



Wipro Limited Q2 FY18 Earnings Conference Call

October 17, 2017

Edited Transcript

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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 call, please signal for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aravind Viswanathan. Thank you and over to you, sir.

Aravind Viswanathan: Thank you, Zaid. A warm welcome to our Q2 FY'18 Earnings Call.

We will begin the call with "Business Highlights and Overview by Abid – our Chief Executive Officer and Member of the Board", followed by a "Financial Overview by our CFO – Jatin Dalal", afterwards the operator will open the bridge for "Q&A with our Management Team."

Before Abid starts, let me draw your attention to the fact that during this call, we may make certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act 1995. These statements are based on management's current expectations 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 explained in our detail filings with the SEC. Wipro does not undertake any obligation to update the forward-looking statements to reflect events and circumstances after the date of filing. The conference call will be archived and a transcript will be available on our website.

I would now request Abid to give his address:

Abidali Z. Neemuchwala: Thank you, Arvind. Good Evening and Good Morning, Friends. For those of you joining from India, I Wish You a Very Happy Diwali.

Let me give you a commentary on our "Q2 Performance" and then cover the "Overall Demand Scenario that we see in the IT Services Industry:" So this quarter has been special for us because we crossed the milestone of \$2 billion of quarterly revenue for our IT Services. In constant currency, our revenues were in line within the guidance range. A strong performance and operating margin with an expansion of 48 basis points, incorporating the two-month impact of wage hike and all of the 48 basis points are primarily driven by operational efficiencies that we have been able to deliver within the business.

Our demand commentary remains unchanged; we see strength in BFSI and stable demand in the Consumer verticals primarily driven by the strong digital capabilities that we have invested in and these two verticals adopting digital ahead of the industry.

E&U continues to be stable, although Q2 got impacted by Middle East specially Q2 is a holiday quarter due to the holiday season there in Middle East.



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We continue to see progress in India business. One of the key things is this quarter the India business, the products segment has generated positive margins which has helped us with our net margins as well.

Healthcare continues to be volatile due to the concerns around Affordable Care Act, although we are hopeful of revenues bottoming out in Q3. Right now we are in the open enrolment season and we are closely watching the developments.

Communications business as I had mentioned last time was challenged due to a couple of customer-specific project ramp-downs which we believe we have bottomed out in Q2 and we should see growth in Q3 and onwards.

Our Q3 outlook has the seasonal impact of furloughs and higher leaves that happen in the holiday season. Adjusted for the seasonality, we are seeing an improvement in our growth trajectory in Q3 compared to Q2 and we are on paths to match the industry growth rates exiting this financial year.

Now, I will quickly provide an “Update on the Strategic Themes” that I have been consistently updating you over the past six quarters now: Digital revenues in Q2 are now 24.1% of our overall revenues. We have further enhanced our design and advisory capability in the US through the acquisition of Cooper, a Design and Business Consultancy.

I am happy to note that our Cloud business in Q2 has crossed a billion dollars (\$ 1 Bn) in annual run rate revenues. We have won multiple engagements to be able to deliver digital at scale becoming the digital partners of our enterprise customers. Let me give you an example of a multi-year omni-channel customer experience transformation engagement that we have won from a leading telecom company in the Asia Pacific region. We will leverage our digital engineering capabilities, design, we will improve customer advocacy, issue resolution rates and accelerate end customer shift towards the digital CRM and self-help channels as part of the outcomes of this engagement. We will deliver this through iterative Agile and DevOps methodology with Scrum teams which work on individual customer stories and customer journeys.

Wipro Digital opened two pods in Q2 – One in Mountainview, California, another one in Edinburgh in Scotland. This brings the total number of digital pods globally to 16 and we see good traction in customers being able to come and do rapid prototyping and design thinking workshops and our ability to deliver the minimum viable product at velocity that Digital requires through these digital pods.



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We continue to reskill our staff at an ever increasing pace with about 12,000 employees acquiring and getting certified in digital skills in Q2 which takes the total number of Wipro-ites to about 80,000 who are now 'digitally' certified.

Our Consulting business continues to grow well; Consulting revenues which were 5% in Q2 of FY'17 are now 6.2% of overall Wipro (IT Services) revenue in this quarter which is almost 30% growth YoY.

