

Wipro Limited
India Analysts/Investors Interaction Session
NSE, Mumbai
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Suresh Senapaty

Very good afternoon ladies and gentlemen. Warm welcome to the first India analyst interaction session. It is indeed a privilege to host all of you this afternoon. The objective behind organizing this kind of an event first and foremost is a continuing interaction with the investing community and analysts. We meet you in various forums at our offices, road-shows, conferences, and we thought this is a logical next step, where Wipro management comes on a single dais to share our perspective on prospects and challenges we face and more importantly to answer any queries or doubts that may be there for us.

The second is sheer learning value. We see these four hours as an opportunity for us to understand and share the top of the mind issues we have. While we will try and address as many as we can during the session, I am sure there will be many more which we will carry back home as pointers for future reference.

Lastly it is a multi-dimensional Wipro view that such a forum creates, each one of you have an independent view and perspective about Wipro depending up on your role in the capital market, sell-side, buy-side, fund managers, and so on and so forth. We believe and hope that all of us will benefit from such a diverse base of participation, participants and interaction, understand Wipro from a dimension that we may not have seen before.

We want to talk about three themes today, offshoring, competitive position of Indian industry, and Wipro's recent performance. On offshoring the recent McKenzie study talks about Indian exports to be about US \$60 billion by 2010 from the current level of \$17 billion last fiscal, translating in to a compounded annual growth rate in excess of 25% over next 5 years.

As the global delivery model continues to mature we see some fascinating results. A service such as infrastructure support that used to be 95% onsite four years back is now 68-70% offshore even as we deliver far superior service levels performance on a 24/7 basis. Similarly, testing as service line that was until two years back catering mostly to technology companies is today overwhelmingly embraced by our enterprise clients in the banking and financial services, retail, and other industries too. These clients realize the benefits of the assurance that a highly scientific specialized testing can provide to their applications. Going forward too we believe offshoring will remain a central theme in global IT services.

On competitive position of Indian IT industry, the sheer growth we have seen over the last several years demonstrates the preference of the customers. The strength of the Indian IT industry is multi-fold. It's pioneering global delivery model, highest quality standards, grass-root presence at the supply base, that is, hundreds of engineering colleges across the country and ability to engage and transform its employee force to meet ever changing requirements of the global IT industry. These are some of the strong

points that will keep it in good stead. What is even better is the fact that despite our growth we are still tiny when we compare our numbers with global IT spend. At \$17 billion, we are less than 2% of the \$900+ global IT spend. Our work force remains most cost effective across the globe and is more productive in terms of number of hours and quality of throughput. We see strong catalysts in place for Indian industry to continue this good performance going forward also.

Finally, to share some of the highlights of Wipro's recent financial results. We crossed several milestones recently. At Wipro Limited level we crossed Rs. 500 crores of quarterly profit number. Our IT business crossed Rs. 10000 crores annual turnover, and global IT business surpassed 50000 employees landmark. All our businesses have shown robust performance. Global IT business delivered a sequential double digit volume growth last quarter despite lower number of working days. Our domestic and Asia Pacific IT business grew 17% YOY, 27% YOY on the services front in a seasonally weak quarter; even the profits grew 45% year over year as some of our earlier investments started paying off. Our Consumer Care and Infrastructure Engineering business also lead the industry growth rate and continued to churn out marquee performances.

Going forward we see pretty decent traction for our businesses. More importantly we are charting out the course of our next journey, building out our next strategy, and preparing ourselves for the next phase of exciting growth.

In terms of the structure of the discussion today, we will begin with a quick up date by Sudip Banerjee. This will be followed by an overview of our next 3 years strategy by Sudip Nandy, who is our Chief Strategy Officer, Suresh Vaswani will then follow with an overview of the Wipro Infotech business and the differentiated practices in our global IT business which he heads. We also have G. K. Prasanna, whom many of you have met before, to give an update on the exciting space of technology infrastructure support services. We will hear from T. K. Kurien on the progress in direction Wipro BPO business is on. We will wind up with a presentation on the most key important area, people management challenges by Pratik Kumar, who is our Executive Vice President - Human resources at Wipro. And finally we will have an open house for Q&A where in addition to the presenters we will also have Mr. Azim Premji to answer the questions.

Thank you and over to Sudip Banerjee.

Sudip Banerjee

Thanks Suresh. Good afternoon. I have a 20 minute presentation which shall take you through our company highlights and that will be followed by the other presentations. So I will try and keep this brief, I guess the Q&A's will be at the end, so if you want you can note down your questions and we will take them all at the end of the session.

When I come to National Stock Exchange this is one slide that I have to put up first, just want to make sure that everybody understands what is being communicated here.

So coming to the first point which is on the emerging market opportunity for India. Some of you would remember that a few years ago Nasscom and McKenzie jointly did a study which talked about the market opportunity until 2008. That study had talked about the Indian IT opportunity to be of about proximately \$50 billion by 2008. Now there has

been a revision, an update to that study and this one goes up to 2010 and this was recently done. Now if you look at the figures here, what it says is that in 2005 the industry was \$17 billion which comprised of \$12 billion in IT and another \$5.2 billion in IT enabled services. Now that is now projected to go up to \$60 billion by 2010. So the delta which we were talking about is approximately \$43 billion, so that is the market opportunity. There is also an additional point mentioned in this study and that says that there could be over and above this \$60 billion an additional potential of \$20 billion. So if that is considered, then the total market we are talking about is \$80 billion which is 45 in the offshore IT space and 35 in the BPO space, and the respective CAGR for the IT and BPO are 24% and 37% going forward. So this gives you an estimate of what is available in terms of a market opportunity for players like us.

Coming to Wipro, we have a culture of success which has been part of our story ever since we started our business. We were incorporated in 1945, our first IPO was in 1946, we got listed in the New York Stock Exchange in 2000. So we have had really a 59 year track record till now, and very happy to say that all of those 59 years we have had a track record of both growth as well as profitability. In terms of a compounded growth rate, and this is compounded over full 59 years, revenues have grown 21%, net income has grown 31%, and market cap has grown 24%.

We entered the IT business in the early 1980's and then the IT services part of that business we entered in the early 90's. In the 80's when we started, we started as a domestic hardware company. We used to make our own computer systems at that time, and we came up with an indigenous R&D. In early 90's we first put out our R&D as a lab on hire and that launched our software services business, which came from the R&D side and then into the enterprise side in that order. Over 90% of our revenues today and 96% of our EBIT comes from the IT businesses that we have which includes our global IT business, our domestic India IT operations, and our Asia Pacific operations.

So if I were to give you a snap-shot of our IT business, we have more than 35 offices. We have more than 40 development centers. We have people in our company from 31 nationalities, and we are currently a part of all the major indices. So we are in the TMT index, we are in NSE nifty index, the BSE Sensex, etc. So we are part of all of the listed areas.

In terms of our global delivery centers, which is the point not covered here because of lack of space on the slide, just to briefly mention other than the centers that we have in India, we also have centers outside of India and starting from the Far East we have center in Yokohama outside Tokyo. We have two centers in China, one in Shanghai and one in Beijing. We have five centers in Europe which are in Sweden, in Finland, in Germany, in UK. Then we have three centers across North America. Outside these we also have made acquisitions of some companies and some of these companies are head quartered in terms of their own established original bases both in Europe and America, and that gives us additional number of people who are today operating out of our offices.

If I go back down below, we have talked here about the IT business, and from 1989-90 showed you till 2005-2006 how our revenues have grown, and that on a 10 year CAGR basis has been a growth of 43%. Now the last column that you see, 1813 million, is the actual revenues that we have had in our global IT services business, plus our guidance for quarter 4. Over and above this there is domestic IT services business as well as the

domestic IT business, and those numbers are not captured in the 1813 million figure that we are showing here.

In terms of mining the overall global market, we talked earlier about the chart where I showed you the market opportunity. The way we see the entire opportunity, based on that we have actually designed our organization structure around industry verticals and specialized practices. In terms of the industry verticals we are basically in two places, one is the technology part of our business, which is a little unique because most of the IT services companies out there do not have this as a major component, we, as I said started our IT services business from the technology side of our business, and that accounts for 37% of our revenues, and we have two divisions which cater to the needs there, one is the telecom service provider vertical and the other which is the product engineering business that we have, so the two industry verticals around these. On the enterprise side of our business, that's where we get 63% of our revenues as of today, we have the finance solutions division and the enterprise solutions division.

In terms of the three year CAGR, the last three years, we have shown here the growth rates and they are available as you would see, the finance solutions area is the one which we have grown the fastest in the last three years, and the growth in the other areas are all in the 30's. So we have really grown ahead of industry in all our businesses in the last three years. The right most column has more details of the verticals that we have within those areas, and in the technology side we have verticals around the technology platforms, whereas on the enterprise side we have verticals around the industries that we focus on, so banking finance insurance and then retail manufacturing, energy utilities, and then travel media transportation and services.

In term of innovating the global delivery model, one of the points that we would like to talk about is the new service offering that we keep coming out with. In the year 2000-2001, about five years ago, we launched our package implementation and our infrastructure services business, and in that particular year that component was 8% of our revenues. Subsequently, as the years went by we added to it testing, Suresh just briefly mentioned. We added to it consulting, and then we added to it BPO, where we got into the business through an acquisition. If you look at all these practices combined now five years down the line, from 8% that today accounts for 39% of our revenues. So in the year 2000 we used to get 92% of our business from the traditional software development and maintenance piece and 8% through differentiated services. Today, our software business is 61% and all our differentiated services put together is the other 39%, and we have a leadership position in all the new businesses that we launched, so whether its testing or its infrastructure or BPO business. The consulting revenues which we have shown here are for pure consulting revenues and do not include the consulting numbers which are embedded in the vertical revenues, really is the way we measure our consulting business is part standalone and part the embedded piece in our vertical offerings. So this number here just refers to that piece that we have which is pure consulting.

Moving on, in terms of some of our differentiators, this slide is the busy slide, it just shows you the total export potential in different categories and the CAGR within those categories, and what we are trying to say is that if you look at the multiple categories which are there, which includes software development, consulting, infrastructure, package implementation, IT-enabled services, and R&D services, we play in all of them and we get our revenues from each segment of the market. So just to mention out of

\$473 million which we did in quarter 3 of this year comprises a healthy mix from each of these differentiated services and the practices that we have.

The other area that we would like to talk about is our acquisitions, and this group is fully aware that we have made several acquisitions in the last three years, and we made several in the last month or month and a half back.

Now, why do we do these acquisitions? We have a clear approach towards all our acquisitions. Our acquisitions must either lead to entry into a new market or it must give us domain competence in some area, or it should fill a gap in our service lines which is hitherto not available with us. If these are not available then the other reason why we would do an acquisition is to get a more solid technology footprint. So that's our approach towards acquisitions. We have articulated this when we made our first acquisition, and we continue to reiterate that our objective for acquisitions must fit into one of these that we talked about just now. So that is why we have a string of pearls approach towards all the acquisitions. Now if you look at some of the acquisitions that we have done, when we did Spectramind, it filled our objective of adding on a new service line, which is BPO, which we did not have at that point in time. If you see the AMS acquisition, that gave us domain competence in the energy and utility space. If you see NerveWire, that gave us expertise in the securities area within financial services. The NewLogic acquisition has enhanced our technology footprint, and the Mpower acquisition has given us access to a new customer and market.

Our other differentiators, the point that we always highlight when we meet some of you individually, our process and quality focus, and this started long before we got into the software services business. When we came into the hardware business in the early 1980s, we went in for all ISO in our factory. When we started our software services business, we moved from ISO to the ACI CMM framework, which was just getting accepted at that time in the early 1990s. We first had an SCI level-3 certification in 1997, 18 months later in 1998 December we got our first CMM level-5 certification, in 2000 when we added on some of our other differentiated practices we got CMMI and also at that time we got soon after that a PCMM level 5 certification. Over and above this we have always had for the last seven or eight years an umbrella initiative around 6-sigma. We started on our 6-sigma journey sometime in 1997 and now we have most of our critical business processes around 6-sigma. In the process of all this quality certifications and journeys that we have undertaken on the process and quality front, we won most of the coveted awards in this field, including the IEEE Award.

As of date, we have 15,000 employees trained in 6-sigma including more than 200 black belts, and we have in terms of our other areas of certification, more than 700 PMI certified project managers.

What does it do? We do not do quality because we like to get certifications. We do quality because we believe that fundamentally it gives us advantages with our customers.

