are being moving up but the same is not been percolating in terms of the revenue growth. So we do agree that Energy would be one of the culprit, but apart from that what are the issues according to you, either is it more a work in progress regarding sales where cross-selling, up-selling needs to be picked up or it is more regarding in terms of delivery issues?

Jatin Dalal: So Sandeep this is Jatin and we shared the details of how we see the current quarter performance and I think you will have to see it in the light of some earlier comments that we made in terms of impact that we had taken during the course of earlier quarters. As we see forward and I think that is what matters the most, we continue to invest in terms of our mining effort with an additional layer of service delivery which integrates all service plans. We have taken certain other internal measures which we think will help mining and therefore we remain quite optimistic that as we go forward you would see that overall mining in the company will improve from where we are today and that will sooner than later should reflect the client bucket as well as top 10 clients.

Sandeep Shah: And just second question in terms of order book in this quarter, it has picked up because across most large cap peers as well as mid-cap peers we have been hearing that the order book is one of the best in the last several quarters, even Wipro has witnessed the same?

Jatin Dalal: Yes, our quarter two order booking has been better than quarter one order booking, Sandeep, certainly and we continue to see good traction in the market.

Moderator: Thank you. Our next question is from the line of Nitin Padmanaban of Investec. Please go ahead.

Nitin Padmanaban: TK, this was with reference to two specific comments, on the guide and our aspiration of H2 being better than H1 and you also mentioned that transition revenues should come later. So I was just



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wondering whether is it the transition revenue shifting to Q4 that gives comfort of aspiration of H2 being better than H1?

Jatin Dalal:

Jatin here, so let me start with where we made the first comment last quarter and that we see momentum improving and in that context we had said that we see H2 better than H1. If you see our quarter two performance, we have come towards the higher end of our guidance and therefore in a way what we were thinking or what we are seeing has actually resulted in an outcome in terms of the numbers that you have seen. Now quarter three is what we have guided and that range is also visible to you and we cannot guide for quarter four, we do not guide for quarter four, so beyond a point we are not guiding for H2 but we maintain that our aspiration would be to do better in terms of the sequential growth that we have achieved but it is not a guidance.

Nitin Padmanaban:

I understand that, I was just trying to get a qualitative feeler in terms of is that comfort coming from those transition revenues which are possibly will not be there next quarter which was impacting next quarter possibly coming through Q4, is that qualitatively something that should drive confidence?

Jatin Dalal:

So there are two aspects, of course transition revenue for the large deals but more critically what we spoken about is that we have won consolidation deals but ramp up in those deals is taking time and typically end of the year is not good time especially in December to see this ramp up and we do expect that some of that consolidation gain will reflect in our numbers in quarter four and that of course is something that's been experienced.

Nitin Padmanaban:

The other thing was from a margin perspective, so with this transition sort of going on is that sort of headwind for the margins in the near-term, in the next quarter or so or should that be perceived as a headwind on margins?

Jatin Dalal:

No, so the way to look at it is that we have already taken the full impact of salary increases for the year, we also took the impact of RSUs that we gave on first of April this year in Quarter 1 and therefore all the planned addition to cost is behind for the year. From here on we need to execute well and we have shared that there are many levers that remain and we will focus on that and execute better to be able to keep margins stable.

Moderator:

Thank you. Our next question is from Raj Kantawala of Equirus Securities. Please go ahead.

Raj Kantawala:

Just following up from what you said earlier that we are facing some challenges in insurance segment since the past 12 to 18 months, so what are these challenges and what steps are we taking to handle the challenges?

T K Kurien:

The answer is pretty simple challenges, I did not see that there are challenges. I said that we are not a big player Insurance space and that is not something that is going on for the past 12 to 18 months, it



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has been going on from past five to seven years. So we really need to bring a big push there in terms of growing insurance market.

Raj Kantawala: And sir just a question on the wage hikes, what is the wage hike that we have given this year and what is last year? And so what are the increase in number of start-ups in our sector, and that thing how it's impacting our wage hike?

Saurabh Govil: Our wage hike were effective 1st of June this year and it was average 7% increase Offshore and 2% onsite, similar range we have given last year as well. As far as impact of start-ups, yes in some pockets we are seeing people but that has not impacted us because those are the kind of profile of people who are wanting to pursue that. Right now, people going for start-ups in single digits. So from that perspective we do not see immediate concern around that area.