We continue on our path to build momentum in client mining which has been a focus area and our teams and customers have responded quite well. The momentum in Top-10 accounts growth continues to be very good and this quarter we grew 4.9% sequentially in the Top-10 customers. Our mega gamma customers or the Top-100 customers are growing faster than not only company average but also we are able to sell a lot of our new offerings into these clients and the average revenue per customer is continuously improving and so is our customer satisfaction in these customers which is now higher than the average company's customer satisfaction.

On non-linearity, we applied for 80 patents in Q2, taking our total number of patents granted and applied to 1,789 and we have filed significant number of patents around our HOLMES platform and Blockchain technology this quarter.

One of the engagements that we have won and are delivering using Wipro's IT is on Data Discovery Platform Solution from our Analytics service line. This platform continues to have significant traction. We won a Mid-Size Healthcare Provider in the US. The DDP Solution will be leveraged to drive more insights on Population Healthcare Management and derive operating cost savings as well as health quality improvements for its client base.

An Update on Hyper Automation: I had talked last quarter about how we are focusing on L2 productivity and in Q2 we generated productivity of about 2,500 FTEs through deployment of Wipro HOLMES™. We now have about 2,000 instances of 74 unique HOLMES-based bots across 250-customers deployed. An example of an engagement that we recently won in Europe is for a lighting major where we are reducing the operational failures in their IT landscape by 17% and the volume of work measured in man hours or person hours by 45% enhancing the efficiency of our run services to the client as well as delivering much better end user experience.

We continue to execute on localization - about 200 basis points on an average improvement across all the markets where we are focused on localization taking our US workforce to over 52% in this quarter. We continue to engage with local communities in all the geographies we work and especially Q2 was the special quarter for the US where we inaugurated our "First Innovation Center" outside of Bangalore in Mountainview, California and we are finding very good customer traction in experiencing the new brand Wipro which essentially brings not only



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what we have in strong at but also a lot of innovation and thought leadership in being able to help customers strategize for their future and rapidly prototype and be able to leverage new technologies from start-ups and from within the Wipro ecosystem to be able to deliver technologies are based competitiveness to their businesses.

As part of our partner ecosystem, Topcoder and ConsenSys, the leading Ethereum Incubator, entered into a partnership to create an Ethereum engineering community on Topcoder platform. As you know, Ethereum is one of the fastest growing blockchain technologies.

We have seen about 18 customer wins in joint go-to-market with our Wipro Ventures investee partners this quarter and we approved two additional themes in our Internal Intrapreneurship Program called Horizon Program in the area of Autonomous Vehicles and Additive Manufacturing.

We continue to gain traction with influencer - essentially our analysts and advisors. In Analyst Report, Wipro is in Leadership Quadrant now in 65 ratings in calendar year '17 compared to about 14 Leadership Quadrant Ratings in calendar year '14.

As you can see, we are making visible progress in each one of our strategic themes. Overall, I am confident that we are moving in the right direction and we will be able to match industry growth in Q4 as we have said before.

As we enter the holiday season, I would like to Wish All Of You A Very Happy Holiday Season for the various holidays globally that will happen in this quarter.

I will now request Jatin to speak on the "Financials."

Jatin Dalal:

Thank you, Abid. Good Day, Ladies and Gentlemen. As always it is pleasure to speak to you. Let me start with Revenues:

IT Services revenues for the quarter grew by 0.3% in constant currency. Revenues in US dollar terms for the quarter grew 2.1% due to strengthening of Euro, GBP, AUD and CAD. IT Services margin for Q2 was 17.3%, 48 basis points expansion over Q1 margin of 16.8%. We overcame the impact of two months of salary increase through productivity improvements during the course of the quarter. We continue to make significant investments in HOLMES, our Automation suite. We generated productivity of over 2,500 person-months due to automation initiatives at L2 level.

On the FOREX front, our realized rate for IT Services in Q2 was Rs.65.40/dollar Vs a rate of Rs.66.06/dollar realized in Q1. The net impact of currencies on margins was broadly neutral.



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Our effective tax rate for Q2 was 22.7% vis-à-vis Q1 of 22.4%. The net income for quarter was Rs.21.9 billion, an increase of 5.5% sequentially and 6% YoY.