And what are those advantages? It gives us advantages in terms of productivity; therefore it leads to lower development cost. It gives us advantages in terms of schedule adherence and therefore we are able to be on schedule more often than not, more than 90% of the time we are on schedule, and that gives us lower schedule and lower chance of being on an over run. Finally, it gives us phase containment in all our

software programs and that in terms of getting it right the first time leads to low maintenance cost. So that is why we do these quality initiatives.

We are currently working on another major initiative, which is Lean. There have not been any cases of IT companies operating with Lean principles. We believe that we are one of the first companies who are trying to work Lean or implement Lean in the software area, and as and when we are more ready with some of the experience, experiments that we have launched we will share more details with you. As of now, we have several 100 Lean experiments going on in the company and as a result of them we have already got some significant advantages. We think that every two or three years launching a new quality initiative, which is how we have done. So early 1990s from ISO to SCI, then from SCI 3 to SCI 5, then on to CMM, PCMM, and now Lean, every two or three years, we have launched one new quality initiative and each time that we have launched a new initiative it has given us the next level of process and quality focus and the results of that have translated into lower development cost for our customers, lower schedule over run, and low maintenance cost when we do maintenance projects.

In terms of the highlights for the quarter, most of this information is available. I will quickly go through this, revenues 473 million, we had quarter on quarter growth of 9.9%. This was ahead of our guidance of 463 million. We had strong volume growth, almost 13%, both offshore and onsite. Proportion of revenues from offshore projects was up by 160 basis points, which means we are trying to do more work offshore than we were doing earlier. We have had very strong people additions, net additions of more than 5000 people, 3770 in IT services and 1400 in BPO. Our Wipro BPO business operations, major improvement, we had sequential revenue growth, more than that we had significant improvement in operating margin, Kurien will talk more about it. Broad-based growth, sequential double digit growth in financial solutions, in the combined technology business, in our travels, media, and transportation and service verticals, and in the energy and utility verticals. Plus, in terms of our testing areas, our differentiated services in testing, infrastructure, and package implementation, we had sequential double-digit growth. Our Europe and Japan geographies also grew double digit, so overall from a practice point of view, from industrial verticals point of view, as well as from geography point of view we had very strong robust all round growth. And finally we have announced new acquisitions, which have now both got consummated and they are now fully operational.

Strength of the business model is reflected in a 3 dimensional approach, so we have the vertical distribution, and the interesting point that you might like to note here is that none of our industry verticals are so large that the others are insignificant. We have a balance between all the industry groups that we operate in and therefore we are in a better position, we think, to be able to exploit the market opportunity. So we are not 40-50% in one or two verticals and negligible presence in others, we are pretty well spread out in all the industry verticals. The same way as far as geographies is concerned; we are not completely concentrated in North America. Our business in North America is just over 60% and we are fairly strong in Europe with 33% of our revenues coming from there, 4% coming from Japan. In terms of all our differentiated service lines, each one of them has been growing significantly and YoY growth mentioned here, testing growing almost close to 90%, infrastructure 45%, package implementation 34%, and software development and maintenance 33%. The growth rates of our industry verticals, financial services higher than 50%, R&D services 40%, enterprise solutions 29%. Growth rates in terms of

our geographies year on year Europe 51% leading the path, strong growth in North America and Japan as well.

We think we have a platform of sustainable growth. We have a large number of customers. At the end of last quarter that list stood at about 485. In terms of revenues per customer, that has moved up and it is now 3.6 million. Million dollar customers again has moved up, if you see, look at it from one year back, it was 163 and it has moved up to 210. And in terms of percentage of offshore revenues, that is another area where we have been concentrating to try and get more work offshore, and that has moved up to almost 47% now.

Wipro businesses, we think we have a compelling proposition. Suresh talked about some themes. We talked about outsourcing. The other two strong themes are the GDP growth, which is attracting investments, and thirdly the consumer boom in India. And if you look at our businesses, it is not just business in the IT segment, our other businesses which caters to the other columns in the right, which is strong GDP growth, we have an IT business in India, which has been really growing very very quickly and we see great prospects in that. Also our investment in infrastructure in India through our Wipro infrastructure engineering business is something that is giving us the opportunity of tapping on to the strong GDP growth that is attracting investments in India.

Finally, to meet the demands of the middle class, the consumer boom, we are also a strong FMCG player, and that business has been growing. So our unique position, we are amongst the three top IT services companies out of India with the widest range of services, we are a leader in the IT space in India, Middle East, and Asia Pacific; and also the leader in the infrastructure engineering space in India, and we are a leading player in the FMCG market. 76% of our revenues and 89% of our profits come from our IT business, which caters to the opportunity available through the outsourcing boom, 16% of revenues and 9% of profits from the Indian market for large IT investments, and finally 5% of revenues and 4% of profits from our FMCG business.

In terms of looking ahead, we have given the guidance for the quarter. We expect the global IT services revenue to be \$510 million, and the underlying factors which we see there are volume growth and stable prices. We will endeavor to keep our operating margin in a narrow band, and what we think we have in terms of levers to be able to manage that is utilization where we see ourselves having a lot of head space at this point in time. We think that we can improve the mix of junior people to senior people, which is the bulge mix that we call it, so have larger proportion of junior people, because we already have compared to anybody else, our peers in the industry an existing larger proportion of senior people, and then productivity improvement levers, which we can act upon. We think that as we use those levers we will be in a position to keep the operating margin in a very narrow band.

Finally to sum up, widest range of services, talked about the export potential of India and where we are placed, all verticals and practices having a good weightage, and we are penetrated everywhere. We have strong customer relationships, we have a very strong financial position, and we have at this point in time at the end of quarter 3,788 million dollars in cash and cash equivalents.

That brings me to the end of my presentation, just stuck to my time. I will hand over now to Sudip.

Sudip Nandy

Good afternoon to you all. It is my pleasure to be here today. I have also about 17 to 18 slides like my predecessor Sudip Banerjee had. So I should take about half an hour to cover our strategic plan for the next three years.

The strategic plan is really a statement of our desire, it is an expression of our intent, and what I intend to cover in the slide that we have is first setup as to what we are shooting for and then make an articulation of our game plan. An articulation of our resolve as to how we want to attain our desire of what we want to achieve. It is less, it is low on details, it is not very high on significant shift of strategy, but it is lot of incremental things that are being done which are going to have a significant effect in the final results hopefully.

So this is a slide, which we have covered before, but it tells you that if you have a track record like this, the objective is to be able build even further on this and grow even beyond and continue on the same curve that we have had whether on revenues or on net income in the years that come.

We covered this interesting slide from the December NASSCOM McKenzie report on the state of the Indian offshore IT industry. Some of the action items that we lay out in the strategic plan for the next three years will cover on that mysterious \$20 billion, which is the additional potential that the Indian offshore IT has, and we want to be able to grab a significant part of that. Some of the actions in the strategic plan will be also focused on how we can get a major share of the growth, the \$43 billion delta that is there between the 2005 number and 2010 number. Some of the findings were expected from this NASSCOM McKenzie survey, like all of us intuitively knew that BPO is growing at a faster rate than IT service is, but how much faster, we could not put finger on that. Here it clearly comes out that BPO is growing at least 50% faster than the IT services. So our strategy has got to be aligned to be able to ride on that growth wave and that growth engine as much as we have ridden the IT growth wave in the past.

Also interesting is that, this particular slide only covers the Indian offshore IT space, so there is the so called non-Indian offshore IT space too, which is a playing field where we want to play going forward and at least take the steps required in the coming year or two to be able to grab a significant part of that pie. So that is a critical point for us going forward.

You have seen this slide before in terms of our clients, our global development centers and employees and revenues, the interesting fact which I wanted to bring out in this line is that, about 66% of our revenues are from the global 500 or the Fortune 1000 customers, which is a really high number to come from the large customers, but that is what the fact is. It is a very high. So that creates a sort, both an opportunity and a dependence on a certain kind of marketing profile and the sales profile that we have which we can build on to become even stronger player because you have so many more customers to sell your service lines to.

As we mentioned, the chart here shows 43 development centers, but we actually have 40, but we have 43 because we have added three new development centers in December in Austria, France, and in Munich in Germany.

So this is a very high level objective of where, a statement of where we want to be, where we want to grow over the next three years. No rocket signs about it. Fairly simple statement where we want to drive higher growth in revenues and profits. We want to leverage, important word here, adjacent growth opportunities to get incremental growth. We will elaborate on that, what we mean by that. We also want to be able to transform Wipro into a true global deliver organization, and lastly we want to create an exciting growth opportunity for Wipro employees over the world. You will find that in three of the four sentences the word "grow" appears. So grow, grow, grow is a very important theme for us going forward, and you will find that this is really our strategic framework for the next three years and the whole thing is grow, and the internal acronym for grow is grow with one Wipro. GROW, that is our internal theme, and there are essentially two elements to be seen, one is what we call a set of growth engines and there are four of them. We will cover them briefly. And the other six are growth enablers. So essentially, whether it is the SBU's, the verticals that we have which Sudip covered earlier, or the service lines, or the geographies, all of them are really growth engines, and all the functions that support the growth engines, that gives the fuel to the growth engine, that feeds the growth engine to really go at the top gear are the enablers. So I will cover each these 10 themes in the next 15 odd minutes in one slide each to give you some of the snap shots of what we intend to do in those themes, how they are different from what we did in the past, and probably some cases we will not do. I will not cover too much on the building right capability and leadership, though I have one slide, because my colleague Pratik will cover that in the future, but I will focus a lot of my time on the next two, the first two, which is the organic growth in the global IT and IT enabled services, as well as the leadership in India and the Middle East. So I will focus on these ten themes going forward over the next 10-15 minutes. And obviously covering the growth engines and the growth enablers is the value system, the spirit of Wipro all of that put together, which will give us framework for day-to-day behavior with colleagues, with professionals, with suppliers, and customers.

So the first growth engine is the growth engine for organic growth in the global IT and ITES. Now each of these engines, each of these enablers have multiple action items and each action items have milestones that happen quarter by quarter over the next 12 quarters. So we are not giving you the whole picture, but the snapshot of the big picture, the broad stroke of what we intend to do. So there are five action items here in the organic growth because that is very critical to maintain our health and our success going forward. So one of them is global and major accounts, and now recall the fact I mentioned that 66% of revenues come from Fortune 1,000 and Global 500 accounts. If you took another slice of the same data, about 80% of our revenues come from 20% of the accounts, and if we have the broadest range of services to offer that tells you that the potential for us to grow with incremental effort on those accounts is very very high. So there is going to be a very special focus on this particular aspect of our action item which is growth in the global and major accounts. It requires some degree of structural change, some degree of measurement change, and so there are some elements of the enabler part of our strategy, which impacts the global and major accounts. So there is going to be a huge focus in major accounts. You saw that we have now become 210 accounts, which are in the one million dollar annual run rate. This is a very key component of our organic strategy going forward.

The second key element is in terms of, if you have 80% of your revenues coming from 20% of your account, it is a question of aligning the right resources after the right

opportunities. So having done the right resource alignment with the opportunities where do you most effectively put the balance resources to play. That is the game. And there we are to actually choose accounts we want go after and win and make customers and align the balance of our resources to those accounts very effectively. So it is I think endemic in the Indian industry today in terms of client mortality. Everyone announces so many client wins, so clients win every quarter, but what is hidden within that is the mortality of clients. Of course, we don't consider a client to be a client till he has given a full-year revenue because one project done is not really a client. It is really one project done. So focusing on strategic accounts which we identify that that is what we think we can play and aligning resources to that and bringing references to bear on that is a very critical component of our organic growth strategy and we will execute over the next 12 quarters on that area.

The third area is where we think there are areas, inventions happen when two domains coincide or overlap. High growth opportunities similarly we find happen when different service lines overlap or different verticals overlap, or a service line and a vertical overlap, so we are finding in the areas which lie between verticals and service lines or between two service lines there are new opportunities emerging, and if you recall the point I mentioned about the additional \$20 billion that NASSCOM McKenzie say could be possible if Indian IT makes new things offshoreable. So I think our entire focus on this high growth business is identifying those critical ones, investing the right resources to build capability and going after that market. So this is again a very critical component of renewal of the classical IT and offshoring that we have had with newer kind of offerings, newer kind of go to market, newer kind of deliver paradigms.