Raj Kantawala: So just following up on that, the hiring that we are doing, so is it that most of that is a fresh talent or it is a mix talent?

Saurabh Govil: So for this quarter (+6000) adds primarily the larger percentage of people are freshers we have hired and the intent of hiring these freshers have been as we look into digital training, really TK called out about 10,000 people to give this training for digital at the end of this fiscal and with that intent we have had these people. And this works for three kinds of training, digital side, engineering side, coding, algorithmic and digital and these three would be there so that is the investment we are making on the freshers right now.

Raj Kantawala: And sir if we just look back, most of our peers are also into digital space and most of our larger peers are investing heavily into the digital space, so how are we differentiating in the digital space and how do we see the percentage of digital revenues going forward in the next two or three years?

T K Kurien: That is a long question to answer, let me give you a one minute comment to it. The way we see this that whatever work we do at the front end integrating, engineering and design which is really what Designit acquisition has done for us. That piece of revenue which we get at least 2x revenue on the backend in terms of global in some cases it could even be 5. So to that extent what happens is that we see significant follow through revenue coming in and that is the opportunity. So the opportunity really comes in is not doing the front end growth but doing the back end growth in terms of heavy lifting. At the end of the day for companies like us, scale is important and our objective would be to get scale whenever we can.

Moderator: Thank you. Our next question is from Georgios Kertsos from Berenberg, Please go ahead.

Georgios Kertsos: Two questions from me and the first one with three parts I guess, it is around your product engineering service client, can you help give us some color over sort of type of offerings and projects that you are offering on product engineering and what is driving the question essentially is that different IT clients



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basically categorize different type of projects and the product engineering just to make sure that we are having a like for like comparison.

T K Kurien: Okay George, maybe I should just kind of give you a quick update on what we do in the product engineering space. So I think the first thing is that our product engineering business has passed everything from product design to actually building product and intellectual property around specific products, that is one component of it. The second component of it is around specific software products that we build for third parties, those are broadly the two areas that we focus on.

Georgios Kertsos: And essentially which type of geographies are you mainly targeting?

T K Kurien: Primarily US and Europe and we have talked about for example, in our Press Release we have talked about how we are working with a very large car company in building a connected car for them, that is typical example of what you would do on the front engineering side.

Georgios Kertsos: And whom do you typically compete against in this space?

T K Kurien: So it is mix of internal engineering teams, it is a mix of people who got specific IP and some components, one or two Indian players but that is pretty much what it is, there are not too many players in this space.

Georgios Kertsos: Next question I had is around the application development maintenance, the ADM service line, if I am not mistaken a while back you sort of consolidated that with the BAS services which at the time you indicated that was a bit of a divergent type of underlying performance, the BAS growing and ADM having anemic growth rate. If you could just give us a bit of color around that essentially, how is the ADM versus the BAS business essentially evolving from a growth rate perspective?

T K Kurien: I think clearly the BAS business is growing far ahead of the ADM business, there is no question about that and typically what we have seen is we have seen in the BAS segment, the old BAS segment we have seen growth rate above the company average.

Georgios Kertsos: And then what is driving essentially, is it structural or cyclical, essentially what is your thinking around the ADM essentially losing the ground versus the BAS?

T K Kurien: I think it is pretty simple, if you look at the ADM business, the ADM business is still a fairly routine business which slowly is getting disintermediated by new stream and more and more has been deployed for HOLMES, which are our AI platform and other platforms. The revenue that we will get out of that traditional segment is going away.

Georgios Kertsos: So essentially you are saying that as the applications get moved to cloud infrastructure essentially there is less type of maintenance work going on the back of that.