Now, let me talk about cash flow:

For the first half of fiscal '18 we generated robust operating cash flow of Rs.46.9 million which was 110% of our net income which compared to first half of FY17 when operating cash flow generated was 99% of net income and as you can see, we have been able to get a sizable improvement on that this year. Our net cash as at the end of the quarter was \$3.7 billion. As of period end, we had about \$2.4 billion of forex derivative contracts as our hedge.

Let me talk about mergers and acquisitions: In early October, we announced our intention to acquire Cooper, an award-winning design and business strategic consulting. Let me update you on buyback. In August 2017, shareholders by way of special resolution approved the buyback proposal which was approved by the board in July 2017. Buyback offer period will commence on completion of regulatory requirements. For the quarter ending December 31st 2017, we have guided for revenue growth in IT services in range of 0 to 2% sequentially in constant currency. Traditionally, Q3 has lower number of working days due to leave, holidays and furloughs. We expect revenues and margins to be impacted by this thing. We will endeavor to offset the impact to the extent possible. For the full year, our focus is to build revenue momentum to enhance our ability to maintain and grow margins. Our endeavor will be to keep full year margins in a narrow band of FY17 margins on a constant currency basis. We will be happy to take questions from you. Operator, you may now open the lines.

Moderator: Thank you sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from Mukul Garg from Haitong Securities. Please go ahead.

Mukul Garg: I have two questions. First two are that you mentioned that from Q4 onwards you would expect to grow in line with the industry. So just wanted to get the sense of where do you see industry structural growth going in FY19. Do you think it will be something similar to what we have seen in last 2 years in terms of growth seen by industry or do you think it will accelerate going forward from next year. And the second question was for Jatin. Jatin, can you help us understand the impact which happened in this quarter in the cost of hardware and software, it declined from almost Rs. 7.5 billion from last year to 2.9 billion, almost 350 basis points impact on margins in Q2.

Jatin Dalal: So Mukul, let me talk about both the questions. The first, it will be too early for us to talk about FY18-19. We have shared our outlook for quarter three. We have shared the trajectory there. We want to be in quarter 4 and we will wait to see how the early indicators span out before we start



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talking about quarter one of next year. Let me come back Mukul to your question separately on hardware and software.

Mukul Garg: Right. So basically what I was looking for, I was not looking for a guidance which you guys do not give, but a general sense of where do you see the overall industry growth going next year? Are you guys getting a sense that the growth trajectory is going to improve going forward or will it remain in same ballpark range we have seen in last couple of years.

Abidali Z. Neemuchwala: So let me share the way I look at it. There are two components to the industry growth rate. One is the component on customers uptick of technology and that depends on the overall growth rates of various economies in which the customers are working. As you see, I think the overall world economy is getting better. US economy has shown improvement. Europe is showing improvement. India obviously in the large economies has one of the fastest growth rates. So from that perspective, definitely there is an uptick. The second component of the growth rate of company like ourselves in the IT services industry is the combination of the growth that happens on the Digital side of our business and some of the efficiency, delivery and the run off that happened on the legacy side of our business. And as the proportion of the digital business as percentage of our revenues grow, the growth rates of the industry become closer to the growth rates of the Digital business which will obviously take a few years, but as the proportion between the two modes that we are right now working in changes, definitely there is an opportunity for the growth rates to accelerate. So I continue to be very optimistic about the future of our industry, future of consumption of technology and hence there is no reason that in the next few years why the growth of the industry should not be higher than the growth it is today.

Jatin Dalal: Mukul, I will also answer your earlier question. If I read you correctly, your question was regarding why the revenues and cost related to IT products and services have fallen substantially. So as you can see in the segment reporting, our IT products revenue has shrunk and that has shrunk because for us, IT products is something that we do to get additional services revenue and where we not on standalone business, so we are running the business with tight discipline around it where we can do a profitable business, we are pursuing that and that is reflected in overall trajectory of revenues for IT products.

Mukul Garg: Got it. So should we expect the revenues in IT product to remain or to not accelerate back to the levels we saw in previous quarter?

Jatin Dalal: Yes, it will remain in the similar trajectory except seasonal variation because IT products do have certain seasonality driven by buying patterns of our customers, but intent of ours is not to secularly grow that business, but to do it in a way that help us gain market share on services business.



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Moderator: Thank you. The next question is from Diviya Nagarajan from UBS. Please go ahead.