Increased focus on new geographies and verticals. This is going to be very critical because some of the markets are nearing saturation in some of the service lines, not saturation in the sense of going down to 6-7% growth rate, but significantly lower than what all of us in Indian offshore services are used to. So we think by focusing on those areas, we could really re-ignite growth in the new areas. One of these is that we have, Sudip showed verticals in his chart, the different verticals, so for example till this year, we are considering manufacturing to be a vertical, but going forward manufacturing itself will become five verticals, so there will be automotive, there will be industrial and general automation, there will be pharma and chemicals, like that, it is broken up further. So each of them can grow very rapidly. They are smaller verticals therefore, but they are able to grow much more rapidly. So we are going a level down in terms of verticalization, bringing our specialization and domain capability to even bigger and deeper level. So that is the new focus on new geographies and verticals. And of course, as I said BPO grows 50% faster than IT services grows, do somethings to be able to grow that area very well and my colleague, Kurien will cover that in a latter part of the presentation, so I will not jump in that right now. So this is growth engine #1. So I wanted to spend maximum time on growth engine #1 and growth engine #2.

The growth engine #2 is leadership in India and Middle East, and we have Wipro Infotech, and why is this so critical for us, because this really is the spring bed of all our innovations and ideas. We have tried many things in this market first successfully, sharpened our skills and our commercial models and our capability and then taken them to the global market place, and infrastructure services and testing services happened to be two such things. We have taken them to the market in from this market, so it is very critical for us that we retain leadership in this market, maintain the leadership, and even become stronger player so that we can take more and more services to the global

market place, and we will come to what we can take. In this slide, there are three large components. The first part in the top here green, which is factor of who we are going to sell to, we are going to sell to enterprises, we are going to sell to SMB, which is small and medium businesses sector in India; and we are going to sell to international geographies. The second block here which is vertical strategy is, how we are going to sell? Through verticalization, through consulting, through marketing. And the lower portion out here is what we are going to sell, what kind of solutions and what kind of services. So there are three large areas. If I were to do a forward-looking statement out here, this is a great experiment for us in the SMB strategy, small and medium strategy, because we are successful working with SAP where one can implement SAP new modules on a small company in India in probably a matter of two months, not even a matter of two years like we do globally, and this is possible because of the new kind of templating that is possible, people willing to change their processes to suite the package rather than the other way round. So it is a new market and a new model. It has hosting as a component of it. We had experimented this in the market and maybe selectively going forward this can be applied to more mature markets. You already have seen players like IBM and others work in that market. We are not focusing on that market globally yet, but it is an area where we are playing today. The geographies here in terms of Middle East and so on, Suresh will cover in his talk significantly, so I will not cover more in that, but there are other areas in total outsourcing, in solutions and point solutions out here, in terms of nonlinear model and de-skilling resource requirement services, all of these are areas where we learn and become experts in the domestic and in the Asia Pacific market place and then at an appropriate time when we have references with us, we have got expertise and knowledge, we take them to bear in the global market place, and here of course the focus areas for us are consulting, application technology, and integration and management. This is really a growth engine too where we want to be really a large company in this area in the Middle East and the India market place.

The growth engine #3 which is the game changing initiative is things that we have been doing but not adequately and things that appear to be something which we can make a significant change in the way we get business in the future and align ourselves with the customer requirements in the future, and three action items here. One of them is dedicated focus on a large deal. We are in fact going ahead and internally creating a new organization with the support of the existing verticals and service lines which specializes in creating large deals and going after large deals. A separate leadership team which has the blessings of the current leadership team because we think there are significant differences in large deals, not the least of them is in the time it takes to win large deals but even in the matrix, profitability matrix of a large deal in the first two quarters can be quite different from the profitability in the last two quarters. So the parameters you need to be able to price a deal, to be able to fund the deal are very different. So it requires dedicated focus. Of course you have to draw expertise from the talent pool in the domain specialists who are in the verticals, from the service line specialists in the service lines and create the best possible team, but it's a requirement which is across all the verticals and all the service lines to be able to focus on such large deals. So that's one critical game changing initiative that we are going to make and you have heard about the number of deals slowly going up in the market for this space.

The second action item is incubating new services, and I mentioned that in the places where we combined current services and offer entirely new value proposition, so one such loosely worded one out here is integration of applications and infrastructure and

BPO and offer a piece of mind solution to our customer in a particular sector. This can be applied whether its in a retail sector, it can be applied in a mortgaging sector, in a claims sector, healthcare sector, but combining these has an entirely different kind of offering where the pricing is no longer full time employee based or hours based, it is more on a value based pricing. So its an entirely different game. We also think that business solutions group who typically start working before the actual project is kicked off, before the project is specced, who really understand what the requirements of the customer are and translate that to specs, are areas where we have not played before and they give us (a) earlier entry into customer opportunities and better chance of winning the opportunity when it really does come up, and point solutions and framework in testing. So there are a significant number of new service lines, micro service lines which are being incubated and which will grow over the next three years.

The third action in the game changing is the area of alliances. We expect that we move the alliance game from offshore to onshore. In the last few years, the alliance game has been more to create a technological alliance to build a competence, to have a center of excellence, to have expertise, and to have people and rely on the customer's requirements to come to us and we have the people. This is taking the game to a different level where we actually invest in resources onshore with the technology partners' sales team and create a joint funnel together, create new opportunities together, create new solutions together which both the Wipro sales force and the technology partners' sales force take to the market, and currently between 2-3% of revenues come from alliance led revenue, we expect that to go up by three to four fold. The objective is between 8-10% of our revenues at the end of three years should come from alliance driven revenue. This was revenue not available to us before. So effectively the serviceable, addressable market for us increases, and this game changing initiative is only a supplement to the growth engines 1 and 2, which is organic growth. It is not a substitute for that.

Last one, we covered briefly on what we have done in the last three years on M&A, but a lot of the work that happens for M&A goes unnoticed and untalked about but its essentially to prepare the ground well to be able to be successful in M&A, and I think we are very ready for doing more and more M&A's in the future. And two of the key actions are that the M&A is no longer something that corporate office does to the business, it is the business that wants to be able to do an M&A to give it the critical edge to be able to edge out the competition when required. So each business unit, no matter, say automotive has desires to do inorganic growth, something within retail and CPG has desire to do inorganic growth. So each unit, there is a strategic plan framework, okay, this is where I want to be at the end of three years. This is where I can grow on my own and this I can't do, but it is a big market, so let's go and acquire something, so it is an acquisition desire driven at a more grassroots level, and that what it does is when you actually do the acquisition, there are a lot more people who actually thought this is a right thing to happen, so there is immediate automatic bind from everyone to make that acquisition successful.

The second is to create the competency to be able to integrate the acquisition well. In the two acquisitions we have done, we have made significant learning that we have had in the previous acquisitions, we have put them to practice. We have pulled out Vice President level people in each of the acquisitions and made them full time for 100 days only in charge of acquisition. We have got our own head of finance running the acquired entity's business for the next two years. We have got our own human resources person

located wherever the entity is and integrating with their HR function. We have transferred their HR and CFO people into our company. The number of intermingling from day one is extremely high. We have created a whole framework of how to integrate companies. So we think the basic groundwork required to be able to integrate and get the synergistic cost take outs and the synergistic revenue upticks, I think we are far more ready than we ever were, and you will see significant action on this. Again this is not a substitute for organic growth. This is a complement to inorganic growth.

So there are four growth engines we talked about. We talked about organic growth in IT and ITES, we talked about leadership in India and Asia Pacific, we talked about game changing initiatives, and we talked about strategic acquisitions. These are the four key growth engines for us.

Now there are six enablers, six enablers which will help us go forward. I will just flip through this very quickly because I think Pratik will cover a few of these in his slide on people issues. I think a key challenge that we face and we talk about China having this problem very often, leadership pipeline. As the kind of growth we will be at if we are able to achieve that \$60 or \$80 billion number, there will be a huge challenge in every company to build the right leadership pipeline. So unless we do the things now in terms of grooming the leaders, whether project managers or program managers, so there is a huge challenge for us there and I think we are building the right things to be able to get leaders out of our system whether it is internally, organically, or through collaboration with universities and so on. We have to also reorient our organization for an entirely different level of scalability in terms of degree of automation and systems and processes. We grew from something like 4000-5000 people in 2000 to 50,000 people in five years, and the system did not creak because we built that platform. I think it is time to build the next platform for us and we are working on that so that we can grow to the next higher order of magnitude number of people. We are creating new roles in the company which were not there before, roles such as delivery assurance. In spite of having quality, because one of the focus we have is an operational excellence, I will come on that more, so new kind of roles that help you separate out program management from project management, separate out delivery from delivery assurance, so we are building these kind of roles and creating framework for training such people, hiring such people, retaining such people. We will cover supply chain reinforcement and of course the biggest challenge for any HR department is to be able to transmit the DNA to have the cultural continuity that is required as we grow very fast, as we acquire aggressively, so a lot of action item on those areas, and of course, if we have to be a true global company, diversity management, not just diversity in sexes, but diversity in the nature of the country people come from, their languages, their color and all of that. So this is all very focused on building a value for tomorrow's Wipro, the talent for tomorrow's Wipro.

The enabler #2 is delivery paradigms for us and there are several action items here but the two key ones which I want to bring out and we trust on Lean. I think we are one of the pioneers in bringing Lean initiatives, the Toyota quality manufacturing initiative, and apply it to the software world. We have done what is called the factory model. It's a case which is now being covered by Harvard Business School and being taught to the management development program at the CXO level. So when you go to the next stage and it is not the Global 500 or the Fortune 1000, the smaller companies, they may not have the same kind of scale opportunity as other companies had and they may find it less economical to offshore because of the fixed overheads. The factory model allows

you take smaller orders, to be able to handle smaller orders, smaller orders means not 1000 people, but 500 people, 400 people, 300 people orders and have the same overheads, so it's a model with a lot of intricacies in the model which allows you to expand the number of customers and the number of countries you can serve by having a factory model. So we are building something on Lean, and the entire focus is not just quality of the software developed for the customer but genuine operational excellence for the entire process that we manage for the customer. So we combine infrastructure, we combine BPO, we combine IT development, and quality for all of them that results in operational excellence. So our CQO is no longer just CQO, chief quality officer, he is CQO in operational excellence. True global delivery is global rollouts all over the place.

The enabler #3 is performance management which has been an area of strength for us. We will build the next level of systems internally to be able to manage our global delivery and systems well. Innovation, I think this is a big thing for us going forward. Innovation not just in intellectual properties and products, but in areas which will take our new offerings and new service lines to different level. We have a whole initiative in the company. We actually are targeting to do between 5 and 10% of the revenues in the next three years from innovation initiatives. This could be not product innovations but service innovations. It is a big initiative within our company.

The fifth one is a high focus for us. We want to look at consulting going forward in five ways. Consulting itself as a high growth business. We have shown the consulting numbers separately pulled out in one of charts earlier. We want to make consulting a deal winner because you start consulting early in the cycle and not when the RFP comes. We want to make consulting an account penetrator to be able to do the cross selling in the 66% revenues that come from the big accounts to be a cross-selling leader for account penetration. We also want it to be a capability integrator, consulting. So consulting has a huge role to play in all of these four areas. And of course consulting as is there as a talent attractor for the domain specific consulting whether it is an embedded domain or it is a retail domain and so on. This is a significant enabler for us going forward and you will see a lot of things happening in this space.

The last one is in terms of building our brand; building our brand with our customers, building our brand with our employees, and building our brand in terms of transparency and corporate governance. Also, build out on the theme of applying thought where you see innovation, you see new service lines coming out; all of them are an extension of the concept of building the brand.

So this is exactly where the transformation we want to achieve to be able to go from a local Indian player to really a global services player with significant footprint outside to be able to move away from mostly application to a much larger portion of other new service outsourcing, to be really global in our footprint and in our market, to create domain centric solutions, and a combination of both organic and inorganic growth.

So this is the whole strategy plan that we have at this point of time. The strategy is simple but the essence of the whole thing is in execution, so the real story you will hear going forward after this is how each of the units we have which are critical for us we have mentioned, how they will translate this execution; this strategy into real execution quarter after quarter to deliver the kind of results that we hope will be good. Thank you.

I think the next one is Suresh Vaswani

Suresh Vaswani

Good afternoon to all of you.

Okay, we could also take a 5 minute break. You can have a cup of tea, you can take a bio break and come back, but I guess it will be cold also in this room. So why don't we just take a 5 minute break and restart.

[Tea Break]

Suresh Vaswani

Good afternoon to all of you. I am really going to cover what we all believe in Wipro are the very differentiated businesses of Wipro in the IT segment. We are pretty differentiated in terms of Wipro Infotech and the way we address the domestic market and we are extremely strongly differentiated in terms of our IT practices which I am going to talk about vis-à-vis our competition and vis-à-vis our global competition as well.

India is becoming an extremely exciting market and everybody is talking about India nowadays in terms of the potential it has for growth. Fortunately, we have invested in India for over the last 20 years, we were focussed on the domestic market, and we have kept on adding newer and newer service lines to address the domestic market with. So today we find ourselves in a sustained leadership position in India, we are India's leading network integrator. Quarter-on-quarter, we have been announcing total outsourcing wins, and I think, the last four total outsourcing wins that have been announced in India have been won by Wipro. We are in the ERP business in an extremely big way and we are a leading infrastructure services player, and one of my colleagues also commented on how what we do in India has resulted in strong global businesses.