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- T K Kurien:** That is part of what happened, but more than that if you look at it the way we classify applications support under SAP platform it would be under BAS, it could be under ADM. ADM really refers to mainframe platform, mid-range platform, application platform that run on that segment. So it is really legacy systems that are classified under ADM, but under the old ADM. But the reason why they kind of put both these together was primarily to make sure that we will remove any kind of noise in the system otherwise in most cases what has happened was you really have to see the segment together, you cannot see them as distinct.
- Georgios Kertsos:** In terms of digital and this is sort of popular type of question, in terms of people essentially asking what proportion of digital exposure IT vendors were gaining momentum in terms of digital demand from corporates, is this essentially your revenue splitting digital and you feel comfortable sharing?
- T K Kurien:** We will not share the numbers this year but towards the latter half of this year as we close our books we may think about readjusting the numbers for next year, right now we are not planning to do it.
- Moderator:** Thank you. Our next question is from Ravi Menon of Elara Securities. Please go ahead.
- Ravi Menon:** I have a question on Energy first and then a follow-up on Healthcare. TK has spoken in the 4th Quarter of FY15 two deals that you had won in Energy, despite this Energy space is barely growing. So did these wins ramp up or have these been deferred by the clients due to issues in the sector? And secondly like this Energy have you started seeing large outsourcing deals with RFP stage now or is that still some quarters away?
- T K Kurien:** So as far as the consolidation deals that we had in the Energy business, there were two of them and frankly we have won both. So Anand Padmanabhan who runs our Energy and utility segment is here and he can talk thorough it, but fundamentally the result of that has been positive.
- Anand Padmanabhan:** So as TK mentioned we have done well in the recent deals which we have won some of the large deals and primarily because of the lead we have and presence that we have in the Energy segment, it is easier for larger customers to consolidate with us, so that is one. Now having said that in terms of revenue, these are large consolidations right, I mean we are consolidating across multiple vendors to a fewer number of vendors so these will take anywhere between three to six months to transition, so that is the timeframe one is saying in terms of getting the real revenue to reflect in our outcomes. So we are really looking at anywhere between a quarter to two quarter to start showing those revenues and all.
- Ravi Menon:** And about the RFPs, have you started seeing large RFPs coming out in Energy for outsourcing?
- Anand Padmanabhan:** Oh yes, absolutely. I am saying just fundamentally the industry has been going through a huge amount of challenges there according to what it might get because of the prices, volatility of the prices, etc. So the industry is suddenly looking at a lot of transformation both in their own industry in terms of production as well as in IT. So we are seeing some amount of RFPs coming in, we would think it will



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take around three months to six months for them to decide on those RFPs and we will see a lot more traction in that time frame. But we are seeing a lot of RFPs as we speak, I mean we are also seeing RFPs from oil companies which have never come across to do any sort of outsourcing deals before.

Ravi Menon: Most of your peer group have done really well in Healthcare area growing at least 20% in dollar terms, so are you in a different sub-segment compared to your peers or what has really hampered you. You have done well in this segment in the past.

Sangita Singh: Good question, so if you recollect our last quarter was a decline and that has put pressure on the year-on-year numbers of the quarter and as you heard from TK and as you heard from Jatin and me before I think the strong momentum that we have been able to build through the deal wins in the last quarter that got off to sequential growth this quarter should help us continue the momentum. We are operating in the same playing field as our competition and we are seeing good traction come up in life sciences, a lot of that enabled through our customers wanting to move into services that is something that we can leverage through the investments that we have made in Designit and Wipro Digital. I see a lot of momentum that we can build through our bread and butter business around being able to drive operational efficiencies for both our Healthcare and our Life Sciences and our Medical Devices customers. So overall I stay positive, we stay confident of the momentum and I hope the blip that we had in the last quarter we should be able to cover some ground. I hope that helps Ravi?

Ravi Menon: That is great. If I could ask a follow-up there, I mean is there any segment that you think that you are not really well covered in Healthcare, where you see potential but you do not really have a strong portfolio or credentials right now?

Sangita Singh: There used to be one which is the payer segment. Ravi what happens and what is happening today in the Affordable Care Act is that there are new emerging opportunities that are coming up largely because of the trends in the markets, one such particular one is the whole individual mandate that has been enabled by the Obamacare that allows us to participate in a whole set of new engagements that is a level-playing field with others. So I would not be too worried about the fact that we were not present earlier, I still think there is huge area for us to participate and do well. And last year, Healthcare & Life sciences business unit grew 18% year-on-year which was good and among the higher end of what we saw from the industry.

Moderator: Thank you. Ladies and Gentlemen, that was our last question. I would now like to hand the floor back to Mr. Aravind Viswanathan for closing comments.

Aravind Viswanathan: Thank you all for joining the call. In case we could not take any questions due to time constraints please feel free to reach out to us. Have a good day and wish all of you a very Happy Dussehra.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Wipro that concludes this conference call. Thank you for joining and you may now disconnect your lines.