Diviya Nagarajan: Thank you for taking my question and congrats on the good execution this quarter. My question is on the headcount trajectory that we have been seeing for the last 4 quarters or so. We have been declining in headcount for the last 4 quarters. What should we expect as a trend going forward and do you expect this trend to reverse anytime soon. And the second part of this question is that could you run us through how you are able to do right headcount efficiencies and the areas in specific where you are seeing your hyper-automation initiatives really bearing fruit?

Saurabh Govil: This is Saurabh here and I will answer your question, Divya. So if you look at the headcount decline this quarter, you need to keep in mind both from a total people supply chain which is hiring, attrition, utilization all put together and as you have known that we have always called out that we had headspace to improve utilization, we have actually gone ahead and looked at that in this quarter and we have seen the uptick in utilization. So very clearly that is one driver which is there. Attrition has slightly moved up from last quarter, that is another piece which we are driving in. But I think from a longer-term perspective, very clearly we have seen and that the trajectory of revenue growth versus headcount growth. Revenue growth will be the fastest side given the nonlinearity of platforms and digital work and automation which we are doing than what you will see on the headcount side. That is the way to look at the entire piece and not look much at one quarter.

Moderator: Thank you. The next question is from the line of Ariel Hughes from Wedbush. Please go ahead.

Ariel Hughes: First question will be around cloud business. You said that you have recently reached \$1 billion run rate in cloud business. Just wondering if I can get some color behind what is driving growth? What is the growth rate in cloud business and is there any particular market that are performing?

Abidali Z. Neemuchwala: So first of all, all of our cloud business is a subset of the digital business that we report and this was an important milestone, so we highlighted the cloud business and which we have been investing over the past few years already. So to give a color on the cloud business, I would look at the cloud business in 4 different segments. Segment number one is related to a GIS business where infrastructure gets delivered on cloud. The cloud can be public cloud that we deliver through our partnerships with various public cloud companies and it could be a hybrid cloud which incorporates both public cloud as well as a private cloud that both, from within Wipro or it could be also customers premise based private cloud. We as a strategy have been transforming our GIS business from the erstwhile on-prem kind of data center business into the cloud business and I think we have got good traction. We have done some very transformative deals for our customers and being able to not only keep that business, but grow it by helping customers transform their infrastructure to the cloud. The second part of the cloud business is of application



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migration to the cloud. We call it application refactoring where you enable application not only to sit on the cloud, but also have when API economy through which applications can interact with each other and refactor the application for the cloud. We have very good traction in this space because as enterprises move to the cloud, they need to get the benefit of the cloud, they need to migrate their application and we have a completely automated suite of tools that enables us to migrate custom applications and workloads to the cloud. The third component on the cloud is applications born on the cloud which essentially is the capability that our Appirio Cloud Services provide which is being able to deploy cloud applications for customers who are transforming themselves by moving to a completely cloud based economy. We have now amongst our peer leadership position in that market and we continue to deliver enterprise transformation to platforms like Salesforce or Workday and other cloud platforms to enterprise customers. And the fourth component of the cloud business is Data on the Cloud which is gaining a lot of traction. Now that regulation across various geographies are becoming clearer and we have both Cloud Consulting practice which helps customers decide the data strategy on the cloud and then execute on moving the data on the cloud so that they can make the most out of the cloud by having their entire IT landscape sit on the cloud and we have executed a large number of engagements. All though small size of moving data with the cloud, but we believe that in future that will scale up much more and with all of these four components, we are able to provide an end-to-end cloud transformation to the enterprise and that is where we are seeing traction.

Ariel Hughes: That is great, thank you. And my second question is related to the Healthcare and BFSI segments. if you can give us some more clarity behind what is driving growth in this sub segment and market level?

Abidali Z. Neemuchwala: Is that for the healthcare segment?

Ariel Hughes: The healthcare and BFSI, yes.

Abidali Z. Neemuchwala: So clearly BFSI, historically we have had as a percentage of our revenues relatively lower market share of BFSI, but as the fundamental mix of the BFSI business changes, BFSI is one of the early verticals to adopt any new technology and we see them adopting digital technology quite rapidly and add scale compared to some of the other verticals and that is driving growth because of our early investment in digital capability. We are able to do digital and scale with Banking customers and that is driving the growth across various geographies in the BFSI space. On healthcare space, while our core healthcare business continues to grow at our historic rates, but as you are aware we did the HPS acquisition which gave us almost 30% market share of the ACA members and that business right now is under stress given the uncertainty and that is slowing down growth. And just to give you a sense, over the last few quarters we have lost on a run rate basis about \$125 million worth of annualized revenues in that segment of our healthcare business. And especially now that most of that uncertainty in terms of the project discontinuity



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or the market exits from the payers has completed, we believe that we bottomed out in that business and we should be able to show growth in Q4 if not from Q3 itself.