So let me just cover today what we do in India. If you look at Wipro Infotech, it started as a hardware business and until five years back, our thrust was largely infrastructure products, which is item #2, and professional services and within professional services, it was largely availability services. So the business four to five years back was largely infrastructure centric and availability services centric. Now what we have done over the last four to five years is actually completely transformed what we deliver to customers in India. So we have added consulting as a service line where we do both business consulting as well as IT consulting. Infrastructure products have been the traditional bedrock of our business and we get the best of breed technologies into the domestic market and our value add is in terms of system integration services. We were never doing software in the domestic market, but again over the last four years, we have been doing very very serious software implementation, software consulting work in the domestic market and I will talk a little about that later. We do professional services and we are the #1 infrastructure management services provider in the domestic market whereby we completely manage customer's IT infrastructure on an SLA basis, we do system integration in addition to our traditional availability services business and total outsourcing is a practice which we launched three quarters back, actually four quarters back and we have been announcing consistent wins in this segment. Our focus like in the global markets is very verticalized except here we have I would say a unique segment called the IT and IT enabled services segment which is businesses like Wipro Technologies, businesses that are there in the global IT services business, businesses

that are there in the call center business, captive centers of global organization, there are large segments for us in terms of market addressal. So we handle IT and ITES, the enterprise segment, the telecom segment, which is a strong segment in India, the finance segment and the banking segment which is very strong, as well as the government segment.

Some of the awards that we won recently, Top Network Integration Company Award by Voice & Data. We are Sun's largest partner in all of South Asia, Sun Microsystems' largest partner all of South Asia; a relationship which is more than 17 years old. We are the best global partner for CISCO. These are very major technology players globally and we are the best global partner for them insofar as the domestic market is concerned, actually all of South Asia.

Or PC business, which was business we launched 1985, we still continue to focus extremely strongly in the domestic market. With the PC business, we are focused on the corporate sector and we were rated the Indian Brand of the Year.

Just a brief perspective in terms of the sort of work we are doing in the domestic market. I won't get into too much of detail but I will give you a flavor of the sort of work we are doing. So in software and business solutions, we were the people who developed the real time monitoring system for Bombay Stock Exchange of application development. We have developed a real time dealer management system for Maruti whereby across their 100 dealerships, that's phase 1, across the 100 dealerships we have implemented the software that we have developed and we are now managing the software through our network operation center in Mysore. So this is the sort of work that we are able to do in terms of development, implementation, and remote management. Like Sudip said, we are addressing the SMB market in a very focused way in the domestic market and we are addressing the SMB market not only with respect to products and services, but also with respect to solutions. So SAP, we have tied up with SAP to address certain segments of the market in India and we are talking about vertical segments for which we have developed specific templates, which are certified by SAP and we go to the market with those templates. Now what these templates do is to cut down the implementation cycle quite drastically. So what is typically a two year implementation cycle because we have templated the approach, because we have created the templates, we are able to complete the implementation in between three to six months time. So there is a huge segment in India, the SMB segment is large, it is very amenable to IT, and we have a strong solution along with our partners to address this segment. So that is what we do in the solutions business, exactly what we do globally, strong vertical focus. We are addressing the SMB market, we are creating templates to address the SMB market, and we are doing large scale implementation for enterprise customers here in India.

Moving to consulting, we have five broad practices; technology consulting, business transformation, strategic cost reduction, business process consulting, business continuity and risk management, this practice is very strongly focused on the enterprise segment in India. When I say enterprise, I am talking about the large corporate and government and public sector units in India, and again the flavor of the work, for one of the large vehicle manufacturers in South India, we have tied up with them for strategic cost reduction and supply relationship management, so this is an ongoing job. We are working very closely with the buying organization of his vehicle manufacturer to see how we can get costs down on a continuous basis and see how we can streamline the supply chain management processes, and we have been successful in this endeavor. Another

example of our consulting effort is IPR and Six Sigma process frameworks implementation for service management for actually the largest telecom company in the Middle East. So we are building strong traction on the consulting space. Just to give you an idea of size, we have over 200 consultants focused on the domestic and the Middle East market with respect to consulting services.

Moving ahead into the other service lines. Professional service lines, professional services I would say is a business we have been in for a while. We have launched newer services here in terms of technology integration and facilities management. And again to give you an idea of scale, in the infrastructure management space we completely manage the data center and the IT infrastructure of HDFC Bank across the corporate headquarters and all its branches. We manage 765 servers, 750 network elements, 6,500 desktops and peripherals. We do application management and all data base administration. So virtually the entire IT infrastructure management of HDFC Bank is managed by us.

An example of the sort of system integration work we do, supply, deployment, and system integration of MPLS network infrastructure for a telecom service provider in India. So they have launched MPLS services, but we are the people who implemented the MPLS services for them. So that is on the professional service side.

Moving to total outsourcing. Total outsourcing is really about completely managing the customers IT, which means infrastructure as well as the application software. So the customer outsources their entire IT department to us and at the most they have strategic people working for them, but the entire IT operations, application operation, application development maintenance comes to us. So talking about some of the wins we have had in this segment, Sanmar Group in South India, a 10-year contract for application management, infrastructure management, IT processes, and asset provisioning, and we have also taken over a large proportion of the IT staff on to our roles. Yes Bank launched a year back, the bank launched, but they launched with a total outsourcing contract with Wipro. We have a seven-year contract for providing and managing the IT requirements of the bank including all branches and data centers, and this is a very successful implementation which got a strong reference in Gartner. Recently last quarter we won a contract from an MNC energy company in India. A POS contract for five years which not only includes IT aspects of outsourcing, but we also do business process outsourcing for them in the transaction processing areas in F&A and procurement. So the F&A process, the procurement process, and all the underlying IT infrastructure is managed by us. So this gives you a flavor of the sort of work that we do in the domestic market.

I think we are very uniquely poised in the domestic market in terms of completeness of offerings. We are a complete IT solutions provider for domestic customers and I think we are positioned extremely well given the sort of growth that we see happening in the India market and in the Middle East market.

I will now move on to the IT practices in Wipro Technologies, which also I manage, and the IT practices which are real strong differentiators for Wipro are the enterprise application solutions, testing services, and technology infrastructure services. So let me give an overall perspective in terms how we are positioned in context of IT practices. We are seen as a leader best suited for large scale global SAP projects in a survey of Indian vendors, which was done by Forrester recently. So Forrester rates us strongest

when it comes to global rollouts. That is a part of our enterprise application solution business. Wipro is number one among Indian testing players on the basis of innovation, leadership, and large strategic investments with customers. AMR Research 2005, and this is very well known and we will talk more about it, Wipro is the number one offshoring vendor for infrastructure management on basis of strategy, current offerings, and market presence, Forrester December 2005. And if you look at all the IT practices, the differentiated IT practices combined, they lead the growth drive within Wipro Technologies, and last quarter is an example, all the IT practices combined grew 52% year on year and had a 15% sequential growth. If you break that down further the testing services had the largest sequential growth, sequential growth in terms of 20%. Infrastructure was 16% in terms of sequential growth, and enterprise application solutions was 10% plus.

Now just stay with me on this slide because this is very exiting service line and relatively unknown service line till off late. Now, what we do in testing services is we do complete life cycle testing services for applications, which means post application development, we do integration testing, system testing, regression testing in addition to user acceptance testing. We do test automation, which means we use tools to cut down testing cycle times, and that gives a lot of productivity insofar as customers are concerned with respect to application roll out. We do specialized testing, in terms of performance testing, application migration testing, localization testing, and pre-certification testing. We do high-end test consultancy work. So we are able to strategize for customers what their test plan is, what their test strategy should be. So we are able to do that sort of work. And all of this we do leveraging very strongly the global delivery model. Testing inherently lends itself to a global delivery model and the offshore ratios that we are able to get in testing are perhaps the highest across the various service lines.

So today where we do we stand, we are the largest offshore testing service provider in terms of revenue, people, and customers. We have more than 175 customers across the globe. A large proportion of our engagements are with Fortune 500 companies. We have 4700 employees in testing alone, and we are able to package all our test services and offer testing as a managed services proposition to customer, whereby the customers completely outsource their test strategies, their test executions to us. So it does not matter who does the application development, but we have the full capability to do the testing for the customer.

What are our focus areas insofar as testing is concerned? To invest in point solutions, to invest in frameworks, to invest in COE, and to invest in customer delight enablers, and all these are oriented towards cutting down the cycle time for testing to get more productivity insofar as testing is concerned. To enable our customers to go to market faster than they would have otherwise gone. To ensure good strong quality software. So in these areas we have developed, just to give an example, let's say in the area of point solutions, we have developed WITMAS, which is our framework, our point solution for mobile testing. It enables us to do testing work for mobile manufactures, mobile equipment manufacturers, as well as telecom service providers. Given the rate at which mobile phones are being launched, given the rate at which new softwares are being launched in mobile phones, the manufacturers and the service providers need to go to market fast, and we have the point solution to be able to complete the test cycle time much much faster, and that is the advantage we get to customers.

I am going to give you just two examples of what we do in testing services, one for a leading global handset manufacturer, this is in the area of mobile handset testing, we do 3-D handset testing for protocols, we do testing of mobile applications, and we are completely leveraging on our test management and automation solution for mobile devices, WITMAS. The benefits the customer gets, significant cycle time reduction for launch of models, because every six months there is a new mobile phone launched. Every few weeks there is new software launched insofar as mobile phones are concerned, and a substantial reduction we are able to get for the customers in terms of testing tool cost. We are able to cutdown the cost of testing.

For another leading Wall Street investment bank, we did the definition, implementation, and sustenance of QA processes. So what we did we do, we implemented centralized QA process with clear identification of role of development teams with respect to QA cell. We rolled it out to all stake holders. The benefits the customers got was reduced test cycle by 65%. So it was taking 100 hours to complete the test cycle, we reduced it by 65%. 60% of the test cases were automated. So instead of doing manual testing, we now do automated testing and the customer got substantial cost reduction in addition to leveraging on an offshore delivery model. So the benefits are enormous and which is why the practice is gaining so much of traction.

Moving to enterprise application solutions, here we do, we consult in the areas of processes transformation and we drive process improvement programs, which leverage on enterprise application implementation. We implement, we rollout, we upgrade enterprise applications across all business functions and we manage and support client ERP, CRM environments on a wide variety of platforms. The platforms include SAP. We have a strong relationship with SAP globally, Oracle, with Seibel, PeopleSoft, there is a lot integration that has happened insofar as Oracle is concerned, but we still have these as independent practices. Seibel, PeopleSoft, JD Edwards, I2, and we have specialized solutions for the SMB market, and we are now beginning to very actively look at Microsoft as a partner to develop enterprise solutions with and address the market with.

Some of the differentiators we focus with strong industry vertical specialization and dedicated practice based center of excellence. So you need to develop expertise for the energy and utility segment insofar as SAP is concerned, and there is a specific vertical solution from SAP. So for each vertical segment you need to have domain experts, you need to have industry expertise, and that is the direction we have taken. In addition to that you need process expertise. Apart from knowing the inherent package in terms of how to implement package you need vertical expertise, you need process expertise, and in terms of process it would mean CRM, it would mean SEM, it would mean basic enterprise application. We have more than 105 clients, majority of them from Fortune 500. We have projects executed in more than 37 countries across the globe, and we have 3300 plus consultants in this area.

Very quick feel of what we have done in this area. For a leading North American retail chain, we have done assessment and design of their CRM processes. The benefits the customer has got is CRM roadmap redefined to achieve strategic objectives, and make sure that their package evaluation strategy for the next phase is aligned with their business objectives.

In terms of implementation, for a large global manufacturer of electric motors, we have done a complete supply chain and warehouse management system implementation of over 25 modules, 700 users, covering 4 plants and 14 warehouses. Benefit is substantial improved process efficiency.

Then in terms of management of enterprise applications. For a leading manufacturer of digital cameras and imaging systems, we are doing complete SAP R3 application maintenance and support in a global deliver model out of our development centers in India. Benefits, significant cost advantage due to global deliver model, improved productivity due to flexible deliver model, and 24 x 7 availability of SAP across the world.

So I am quickly going to cover just the key points in technology infrastructure services and my colleague Mr. Prasanna will get into depth in what is a very differentiated service line for us.

We today can partner customers for their entire infrastructure life cycle, whether it is planning the infrastructure, architecting the infrastructure, deploying it, managing it, or enhancing it. We have broadly four service lines, infrastructure consulting and system integration, managed services, which is our largest service line, which leverages a lot in terms of global delivery. We have specific focus in terms of providing services on telecom infrastructure as against IT infrastructure, and we provide technical support services for technology players. Just to give an example for EMC, a lot of the product is support is done by us for the global customers outside of India.

Very briefly, we are clearly pioneers insofar as adapting the global delivery model for infrastructure management is concerned. I have already covered the depth and width of portfolio. It is a very large market. It is slated to be \$9 billion USD by year 2010, and in terms of CAGR is the highest growth market insofar as outsourcing out of India is concerned at 55%. We have today because of focus more than 2700 consultants here, 24/7 delivery engine which works round the clock, and our direction really going forward is to make sure that we leverage on technology to drive higher productivity, to drive a non-linear people model in terms of growth. So we have recently launched and some of you may have read about it, the next generation managed services for providing tool agnostic secure service delivery based on business impact, based on business SLA's of customers rather than technology SLA of customers.

I am going to stop at this stage and have Mr. Prasanna come over and talk more on the technology infrastructure services. Thank you very much.

G. K. Prasanna

Good afternoon. I will take 15 to 20 minutes to cover the infrastructure services business of Wipro. This is a dedicated business group. Our charter is to build unique capability in this particular area. All of you have seen over the last several years very many reports which have come in this particular area, all of them rate unequivocally Wipro as a leader in this particular space. We have pioneered the whole idea of what it takes to bring infrastructure services offshore as Suresh Senapaty mentioned right at the beginning, what was essentially a very onsite centric business over the last four to five years as transformed significantly to be able to bring this particular work offshore today. Wipro has the, is a clear leader in this particular space whether you measure it by revenue or by number of customers or complexity of the work that we are doing or by the

geographic coverage that we have for our customers today. We continue to innovate in this particular area and also set standards for the rest of the industry in this particular area. We were the first, among the world's first to be certified on British Standard 1500, which is the only external standard available for Security compliance. So we continue to invest in this particular business out here, and we have very longstanding relationships with our principles, and that is a very key aspect for determining success in this particular area. Anyone can hire 100 engineers in India, but to be a Cisco Gold partner or a Microsoft premium partner or Sun SSP or whatever else, these things take decades to build, and Wipro again has invested in this and we leverage on the domestic business that we have had for several years here right to be able to be leader in this particular space zone.

It is a very large market as many have mentioned several times, there are several estimates of that, Forrester estimate that has come out recently kind of estimated it to be about \$72 billion of addressable market. We are not talking about the total infrastructure market in the world and that is probably in excess of \$200 billion. We are talking about what can be addressed by Indian IT services companies today, what is offshorable of that entire lot. The reason why I put this up, is that it takes different kinds of capabilities to be a full service provider in this particular space, and Wipro has again pioneered in many of these areas. We have built capabilities in many of these areas. The case studies that exist in some of these areas for India practically are all only Wipro examples, what is possible out here. For example, mainframe till recently did not exist, and if you kind of look at it today while there is an addressable market out there, that is a very difficult skill to build, and Wipro today has an existing run rate of over \$18 million in this particular space again. What was non-existent, two years back we did not have capability in India to be able to do remote mainframe services. We have again invested there and we built capability in that particular area.

End user computing is a particularly tough area to crack, because this is dealing with desktops, it is again onsite centric, not the area where your traditional strength come into play, but again if you notice the recent large wins that Wipro has had in this areas, they are all around end user computing. We had to invest into that area, we have to sell the concept to the customers, and be able to deliver that consistently and therefore build case studies in each of those areas again.

So if we look at this entire spectrum Wipro is a particularly strong player across this entire spectrum today, right, whether it is network or service desk, one of the largest areas for Wipro and for India today, or across the entire spectrum whatever is mentioned out there, Wipro has built capabilities in each of these areas; but not everything is at same level of maturity; these are growing, and that particular S-curve that you see here, there are various areas of infrastructure services, which are at different levels of maturity in terms of their acceptability of being delivered offshore. It is not to do with the technology, it is to do with several things including client acceptance, availability of manpower, availability of case studies in that particular area, the state of tools, which are required to be able to deliver this particular service today, but we see acceleration around this. What was earlier not possible few years back now is possible and therefore many many new areas are coming across out here. Wipro has strong examples across, and in fact in one of these areas, which is right at the bottom, this AS-400 support, Wipro probably is the only one who has a fairly strong proposition and existing case studies. We have taken over for example from one of the European loyalty program providers in Europe, we have re-hosted their entire AS 400 into a different data center. We have

taken over from one of the service providers, and today we deliver that service in an onsite offshore model, including a utility based model, where we provide storage on a utility basis to this customer. So we are again, Wipro is contributing in terms of accelerating this growth of each of these areas across that S curve.

We continue to innovate and invest. What we did four years back in terms of our global command center still is unique, many of the ideas that we have implemented at that point in time, while others have built their own network operation centers or various terminologies that one uses for this, the ideas that we have implemented four years back still some of them are yet to be replicated by anybody else. For example, the event correlation engines that we have built are..., the way we take care of country requirements having our centers across multiple locations, those are still to be done, but we have not stopped in our innovation process. We have continued to invest in this particular area. So some of these ideas that are presented here are absolutely unique not just from the point of view of what our competition can do or cannot do today, our customers don't have anything similar to this today. For example, our next generation managed services or global command center as we call it now, is a completely tool agnostic process. What it means to our customers is that we can completely protect their existing investment, whatever they have invested in, so whether they are on HP Openview, or on Trivoli, or on BMC, or on MOM or whatever else, does not matter to us. Therefore as the customer grows or replaces their technology or grows by acquisitions and therefore there is a new part of their infrastructure that has got to be brought down, Wipro has a very unique solution in terms of how that can be done extremely fast. Also, a very big benefit is that we completely protect and firewall the hardened process that we have from these tools. This is very unique, many customers who have come and seen this understand the value of an offering of this kind. Similarly, we have completely virtualized the environment. Our level 1 engineers do not operate on the target platform, which means that it does not matter to them whether the platform they are working on is NT or Solaris or HP UX, or Linux or whatever. What does it mean to our customer? It means that as technology changes, we don't have to go through an extensive learning curve again and again. People will replace their target platforms and we don't have to re-train our people.

Similarly in security, we have taken this to a completely new level. It is traditional that system administrators have system administrator passwords. They have access to all parts of the infrastructure. We are unique in this. Our system administrators do not have access, instead they are given one-time access to a sick device. It is only if there is an incident on an element, our people have access one time to be able to go and fix this problem. The reason why I have taken a little bit of time to explain these things to you, and the last one which is business impact of an infrastructure event, it is not too difficult for implementing a system where let's say a pager goes off or an e-mail is sent across when a server is down, and that's an infrastructure element being down, so you can say that this particular event has occurred. That's not too difficult to do and that's the level where most of the people today are, but in Wipro we can actually show business impact of an infrastructure event. We can say that this event therefore means that the following set of users are without mail or that this particular application is down or this geography is impacted because their SAP is down. So we can relate it to a business impact rather than talking only about an element level. What it means in summary really is this. We are no longer playing only at a labor arbitrage level of being able to do, you know, take this work to a lower cost model. This is infrastructure management as it ought to be. Our customers don't have this today, and that's the play

that we increasingly see that is relevant for our customer base today. So, we are significantly ahead of what we are seeing for our customers, in terms of our capability that we are putting here.

So in summary, it's a very strong value proposition and that's reflected on quarter-on-quarter growth that we are seeing and a very strong Q3 that we have had just now. Many have already touched upon the growth that we have had in this particular quarter sequentially and year on year, but the value proposition really is that, it is a very proven global delivery model. We have innovated in this particular area. We have practically defined the industry and then therefore both in terms of best-in-class processes and also in terms of the people practices that we have here, it is not easy to run a 24 x 7 process and many others who have recently moved into infrastructure services are all discovering that this is not only about hiring another 100 people, running 24 x 7 process is a very, very different game, and we have understood this over the last few decades in terms of what does it take and what people practices are required to be able to manage a service line like that. We have experience. We understand what is meant by infrastructure management and the risk that the customer is taking and the risk that we have in terms of managing practice like that, and I think we are introducing newer and newer models in terms of what we can do or we have customers for whom we have done this on an element based pricing which is not based on time and material, it is not based on so-called fixed price but we get paid for per server, per terabyte, and things like that. So we are introducing flexible, transparent new models for our customers and extremely strong track record in terms of being able to deliver this service to our customers. Thank you.

T. K. Kurien

Good afternoon. I will just give you a quick sense of what we do in the BPO business. The slides will be up there, but we will kind of talk through the presentation a little more, and I will give you a sense of where we are today and where we are headed. Just to give you a quick financial snapshot where we were, clearly over the past few quarters, the kind of transformation that has gone in this business, you can see it from the numbers here. Q1 our operating margin was running at around 8.65% up to 16.1% in the last quarter. Fundamentally, what we have done is that we have taken the past couple of quarters really to drive a whole bunch of efficiencies in the operational side while we grow the business on the top line, and we will talk through a little bit as to what we are doing in terms of transforming the business in the front. Fundamentally, just as an approach in the back, we have driven a lot, you can see from the head count, the head count has kind of gone, it is up, it came down, it is again moving up, and this is primarily coming from productivity that we are driving which can be clearly reflected in the revenue per FTE which is a big measure for us in terms of the way we are measuring our entire business. So our business measures have actually moved from just looking at how many people we are putting on the floor and what our billability is, into more into revenue per FTE kind of a model, and that's really what has driven this top line growth with lower number of people.

I will step back a minute and get into the market itself, and this might be a little counter intuitive and we will talk about this and how it plays into our strategy as we go along. If you look at the market right here, you would see that the biggest component that we have here in the market even today in terms of the customer perception of where outsourcing would take place would really be from an India perspective even today 55%

of the respondents still claim that the call center and help desk is an area that they would focus on. Similarly we have gone into business research, finance and administration, human resources, and industry specific R&D kind of work, but if you really look at it, the call center still continues to be a pretty significant component. So whatever we do in strategy in terms of going forward basis, what we realized as a business is that if we give up the call center business tomorrow, we really would not be playing to what the customer demands are all about. Our biggest challenge in this game has been how do we reposition our voice business into a more value added business on one end, and the second end, play into the other emerging spaces which are there which are primarily around the back office, around analytics, and around vertical specific kind of processes. So broadly that's where our strategy is playing out in the front end.

In terms of global trends, fundamentally what we have seen is that the full service model is becoming very critical now. Primarily it is like what's happening both on the voice side as well as on the back office areas, what we are finding is that customers are looking for a single source and more and more people are coming in and saying, you know what, can you take care of my business process outsourcing piece, can you take care of my IT piece, and by the way can you help me transform both these to make it something which is completely different and far more efficient from where we are today. So the challenge that we face today is that we not only have to takeover a business process, we now have to improve it and more importantly workout pricing models that would evolve throughout the life cycle of the deal, so that's the challenge that we have today.

So from an integration perspective, the challenge that we kind of, the way we were organized about a year ago, which was a pure standalone BPO business has now changed fundamentally so that we now integrate Wipro Technologies with the front end and we really bring the entire strength of Wipro Technologies which is consulting, IT, and the process capability into the BPO business to solve the customer's problems. So that's where we are really headed towards.

So given this, again, the other big dynamic in this space is that customers are not looking, you can't go to a customer and say, you know what, I have got an India service. People are not interested in India service. People are not interested in a single service line, so our approach really has been to see how we can kind of expand our global footprint. The first big expansion that we have is going to be to cater to the European markets, and we are opening a center in Romania which should be operational by the end of Q1 and that will be our first global center outside of India on the BPO side, so that's our first step towards realizing our strategy of becoming a more global player.

Second is, multiple service lines, and I will talk through as we go along through the slides in terms of what we are doing to get there. Maybe I can just get in directly. So what we have done here is, the biggest area of opportunity today where we already have a very large embedded base in terms of ERP solutions which kind of Suresh talked about, which is our entire enterprise application practice sits in a space where we typically own the technology platform that runs the entire back end. We run supply chains for companies, we provide software that runs supply chain for companies, we put in software that runs human resources, that runs finance and accounts. Given the fact that we have an embedded base out there, where we actually own the platform, our big focus is how do we get across to the next level and make sure that we own the process on top and that's the focus. So it is like, just to give you some very simple example, it is getting somebody to clean your house. If you have the infrastructure, you can't say that,

look I won't clean the bathroom, I won't clean the kitchen, you have to clean the whole house. So we have to take ownership at a process level rather than at components like, at a technology level or the infrastructure level, we have to take an SLA at the top level rather than at the little benches that lie below. So that's the real focus. So towards this what we have done is, within the enterprises, within the BPO businesses, we have created what is called centers of excellence. These centers of excellence drive standardization right across all these processes and they also help in terms of client acquisition. So that's broadly how we are organized.