Moderator: Thank you very much. The next question is from Ravi Menon from Elara Securities. Please go ahead.

Ravi Menon: First question is about the impact that you have seen in Energy and Natural resources. Should we read this as a one quarter kind of phenomenon or would this remain volatile?

Jatin Dalal: Ravi, this is Jatin. We have maintained in past that we see this bottoming out as the sector has stabilized itself after sort of stable oil prices. It is yet not picking up, so therefore there is a lumpiness around project closures and new commencement of projects. Specifically, in this quarter, they got impacted because Middle East holidays which in Middle East does have a large exposure of our oil and gas business. Going forward, we believe that it directionally will improve, but with little bit of volatility around.

Ravi Menon: And secondly, it looks like you had a good uptick in realization this quarter. So how much of that would be really cross currency and what would you attribute to shift towards digital?

Jatin Dalal: So Ravi, there are three factors which would play out when you look at realization. The first factor is the cross currency which you talked about and it has had a positive impact on the realizations for sure. The second factor is the automation and productivity led by automation where we have done very good work over last 4 quarters and certainly in quarter 2 as well. So that does play out on realization of our fixed price project which is roughly 57% of our revenues. And the third factor is the core pricing power where we do see that we are realizing superior pricing in some of the newer technology certainly in digital space as well as some of the newer technology in traditional space. And that is also has slowly made its way into the mix. So these three factors have contributed to overall a comfortable position on realization.

Ravi Menon: Thank you and if I could ask one followup to this. You are talking about a lot of automation, Abid did mention about the application migration to the cloud and how you have highly automated tools for that. If you could elaborate a little bit on that, that will be great because I do not think that we have heard this from anybody else?

B.M. Bhanumurthy: Ravi, this is Bhanu here. On the tools that we have talked about, we have been investing in the HOLMES platform and with the HOLMES platform, now we have deployed about 2000 plus instances for bots on various places and it is growing for the regular business as well. On the cloud part that you specifically talked about, we have built tools and platforms around multiple areas. One is obviously Multi-Cloud Orchestration is one big area that we have done. We have done tools for migrating customers on their cloud journeys depending upon their custom applications from the third-party applications. They also had customers to migrate from what



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Abid talked about in terms of data of how we can take data and convert them into insights using the tool on the cloud. So multiple tools of this nature have helped the cloud business to accelerate as well right now. And the most important thing also is our partnership with the public cloud providers like Amazon, Azure and Google as well.

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

Nitin Padmanabhan: I had two questions, the first one is there was an executive order today in the US by the President which impacts the exchange business on the Healthcare side, so just wanted some color in terms of how you think that could impact our business there? The second is looking at the commentary of Q4 being industry-level growth, what do you think will change from a portfolio perspective because if you look at all the business units apart from Energy and BFSI, the others seem to be pretty weak, do you think the others would also contribute to growth by Q4 and what could change in those units?

Abidali Z. Neemuchwala: Again, it is a little early to talk about the impact of the executive order, but essentially as I have said, we have bottomed out over there, so whatever comes now in terms of ACA or its replacement, finally, we do believe that the population that is impacted by is they need some kind of health services and as the administration looks at what that form of those health services is going to be, we have a platform, we have the domain expertise, we have the ability to deliver it, we have the customers, we should be able to very quickly react to it and be able to deliver. The base Healthcare that stays, open enrolment season is there right now, so by next quarter when we talk to you, we will be able to give you a much more specific color on how that open enrolment and participation of people is on that because as you know, technically, the ACA in its form that Congress had passed still stays as it is. Executive orders do slightly change how they are funded, how the consequences of small businesses or individuals not bind that mandatory insurance, how the government deals with the consequences of it and some of those things get changed, but the fundamental regulation stays till we have a replacement from the Congress.