So going back to the way we just discussed a couple of minutes ago, the real play for us is moving from just a pure play BPO into a full service provider, delivering an end-to-end capability in terms of everything from consulting to business process, into applications, into the IT, the infrastructure piece, and more importantly bringing the entire Six Sigma and the consulting piece around it to bring process improvement as we go through the life cycle. And the last of all is what we truly believe in, that in this business if you are sitting in a particular space, if don't own the platform when it comes to industry specific kind of services, over a period of time stickiness is not there as far as the customer is concerned. So to increase stickiness we would look at specific areas where we can create a platform, where we can kind of create a business process that sits on top and offer a service bureau kind of a model back into the customer base. So that's how we are headed on the long term.

Some of our success stories, and we kind of talk through a little bit. These are some that are there. We can talk through a few that are not there on this chart on the process side. As far as a leading airline is concerned, we saved them about \$25 million per annum. We worked with them on revenue assurance. We worked with them on stuff like baggage handling. It is a whole gamut of activities.

We worked with a very large PC manufacturer. When we started off with them just providing L1 support, level 1 support for them, right now we are in a stage where we provide everything from level 1 to level 4. So fundamentally what happens is that customers handed over his problem to solve back to us. So if there is a hardware issue, we actually write software for the customer to make sure that we solve his problem over a longer term basis. So we have really taken the ownership not only for solving his customer problems but also solving his engineering problems and making sure that the problems don't re-occur. So that's the power that we believe that Wipro brings to the table. There are other examples out there.

Besides this, there is one more example that we are extremely proud of that is not there on this chart. We do work for a global provider of computing equipment, which is one of the world's largest providers of computing hardware, where we actually do their purchasing out of India. What we expect is that over a period of about a year and a half, after we roll this across all the service lines that the customer has, we would be handling procurement out of India to the extent of about roughly a billion dollars. That's how we are really transforming the business here.

Another case that Suresh referred to was an energy giant, for them what we do is we not only own their entire finance and accounting process, we also own their procurement processes and part of the HR processes along with the application that runs behind it. So that's the way the evolution is taking place as far as the BPO business is concerned.

Last of all, I think this is exactly the motto of our business, which if everything is in control, it obviously means that we are not going too fast. So right now, that is the stage in which we are. Thank you.

Pratik Kumar

Good afternoon. Mine is the last piece, the end piece in the series of presentations, but as all of us acknowledge within Wipro perhaps this is one which has the most significant bearing in our own ability to deliver. Over the next few slides; I will keep it brief, about 15-20 minutes; what I will be doing is just touch on our own strategies, the people led strategies which we have within our own organization, largely to do with the challenges of growth and scalability, and I am sure as we get into the Q&A, the questions which you have we would be more than happy to take.

Before we get on to it, may be useful for you just to get a very quick snapshot of Wipro's talent pool and how it has over a period of time evolved and what it looks like today. We are as some of my colleagues shared, in the last quarter we touched 50,000 employees in the IT business. We have approximately about 8000 people who are spread across in locations and centers outside of India. The demographics of our population is getting increasingly more diverse and as we continue to get into newer geographies the number of nationalities which we are adding in is increasing as well as the more number of acquisitions which we are getting into our own fold. So today we have a workforce, which comprise people of about 23 different nationalities within our organization. Strong education background, this has been something which has been a very strong driver of how we have grown over the years, right from the time when we started into the IT business, when we were in hardware, predominantly focused on being able to hire good talent from the engineering schools; 66% of our employee force are, when we say university graduates, these are the engineering graduates whom we have; 28% of our total organization talent pool comprising of people who have the Master's Degree and over a period of time we also have quite a few people who have done their own research and have got doctorate qualifications as well. Average age over the years has been inching up. Today, the average age of our employees is about 28 years and something which is very noticeable and something which lends lot of confidence within as well as outside is the tenure of our senior leadership in the organization, those who are Wiproites in the organization. Our top 100 managers, the average tenure in the organization is about 11 years.

This by now must be an all too familiar slide for many of you. Sudip Nandy my colleague in his own presentation was sharing what the latest McKenzie's report talks about in terms of the kind of growth which this industry is going to experience by year 2010, and I have the flip side of the same growth story. What does it mean in terms of the talent pool and where is it going to come from? What it tells you is that by the year 2010, if you look at where we are right now, and we have about 700,000 graduates who are in employment today, and the way it actually will build up till about year 2010, we are based on the estimates which we have today, we would be having a delta of about almost about 5 lakh graduates, and that is something which is going to be a challenge for organizations, it is going to be a challenge for the industry as well as the academia and the academic institutions to be able to figure out where is this additional talent pool is going to come from, and it is our own belief that the organizations who are geared in their own ability to be able to build the talent pool internally would be better placed in

being able to tide over this challenge which rest of the industry is in our own estimate is going to encounter.

Just slicing it, I don't want you all to get too consumed by this particular chart, it has got too many data points, but it what it tells you essentially, just looking at the last year's data, there is a big gap between number of people who are coming out the engineering schools, and eventually the ones who are getting deployed in the IT sector, and this comes from two counts, one is, people who are desiring to get into the IT sector, that is one particular slice, and the other one is just a deployable pool, I mean, there are so many engineering colleges, there are so many people who are coming out, but you look at in terms of their own readiness from an industry point of view, it isn't that many, and that is one level of concern which we are tackling. So if you look at the numbers which are there in the last column, what it talks about, and the last row which I have here that indicates the kind of gap which is there between the people who are coming out eventually, the number of engineering, the fresh IT labor supply which is taking place in the industry.

So in terms of our own people strategy, I mean, it is clearly two fold. I mean, we are focussed on being able to hire wherever necessary experienced lateral talent coming from the industry, bringing in specific skills, more experienced people, but without doubt our focus is in being able to and continues to be in our own ability to be able to hire fresh minds coming out of engineering schools, and if I just, to share the statistics, out of our total hiring which we do on a year to year basis, almost about 50% of them would be what we internally call as people with less than about 1 year experience, predominantly coming from the engineering schools. We are, and this is something which as a brand we have build over a period of time on engineering schools, lot of it is word of mouth, people who are working in the organization for years together, and the kind of message which goes out in the campuses and which has led to us being one of the top recruiters, one of the top preferred recruiters on engineering campuses. Over the last about a year, four quarters, we would have hired upwards of about 15000 people who have joined the talent pool of the organization. Very strong database, we not only hire from the campuses we go to, but also over a period of time from off campus those people who come from outside the campuses, which actually serves two purposes, one is of course it ensures the constant supply of these talent, plus it ensures the certain linearity of the campus people coming in because typically what happens is all of them actually begin to pour in, in quarter two and quarter three, which becomes at times a little unmanageable.

We recruit from about 116 leading engineering and management colleges, and going forward I think we will continue to see ourselves getting and more and more focussed. We think we clearly have a headspace in being able to take our numbers further coming from campuses compared to what traditionally we have done over the last several years.

This is another interesting experiment which is on the people supply side, which, and it is an innovation of sort which we have indulged in, and I think from all the knowledge which we have from what is happening across the industry, we would be pretty much unique in what we have been able to achieve on this front. This is an initiative which we started almost about a decade back and that is the time when we identified that eventually organizations who are able to continue the sustained growth, they need to be able to be market independent in terms of the talent supply and the talent which is coming out from outside. So we have our own initiative which is known as WASE, Wipro Academy for Software Excellence, and which is an attempt to identify non-engineering talent pool,

fresh young bachelor of science graduates, extremely bright, extremely desirous, huge hunger to be able to prove themselves. We get them in, we have a tie up with BITS Pilani, it is a four year program, at the end of the four year program they get a Masters in software engineering. While they are as a part of the program associated with Wipro, they also have an opportunity to work in our internal assignments and projects, and at the end of the period they get absorbed in the organization. So it has worked extremely well and going by all accounts, going by the experience of many of my colleagues who are sitting here and the larger organizations, there is a huge appetite for us being able to scale this up. So this is a unique opportunity. We think we have been able to build the platform on which we will be able to take more people through this talent pool, which to us is very distinct and it is not something which has been demonstrated on this scale by many of the organizations who may have experimented in this place.

So today as a part of this program, we have close to about 1800 people who are engaged in this WASE program. This is undoubtedly an, in many of the discussions which I have had with some of you here as well as outside, this is something which does bring a question to everyone's attention when you begin to hire in such large numbers, when you have those charts which begin to talk about how we have been growing year on year, how do we ensure the quality of the recruits, especially keeping in view the quality which is coming out from many of these engineering colleges could be little suspect. There is no easy solution, you got to actually have your own ability to be able to screen, to be able to develop the kind of talent which is coming in, so we think we have done certain things on a proactive basis within our own organization.

First and foremost, a very clear articulation of what are the kind of skills and competencies which we need at the entry level. Be able to, this is again an innovation which we have done on the recruiting side, be able to develop an online testing system, which is known as Wipro online testing system, which eventually we think will be of an extreme advantage to us, and what it will do is, against the conventional mode of, where about 15 of us descend on an engineering school. It will help in our own ability to be able to from a remotely, be able to administer the test, be able to take the screening up to a certain level, and look at other methodologies and media, and the technology today is almost getting to a stage of readiness where you could be actually hiring recruits independent of visiting the campuses. So this is something which we have done on a limited basis, but I think again is a platform on which we can do significantly more as we go into higher number of campuses. Every single person who is out there recruiting on Wipro's behalf has to be an internally certified recruiter of Wipro. This is the kind of a quality consistency check which we try to establish depending on whether you are recruiting in Bangalore or you are recruiting in any of the overseas location.

The other strong pivot of our people strategy is that, you know, you have the ability to be able to identify where the talent is going to come in from. You got to be equally geared in being able to impart the right kind of skills to those talents. Our talent transformation wing which is an extremely pivotal part of our own people strategy is engaged in building the right kind of functional skills, the right kind of domain specialization skills in our talent pool. Sudip Nandy was especially talking about some of the emerging roles in organization be it in terms of the program managers, the consulting profile, people whom we have been taking in in terms of creating, in term of the solution architects in the organization, and how do we go about building those skills in our organization and create those cadre of people who would be there and would be there as a part of the

project engagement which the organization would need going forward, and this backed up by our own ability to build in the right kind of behavioral skills which are listed there.

What helps us in growing without doubt, you know, other than in terms of a strategy around very strong core faculty, we have about 72 trainers. Most of them have been professors in their previous careers. Along with it is a very strong blend of people who have been practitioners, those who have come and emerged from the project teams, they all are extremely competent in the kind of qualifications they bring in as well as the certifications which they have. They actively take part in research work, in being able to generate new white papers and the technology seminars which they conduct both internally as well as externally and keep themselves updated, and that is an area where we continue to invest in, and going forward will remain to be area where we will continue to build in. And along side of course is the infrastructure, it goes without saying that as we continue to go into multiple centers, we cannot, at least it is our own belief, you cannot be dependent on this huge mega one center as the epitome of training for the entire organization. You got to have a spread across about 8 to 10 centers and be able to effectively engage the talent in each of these centers, you should have an ability to be able to replicate what you have in Bangalore across these multiple centers, and that is something which we have done very effectively.

People supply chain on the BPO side, I know that this has been matter of some discussion in the past. I think the leadership team has been very focussed in being able to identify what it would take us to remain to be robust on this particular aspect. Kurien, did touch on it briefly, but the areas which we have identified going forward in the BPO side is how do we show that there is a higher training throughput which has a very direct significance not only in terms of the productivity at the floor level but also the kind of load it brings on in our own hiring needs in the organization. The key to, and in our own analysis, the key to BPO attrition, which is such a talked about subject in the industry, is clearly our own ability to be able to mature the level of supervisors to be able to do their jobs effectively. There is almost kind of a generation mismatch of people who are beginning to play that role and their own element of readiness, and this is an industry statement which I am making. And an organization like us we think we are there ahead, given our own background of what we have been able to achieve in the software services side, to be able to replicate the same even on the BPO side. Without doubt looking at the profile of the people, 21 year old and less, you know, how effectively are we able to engage them on the floor level is something extremely impressionable on the set of people, and it requires a completely different approach and way to handle them, and the floor level engagement to be able to understand their aspirations, concern, is another area where we have had quite a few of these initiatives.

Expansion beyond the metros, we have stated it in the past and that is something which is part of our own strategy as we grow. I do not think the solution to the BPO growth can be by remaining in the centers in which most of the industry is in. It has to go beyond today where we are. So that is another area which we think will have a huge significance in many of the people dimensions which I have touched on. And continued thrust on education and learning, just what we have been able to achieve with the WASE program which I talked about on the IT side, we are replicating a similar model for employees on the BPO side as well, which has been well appreciated.

So with this I will bring my part of the presentation to end. Suresh would you take over.

Suresh Senapaty

So, we will have Mr. Premji to make some few remarks followed by a Q&A session.

Lan

May I request Mr. Premji to make a few initial remarks, after which we will be happy to take any questions you may have. We would request that you direct your question to a specific member of the management team so that it becomes easier to know who is going to answer the question which you would like to, whom you like to have to answer your questions. Thanks.

Azim Premji

Thank you for being with us this afternoon. This is a nice premise, actually this is first time I have come here, and NSE is an important customer of ours.

We have been interacting with many of you all fairly extensively over the past years, and what I do want to appreciate is much of the feedback you have given us, and mind you we do listen carefully, has been of use to us in terms of the way we direct ourselves in the company, and also in terms of often giving us some thoughts in terms of, when you pat us on the back for something we are doing good, and tell us what we could be doing better in terms of trying to refine our strategy, and we listen in all seriousness and all sincerity.

You had a fairly good view of the way we are running the business. I think we have tried to be as transparent with you as is practical. Often the transparency has also given a lot of information to our customers and given the lot of information to our competitors, but we think in terms of our experience, all and all it has been worth it.

We have got some of our top management and some of my direct reports here, and we thought it would be important that you have a first hand feel of the team which is really leading Wipro Technologies as well as our domestic IT business.

First thing which I would like to emphasize is that we are embarking on a new phase of growth. We have built strong building blocks, and now we hope to translate them into accelerated growth, and that is the main thrust of our strategic plan going three years forward, and that is one of the main thrusts of all the drivers we are focussing on in terms of trying to propel ourselves forward. In the past we have grown ahead of industry growth rates, and in the past periods we have grown slower than some of our leading competitors and we intend to fix that and set it right. We had also cleared that this additional growth, this incremental growth will not come at the sacrifice of profitability.

Many factors such as currency fluctuations, acquisition related short term dilution, some non-cash charges could vitiate the operating margin percentage number quarter to quarter and year to year, but what I would request you all to do is focus just as much on the growth in profits quarter to quarter and year to year as you focus on operating margin percentages quarter to quarter and year to year, because that is also an important parameter of drive for us in terms of our quest for taking the company forward. Quarter to quarter, year to year growth in profits in addition to operating margins, give both importance.

Third, we would like to continue to incubate engines that will deliver growth in horizon 2 and horizon 3. Horizon 1 really being the two quarters, three quarters, four quarters forward; and horizon 2 and horizon 3 being one year forward, two years forward, three year forward, etc.

As a company that is 60 years old, and many of you all don't know that we are 60 years old, we know the value of planning for the long term and we know the value of investing for the long term. Some of the areas we will focus on include non-linear growth, adjacent growth opportunities that open up new markets and new customers, newer geographies, etc. But as we have done in the past we will try to play a fine balance between the long term and the short term.

Finally, in our global IT business, we will continue to deliver solid growth in profitability, but we are equally excited about the prospects of our other businesses, which don't go through the same scrutiny which our IT business goes through, and we would request that you all ask questions on them and look at them seriously. I consider them important growth engines and important profit engine.

Our Indian IT business, our Consumer Care and Lighting business, and our Infrastructure Engineering businesses have delivered industry leading growth with industry leading profitability, and a huge return on capital employed. As the Indian economy continues to boom, these businesses too will substantially contribute to shareholder value. We are a unique company in the sense, we have a very strong presence in global IT and IT enabled services, which is a profit story of 1990s and 2000s. We have a strong presence now in infrastructure engineering which is catering to the infrastructure industry, dumpers, trollers, excavators, tippers, the hydraulics for that, and we have we consider a reasonably strong position in our consumer care and lighting business which is being driven by the boom in consumer demand of non-durables.

We sum up by saying that we are excited about our future and we are excited about the opportunities global market and the country has to offer. And that we believe the team which we have in place and the energy we have in the team is extremely well placed to take it forward.

We would be very happy to take questions from you all now.

Anantha

Good evening, this is Anantha from JM Morgan Stanley. Mr. Premji you did emphasize that growth is important and so is...

Azim Premji

Little louder please.

Anantha

Mr. Premji you did emphasize that growth is important and so is profitability, but if you were to come across a stage over the next few years when you have to lend a higher priority to either one of them, which one would it be?

Azim Premji

You are asking questions which are the typical paradox of top management. Our concern about sacrificing profitability too much, and I use the word carefully, too much, is that it erodes into certain discipline of profit management in the company. So we try to be sensitive on that issue. I think where you will see some amount of increased aggression on our part will be acquisitions which we think are strategic, they will not be very large acquisitions, you know, typically of the size which we have done in the last two, but we are finding that lot of mid sized companies are becoming available both in Europe and America, and some of them are becoming unique fits for us in terms of strategy, and we will make decisions on them because we believe that the companies we are acquiring will be able to grow substantially and be able to accelerate our growth engine, and what I want to clarify, this is not at the cost of organic growth. We are not using this as a surrogate for organic growth. We are driving both equally. So the amount of dilution which you could see in the short run in our operating margins could come as a result of acquisition, and particularly as a result of amortization charges on the acquisitions which we have to report under US GAAP. It will be much less on the Indian GAAP where you don't have to show the amortization except depreciation in value on the Indian GAAP.

Anantha

And sir just one final question addressed to Sudip Nandy, you mentioned that one of the objectives of long-term strategy is to make Wipro a truly global organization, I mean, could you just sort of flesh that out a bit more for us, do you have any, how would you sort of evaluate that process and are there any targets towards achieving...

Sudip Nandy

In the geographies where we operate today there are sub geographies where we have not been effectively selling our services and products. If I were to just pick out the potential for the IT services business in Canada, in France, in Germany, and Japan, even though in some of those countries we have leading positions, I think relative to the domestic players there is significant scope for us to increase our share in that market. Now, these need certain measures which we have either shied away from or we have thought that we are not ready yet, especially Germany, Canada, and so on. So we are creating new structures and new processes within ourselves to be able to address those as a market, so that is one side of globalizing. And the other side is even today 99% of our delivery happens from India. In the end of our strategic plan period, we will definitely have delivery happening significantly more than that out of China, which we mentioned about having two centers. We mentioned also about our center in Romania, Bucharest, coming up by end of the quarter, which will have significant delivery. We also will build other centers within Asia and within Latin America from where we will sell services to our customers. These will not be proximity centers, but delivery centers and we can genuinely distribute work between different centers, so both in terms of the markets we address and in terms of way we deliver services to your customers from, it will be significant change over a 3-5 year period.

Suresh Senapaty

And Anantha just to supplement the point you were mentioning on the balance profitability versus growth, like we said some of the acquisitions will be strategic vis-a-vis getting certain footprint in certain geographies. If they are completely onsite centric, you first acquire it and typically you know that the margins in the onsite is little lower than average margin because we have always a 45:55 kind of an onsite/offshore revenue. So by the time we get the synergies for a shorter term there will be dilutions involved.

Male participant

In the strategy what you have mentioned where Wipro wants to be in next three years, nowhere did we mention that we are getting into any product business, do we have as a part of our business strategy to go in for a solid IPR and you know transform Wipro from only being a service organization to a software product company?

Azim Premji

No, at this point of time we do not have plans to be a product company. We just believe that the rhythm of the two businesses are very different. You know, we are airlines company, we are not a aircraft engine manufacturing company, and I think that distinction is important to realize. But at the same time, the NewLogic acquisition we made, one of the prime drivers for it is that we got very strong intellectual property modules from there, which we can use in major service centric solutions. We got I think about 23 patents from them, something like 23 or 25 patents from them. So the IP investment is important. The investment in sub-assemblies is important, investment in components is important, the investment in managed services is important which generates non-linearity. The investment in software as a service is important, which again generates non-linearity. The investment in a software factory, which we are able to service multiple product lines for multiple customers, but using a same platform is important. But you know we would not, we are not investing in I-Flex, you know, we are not investing in Finacle, we are not investing in Windows at this point of time, and it is not in our next two years, three years horizon. It is a different rhythm, and we think, we believe strategically product companies are trying to build the service business. So there doesn't seem to be an overriding necessity to go on reverse gear on that. Some of our competitors today and some of our partners today compete with us because they want to build a service centric business because of the value of the annuity and the value of the margins. Look at even a company like British Telecom what they are doing over the last two years.

Mahesh Vaze

This is Mahesh Vaze from Brics Securities. Wipro has talked of increasing the rookie ratio and some of the other large companies are also talking of it as a method of cost management, how does it look from the customer perspective, because ideally the customer would want someone with the maximum experience on the project, so how does this get communicated, how do customers perceive it, do they realize it at all?

Azim Premji

You know, the company which today has the best rookie ratio from the analysis available to us, you know, among the serious top 5 players is Infosys, and I think to their credit they have done a good job in being able to deliver a fairly complex projects of reasonably high quality with a high rookie ratio. The company which is a little ahead of us in terms of rookie ratio, higher rookie ratio, a little ahead is TCS, and Satyam. You know, there are two approaches to this; either you increase operating margins by increasing the percentage of rookies, but we are looking at it little differently, we are looking at it from the point of view of increasing the percentage of people with less than 3 years experience. We find that the salary escalations are really the highest after two to three years experience in terms of the differential in salaries. Or you have a different approach which says you have a higher mix of experienced people, higher talented people, then you charge for it, and then you do projects for it and then we get a pricing for it, you cannot have it both ways. You cannot have highly experienced people force and charge rookie rates. We are trying to get a blend of the two. We are trying to do projects which are able to draw upon our experience talent which is higher than say Infosys, and we are trying to in a way dilute this experienced talent by improving project management skills and program management skills so that even with a higher rookie ratio you are still able to deliver very high project capabilities. You know, we have done some interesting analysis on this using 6-sigma and our experience says that up to a certain threshold, and that threshold is our secret, of rookies in a project you can deliver often equal or better quality than below that threshold of rookies. So, just adding less experienced people, if the project management is strong, is not necessarily diluting deliverable standards, and I think it is important to get that blend between the project and the composition of the project. That is important blend to get. And if we do more fixed price projects, it gives you more flexibility.

Mahesh Vaze

Sir but while this process is on increasing the rookie ratio, what I wanted to understand was is there any scrutiny by the customer, does one have to explain anything to the customer, or it is just an internal...

Azim Premji

No, you know, if you have 80% of your business which is time and material, which we do, you have to explain to your customers because the customer gets very curious about the composition of people. In fixed price projects, no. He is much more transparent to it. In offshore, little less. Onsite, much more because he sees the people and he is able to distinguish them in terms of levels of experience. So it is a constant negotiation with the customer, but provided you meet deliverables, I think the customer also realizes that, plus provided you have a pricing system that for more experienced people you charge more, that is when the customer starts to become more flexible. Some of our competitors have done better than we have, and they charge much more for more experienced people and forcing the customer to except less experienced people.

Mahesh Vaze

Secondly, the IT industry recruitment has been focussed on the engineering graduates, do we see over next 5-6 years as we talk of some sort of constraint in the talent pool, a very significant part of recruits, maybe 25-30% being non-engineers and is there already meaningful movement in that direction?

Azim Premji

In BPO obviously, IT enabled services, you hardly recruit engineers in IT enabled services. In fact the trend is also now to recruit people with 12th standard and not even necessarily college graduate, and have a proper mix of the two. In the software business I think it is possible to go up to about 20 or 25% non-engineers, but then you have to have a very strong backbone of training for them. First of all, you have to be more selective in the selection. You have to pick the cream, and they have to be having a science background. You know, Maths, Physics, Chemistry, or Statistics background. Two, you got to have a WASE program to work through them. This year, last calendar year, I think we took about 600 WASE people, Pratik...

About a 1000. coming calendar year we will probably go up to about 1800. That is what our program can handle. And we would take particularly in our technology infrastructure services business and our testing business people with some experience also who are non-engineers, and their ambitions are less, and their market value is less.

Mahesh Vaze

One last thing, when we are training these WASE trainees, do they also generate revenue at some point in time?

Pratik Kumar

And just before that, going back to your earlier question, the question was whether it will significantly change, I doubt it will significantly change. I mean, it is going to be predominantly engineering pool. So it is that whether the engineering graduates are out there, yes, they are there. Whether they are deployable, no they are not. So I think the challenge really is that how do we actually make them working along with the industry forums, Nasscom, the academic institutions and make them more industry ready. I think that is the challenge there, not about whether those guys are there or not.