Coming back to your question on Q4, let me just give you a little bit of commentary on Q2 itself. If you look at our six business units, the way we report we see strong delivery from Banking Financial Services, our Consumer business unit in the market that the work is delivering well. As I said, the Energy, Natural Resources and Utilities has undergone turnaround. We see good spends starting to happen by the Energy companies and we will continue to see growth as I said this one quarter is an aberration but on a year-on-year basis and constant currency ENU has grown by 5.2% which is quite healthy as part of the early signs of recovery. We do have uncertainty and challenge in the Healthcare and Life Sciences, but we do believe that we have bottomed out over there or at best in Q3 we will bottom out. Communication, as I said had a



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couple of customer-specific issues in Europe and Africa where those customers were under stress and because of that couple of large transformation programs that we were doing had got impacted, they got cancelled, so now we see a growth trajectory going forward in line with the industry for our communications business.

In Manufacturing and Technology, our technology part of the business has performed well at industry or more. The manufacturing part of the business, we are making certain changes in the leadership and our offerings there and we do believe that there is nothing fundamentally wrong over there, it is just that the transformation that is happening, the capabilities that you need in terms of selling as well as delivering to those Manufacturing companies need to undergo a change and we have already executed on it, so we feel that we should be in good shape in the next couple of quarters over there. So overall whether you see it from an industry verticals perspective or geographies perspective, if you look at geographies in constant currency, Americas has been under stressed but primary all of the Healthcare stress is for US, so that is why you see the US growth lower, the moment healthcare bottoms out, I feel quite comfortable with our traction in the US market. We see good traction in Asia-Pacific and emerging markets. In Q2, we have delivered about 3.4% sequential and 7% year-on-year growth which is robust. Europe, we are finding good traction and as I have said India and Middle East were undergoing restructuring and we had passed that so going forward, we should be seeing profitable growth in the India, Middle East segment.

Moderator: Thank you. The next question is from the line of Abhishek S. from Equirus Securities. Please go ahead.

Abhishek S.: Just rephrasing the question on BFSI, you have commentaries that is found relative to your peer, so just wanted to understand have are you kind of winning market share in the US or you are seeing customer-specific traction, thank you?

Shaji Farooq: You know overall, I think BFSI the important thing to, I cannot comment on the market share because that definitely depends on the relative performance of all our competitors; While I will say this much that we have had very strong wins in our accounts, our mining performance has been extremely strong particularly in the US. We continue to make significant progress on our digital initiatives and I think that has been a key part for overall success. We are also taking a view that this is an industry that is undergoing a major transformation in itself and the way services are achieved and the kinds of results and outcomes, our customers desire is evolving very rapidly and based on that, we are making some very strong bets and investments and digital is definitely one of them. Also a great amount of focus on delivering platform-based services both horizontal and vertical that will deliver the kind of results our client expects, so I think these are the factors. In many ways also, it is back to the basics, strong connect with our clients, understanding their pain points, understanding their challenges, and I think given as the state of



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the industry itself improves which was expected given the firming up of interest rates, I think it bodes well for anybody who is positioned well to grab the opportunities that will come our way.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from SBI Cap Securities. Please go ahead.

Dipesh Mehta: Just want to get some sense about the digital and cloud, I think you alluded we are close to annual run rate of about a billion which is broadly half of what our digital revenue run rate is, so if you can help us understand overall digital, what else component is there and how different component is growing? Secondly, is it possible to provide cloud business bucket you alluded to about any kind of mix or where it sits in into your service revenue when you report it separately? Second thing is about the digital only, how you see deal size changing over last few quarters and whether digital business has difference seasonality or no seasonality in that business? Thank you.

Abidali Z. Neemuchwala: Dipesh, one of the things which is quite important is digital is pervasive across our service lines, across our verticals. So if essentially you look at what digital transformation means, it means that we help the customers think about it which is part of our consulting business, help the customers design their digital transformation which is part of our Wipro digital unit. We help them deliver that through various service lines, technology unit whether it is our GIS practice, we are migrating to the Cloud whether it is our best practice which is around applications services and Agile and DevOps method, the customer experience practice which is the frontend practices of user experience in the application space whether it is IoT which would fall in the product engineering services space. I talked about big data analytics and data on the Cloud which falls in the traditional analytics practice, so when we measure digital, we do not get to break it down by service line because digital pervades across traditional service lines and it is also a way of working and a way of delivery, a way of engagement commercially with the customers. In some cases, it is on an add service and outcome-based commercial arrangement, so it is very difficult to look at it in the traditional way and try to break it down in the traditional service lines.

Dipesh Mehta: I was trying to get more sense about roughly half of the digital business seems to be Cloud related and then there are some areas which you just now alluded about analytics, IoT all those security. So if you can help us understand how the composition for us on digital side and then on Cloud side, you alluded about four bucket kind of thing, if possible to give how those buckets are moving in terms of growth trajectory - is it similar to digital which is roughly around 30 percentage YOY or you are seeing any difference in growth momentum across these buckets?

Abidali Z. Neemuchwala: Yes Dipesh, that is what I was trying to explain that Cloud, for example, the billion-dollar is not mutually exclusive to for example the application bucket because as I said Cloud also has an



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application component or it is not mutually exclusive to big data because big data can be delivered on premise or big data can be delivered on the cloud. So, again, the conventional way of thinking across service lines will need to change over time as we think about digital, and hence the answer is no, we cannot give you breakdown by the traditional service lines of the digital business because it is lot of overlap and the engagement with the customer is about delivering an outcome and not delivering the traditional service lines. The digital business does have more of project work compared to annuity, the size is going up of the projects as we create capacity for customers to move to digital ways of working. Earlier some of the customers were starting one or two engagements in digital, now they are creating centers of excellence for being able to deliver customer journeys or customer stories and we are doing more and more of that. So, the average size per customer is increasing. A lot of the digital growth that is coming is also coming by converting the traditional waterfall ways of working in our existing customers to Agile and DevOps and leveraging digital technologies stack from the conventional technologies stack. So, that transformation is happening at scale because the customer is doing a certain volume of work with us. Now, no customer is developing new applications on the traditional stack, so all of that capacity gets diverted to the digital stack. But digital does have more discretionary spend, right now we are seeing good discretionary spends but there could be seasonality as this discretionary spend varies by season in certain verticals. For example, retail does not spend in the holiday season in our Q3 hence to that extent it would have seasonality. But nothing specific that would be different from the seasonality of our normal business.

Dipesh Mehta:

Sure. And just on getting, so broadly I understand about the overlap of different component in digital, where I am coming from is, is it possible to give some idea about digital, what are the components and how it is growing at kind of different, because I believe there might be different trajectory of growth of different component of digital. So, if you can provide some colors there, if possible?

Jatin Dalal:

So, Dipesh, as Abid indicated we have not broken down digital component wise, so it will be difficult for us to share the individual pieces and various growth trajectory. But overall the growth is visible to you as a overall portfolio.

Moderator:

Thank you. Our next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria:

Abid, my question is, where are we currently in the investment cycle? If revenue growth indeed turns around as you are indicating from fourth quarter onwards, is there a potential for margins to improve and should we see the company moving towards its goal 2020 goal from fiscal 2019 onwards?



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Abidali Z. Neemuchwala: Definitely, we continue to execute on the operational efficiency headroom that we have. But as you know in our industry growth does provide tailwind for margin improvement. So, the answer is yes and while in the short-term we will remain in the narrow band that Jatin alluded to earlier, in the medium-term we do see an opportunity for margin expansion.

Gaurav Rateria: Sure. Secondly, just wanted to check, if you could provide some color on profitability of the digital business vis-à-vis other lines of businesses and how would that move forward as digital gains scale?

Jatin Dalal: Certainly, the premium pricing plays down on the profitability of the digital business. So, overall, we see that those businesses are one and executed at higher project margins. However, you must realize that this is the opportunity for industry and for company like us, so we have doubled down our investment in that area and that does impact the final operating margin. But if you look at project wise or program wise these margins are certainly superior to the traditional more commoditized part of our industry.

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

Sandeep Shah: I have two questions, firstly, my sense is I think this quarter's deal wins are much better versus what Wipro used to do it earlier. And also in the digital the deal sizes are going up, so is the observation correct? And Abid, do you believe this is a wallet share gain and how consistent we can be doing this on a ongoing basis and what has led to this?

Abidali Z. Neemuchwala: So, Sandeep, you are right, I am very pleased with our order book this quarter and we are fortunate to have good deal wins. And traction in customers, both in existing customers which we say mining as well as with our hunting portfolio. And to some extent we are seeing a churn because customers are moving to digital and as they move to digital they reevaluate their vendor options. So, from that perspective if you have a capability in digital or cloud there is an opportunity to gain volume share as well which we do see in certain segments.

Sandeep Shah: And one of your peer was also saying that within digital the deal scope has been moving from phase one to phase two where it has been touching the core. You are also saying that a lot of large deal wins are happening, so is it going forward such kind of a deal may continue to reoccur where system integration may lead to a higher size of digital deals going forward, do you believe that is a start off trend?

Abidali Z. Neemuchwala: Yes, certainly. If you look at for example our numbers, almost one-fourth of our revenues are now coming from digital. So, it does indicate deal sizes are becoming bigger. The way I would look at it is, certain customers, certain enterprises have moved 100% or 80% of their technology spend to digital, which means whatever they do in the digital stack is delivered in the digital ways of



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working and they will not go back to what I would call as non-digital or legacy. So, from that perspective digital is here to stay and grow bigger.

Sandeep Shah: And just last question, with improving deal wins the growth rates according to me may improve but at the same time you are saying still we are close to the industry average. So, is it the leakage in the existing basket or traditional revenues, do you believe that may also bottom out going forward as you are saying most of the portfolio related issues are behind?

Jatin Dalal: So, fundamentally, accounts can grow when one or two or both happen that the reduction does not take place and you are able to add on the top. If you see for our top-ten customers you would realize that the numbers talk about it that even in quarter two we have grown 4.9% sequentially. So, certainly, it is a combination of both which is playing out and we are happy to see that progress.

Sandeep Shah: So, in the large accounts do you believe the pressure through cannibalization after the renewal is largely behind?

Jatin Dalal: Sandeep, I do not think one can make a broad statement as that every account has specific dynamics around it, I think our objective is to manage the portfolio effectively which delivers a growth overall. So, I would not say something is behind or something is ahead, but we have to play every account by dynamics and make sure that we are able to remain stable and incrementally add to the revenue trajectory.

Moderator: Thank you. Our next question is from the line of Ankit Pandey from Quant Capital. Please go ahead.

Ankit Pandey: My question would be, I think we mentioned a little bit about the guidance part and that you said Q3 because of lower billing days would have an impact both on revenue and margin. So, could you please especially clarify the margin piece of it and also whether the revenue growth of 0% to 2% that you guided for is more or less below your expected trend? That would be my first question and then I would follow-up.

Jatin Dalal: So, Ankit, I did not follow your last line, can you just repeat?

Ankit Pandey: Yes. Just that first of all the clarification on margin impact on Q3 that you may expect and also on whether the revenue guidance 0% to 2% is sort of below your expected trend.

Jatin Dalal: Yes. So, Ankit, let me start with your last line. I think we give guidance what we see today and as we have talked about every quarter our guidance trajectory has been improving, so it is in line with that improvement trajectory. We did talk about the fact that quarter three is impacted by furloughs and lower number of working days and that has been factored in our guidance number that we have shared with you. So far as margin trajectory is concerned, we do not guide it but we have



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given a broad direction for FY18 that we will want to remain in a narrow band of FY17 numbers with an adjustment for currency, and that is what we will stick by. You have seen some of the outcomes of the execution in quarter two where we have expanded margin by 50 basis points after absorbing two months impact of salary increases and overall net profit has grown sequentially by 5.5%. So, we are executing well and I think we are entering quarter three with that tailwind of confidence behind us.

Ankit Pandey: And just one more clarification, if I look at some of the segment reporting going by verticals, so I see substantial sort of more decline especially year-on-year and trend wise in the M&T and the COMM, that is manufacturing and technology and communication verticals. Is there something that you would like to highlight here as far as profitability moves are concerned or trends are concerned?

Jatin Dalal: So, we talked about individual factors, Abid gave detailed commentary and revenue trajectory also plays down on overall margin performance. So, nothing in particular about those specific segments vis-à-vis profitability.

Moderator: Thank you. I now hand the conference over to Mr. Vishwanathan for any closing comments. Over to you, sir.

Aravind Viswanathan: Thank you all for joining the call. In case you could not take any questions due to time constraints, please feel free to reach out to the IR team. Wish you all a very Happy Diwali. Thanks.

Moderator: Thank you very much, Mr. Vishwanathan. Ladies and Gentlemen, on behalf of Wipro that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.

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