Coming to the WASE program which we were talking about, Yes, as the curriculum is so designed that they attend class room programs on Fridays and Saturdays and for the balance of those 4 days they are engaged in, either it could be in terms of the project work which could be pretty much in terms of any of the identified projects, or they could be deployed also on any of the existing ongoing customer projects as well. So, yes, I mean there would be, there could very well be part of our billable head count as well. Yes.. They take little longer time than a normal engineer to be billable when you get them fresh, but they are billable after some time.

Azim Premji

They are very hungry people. I think that compensates for the lack of technical training.

Pankaj

Hi, this is Pankaj from ABN Amro. My question relates to the acquisition strategy that we have been following, if I look at what we have been doing a couple of years back where it was more focussed towards broadening our service lines, the current two

acquisitions that we announced last month was more focussed towards deepening our existing presence, I just wanted to get a feel of what is our acquisition strategy going forward will look like, what the focus areas would be, and if we are looking at broadening into newer verticals or horizontals, which probably would be the areas in which you will be looking at? In terms of size, what kind of a company we will be looking at?

Azim Premji

You know, typically, let me answer this question because I think it is a very strategic question, I am not trying to hog all the answers here, so I will start letting up after this question, but I think this question is important, you know, what is our acquisition strategy. In very simple terms, one is, we are trying to get geographical footprints quickly where we are not very strong. Like we are not very strong in Europe in product engineering services. NewLogic brings us that footprint with strong front face in Europe, including in France, including in Germany, including in Austria, all the three markets we are not very strong. So it is very strategic from that point of view.

Second is to fill gaps in offerings. We did not have a strong offering backbone in payment. The acquisition which we have done in the financial solution space is called Mpower has been able to give us that kind of a quick backbone of being able to bring certain expertise which we can expand up on and being able to offer to all our financial customers.

The third area is that if it is bringing us a unique domain competence. We are looking at some acquisitions today at a fairly advanced stage which bring us interesting domain competency with a lot of specialization in a specific space, which we do not have today, and our vertical which caters to that space can use it as a strong leverage to sell into the market or sell deeper into that market in terms of being able to cater to our customer set in that space on a broader range because that company brings a unique expertise and unique front end domain specialists and architects in that space.

Another area which we would look at, you know, just to give you an illustration, would be in the CAD and PLM space. We are very late starters. We have very low critical mass. We are struggling to build an organic business. I think we could supplement that build of organic business with a nice acquisition, which would give us a jump start in that space, and a jump credibility in that space, because we are finding that PLM-CAD space very next step to our manufacturing vertical, and many of our manufacturing vertical costumers are saying, you know, we want you to give an end-to-end service to us, you need to have more competencies and more experience, but more important than that more credible track record of demonstrated success stories in this space which we think an acquisition could bring us, and bring us fairly quickly.

The other dimension is what I mentioned previously, intellectual property. It is very relevant in our technology business, and you must appreciate that, last quarter is an example, we had about 6% of our revenue coming from telecom service provider space, but almost 31% of our revenue coming from hardcore product engineering services space. In that space intellectual property is very good differentiator so far as customers are concerned. This is broadly speaking. So it is part of a chess game in terms of strategy and we are not looking at these acquisitions from the point of view of an aggregation strategy, which is why there are not too many companies in India which are meeting out criteria, and those which are meeting our criteria in India are getting a little

over priced in terms of their expectations. There is too much heat in the market in terms of expectations. It is just cheaper to buy a good company overseas and get the additional advantage of a strong local presence.

Hitesh Zaveri

Hello, this is Hitesh Zaveri from Edelweiss Securities. My question is with regard to the value that you realize in terms of pricing. You mentioned about strategies here with regard to your business growth and etc., what will it take for you to achieve pricing leadership in the offshore space? When I look at many of your offerings as compared to three years ago to now, I am sure from the process maturity perspective, from the methodology perspective, Wipro will be delivering a lot more value whereas the pricing is something that has remained stable and shown some improvement, probably partly because of the service mix change. Just to repeat, what will it take for Wipro if that is one of the aspirations to achieve a pricing leadership in the offshore space?

Azim Premji

Let me request Sudip Banerjee, who is our President of our Enterprise Business to answer this question.

Sudip Banerjee

Well I think in one simple sentence, it is domain competence. Customers are getting very, very fussy in terms of the partners that they select in their outsourcing space and they are going to give work and they are going to give price premiums to people who bring in more competence. So that is why when I made my presentation, I talked about domain competence as one of the areas that we have a very strategic thrust on, and we are building that industry vertical by industry vertical, service line by service line. So that's the area that we think that we will be able to get our pricing advantage.

Azim Premji

I just want to add one thing here. We are also investing much more in training our front end and our leadership across the board, in terms of consultancy skills, in terms of how you put value into what you are selling and in terms of negotiation skills, pure hardcore negotiation skill training. We are now also having squads, training squads which are now spending much more time in training with our people overseas. Typically we found in the past our people overseas just didn't get enough training and they are really front end for the customer except when we call them down. Now we are just sending squads down from here because it is cheaper and the expertise is deeper, and we typically do that training on a Friday-Saturday or Saturday-Sunday, and people are willing to come for that because they find the training so much fun and so learning oriented.

Prasanna

Two more points to supplement is that (a) mix of services particularly the differentiated services which tends to get better pricing and also consulting-led selling. Consulting does definitely get a better price realization, plus consulting-led selling, like we said part of our strategy is how to use consulting to be able to get better deals and stronger

penetration and more value-added areas in a customer particular pie that we are dealing with in a particular customer.

Azim Premji

Let me also have Suresh Vaswani who is our President of our Technology Infrastructure Business, our Testing Business, and Enterprise Application Services Business, and also of our domestic and Middle East, Asia Pacific business answer what we are doing in terms of his GCC-2 as well as in the testing area.

Suresh Vaswani

Very quickly, I think Prasanna also talked about it. In technology infrastructure services, we are leveraging a lot on global command center. We spoke about next generation managed services and the drive there is really to drive a nonlinear model and to drive different models of pricing in terms of element based pricing rather than time and material based pricing. So that is one paradigm shift that is happening there. On the testing side, I spoke about point solutions and frameworks, and again that is lending itself to a different pricing model in terms of more SLA based pricing rather than T&M based pricing. So all the initiatives that we are taking in some of our practices are oriented towards more value based pricing rather than manpower based pricing.

Hitesh Zaveri

If I could take one more shot at the same question sir, with due respect, there is still, sure you will have to invest in your building domain expertise, etc., over the last three to four years and probably over longer period, surely more, the value proposition that Wipro would be bringing to the table to customers with whom you have longer term relationship, to my mind has enhanced quite a lot, and on a like to like pricing as you work through your, you know, building domain expertise across verticals; let's take an example of say banking and financial services where the domain expertise I trust would be higher as compared to other verticals, would you be seeing or would you have a game plan that over the next three years, on a like to like basis for a service, you would be taking x plus $y\%$ as compared to now?

Sudip Banerjee

I think it is a difficult answer in the sense that at a particular point of time, for example in the financial services, derivatives, if you do any kind of a project in the area of derivatives, it will fetch you a very good pricing. Security practice that we have SOX related or security related, etc., very good pricing, but should it hold good after two years, after three years, you never know, because there will be some other service which will be niche, and here the supply and demand will match out and there will be something else which will come up. I remember five years back Java used to be a very, very hot skill and lot of money used to be collected, now it has become a commodity. So it is a constant process in the technology where technology evolves. Something which is premium today may not hold good after three years because something else would be premium. So the importance of the successful company is how fast you get into that emerging area and build lot of skills to be able to provide solution. That will take you ahead in pricing.

Hitesh Zaveri

Sir, in other words Is it fair to say that in 2007 and 2008, for an ADM project, plain vanilla, let us say for a banking customer so to speak, would the pricing be more or less similar, maybe 3-4% appreciation from now, but it will be a similar pricing despite the fact that Wipro as a BFSI organization, I am just throwing a number, probably getting almost \$800 million to \$1 billion just from this vertical or something, and the domain expertise would be rather deep, but the realization would be pretty similar, is that fair to say?

Suresh Senapaty

Let me also explain this. When you talk about ADM, now ADM has again two components, application management and application development, so their pricings are different. The cost of delivering a particular service under AM and AD are different. You talked about e-enabling, again today many of the companies including us, we classify as ADM, but that is really a differentiated service. So it may be a cluster. Today it is very finite, maybe a 5% component is e-enabling but eventually, data warehousing, you know, we don't classify that separate. Now many of this even in ADM gets into clusters. Now if you talk about application maintenance per se within that, yes, the pricing will go up with the inflation but there will be productivity improvements also which will get achieved, so net-net, the customer will see a price increase which will be perhaps at the rate of inflation, but we should be able to see that profitability management perspective there is a price increase plus there is a productivity increase, so there a win-win for all.

Sudip Banerjee

Let me take a shot also on top of what Suresh added. It is difficult to give a quantitative answer to this question. But you remember Kurien mentioned something about all of us in the industry including ourselves today selling ownership. So in pockets where you have really built deep domain competence, we will no longer sell ADM, we will sell ownership of a process which would include ADM, will include BPO, which would include infrastructure, and the pricing for the entire process will not be FTE based, will not be hours based, it will be based on the number of transactions conducted or the amount of downtime as Suresh Vaswani said, SLA based, so the pricing would be entirely different. At what point of time will this kind of pricing be significant enough to have an impact on average pricing, it is difficult to say, because the trend forward as we create consultative capability and at the intersection of verticals and services create new kind of solutions and new kind of value to the customer, the pricing will be different. It will no longer be cost based. But will it become a significant part of our overall pricing in three years' time, we would want to but we don't know.

Kurien

Just to add on to what Sudip just mentioned, I think the other key component is that back end when you execute, that's going to be, we are trying to move towards a model, factory kind of a model. It would be a one to many model. In any factory model, the process efficiency that you can get is significantly higher than a one to one model. So that's how we are driving productivity at the back end too. So it is a combination of what Sudip said, combined with delivery model which is going to be a little different from what we have seen in the past. That's what we are driving towards. Does that answer your question?

Hitesh Zaveri

I appreciate, thanks a lot. Just another question, if I can have. There is a talk from some quarters about US economy slowing down next year and the growth rate being lesser, GDP growth in the next year compared to this one, I wanted your view in case in the event the economy slows down, what kind of impact do you see on your business growth?

Azim Premji

Our experience says that when economies slow down, the customers need to take out cost faster. It is good for the software business from India. When economy is on boom, they have high affordability to spend more in terms of pent up demand coming back on the market. I think it is uncertainty more than anything else which hurts our demand. We are not seeing any uncertainty in any parts of the world which should really take, force us to take a fundamental stock to say that the market is going to tank or the market is going to significantly slow down. I think what one should watch carefully is that you have to be conscious of the fact that visas will be a challenge all the time, particularly the US, and how do you bring more work offshore, how do you hire more locals, because the locals don't cost much more than sending people from here which we do, because we pay them similar salaries and we have to pay transfer costs for the families. I think one has to find reasonable ways to have little less dependence of visas. We are trying to drive more and more of our business to come offshore. I think in the past three quarters, we have brought about 3% more offshore and I think we should be driving it even more aggressively.

Suresh Senapaty

To supplement, when you talk about Indian companies, yes, they take a fair share of the development budget that happens because when you talk about the IT spend going up, but bulk of the growth that Indian companies are achieving is primarily adjusting budgets, because when you talk about the complexity of the project going up, more and more larger deals that is happening, they are in the space not to be additionally invested by the customer, but the existing investments are getting into more offshoring. So if the Indian companies are growing at a 30% to 35%, definitely the global IT is growing that level, that means it is not because of the increased spend which is linked to the economy of the US, but it is the existing spend where Indian companies are getting a fair share and that will continue to hold good.

Supratim

This is Supratim from Deutsche Bank. A couple of questions for Mr. Premji really on strategic intent. First on the organization side, one of your larger peers is pretty much on the record saying that they are going to drive the people pyramid flatter, which they are doing and that's really going to be a source of operating leverage for them provided the systems and processes can take up the slack. Now, during the presentation, I saw two mixed messages really. One is that you are talking about changing the shape of the organization in terms of pushing the bulge down some more from the middle, which is basically again the flattening the pyramid thing, but at the same time, I think you spoke a little earlier about trying to get higher prices for higher, more experienced people, so

what's really the company strategy, do one, do the other, do both, and it is actually possible to do both?

Azim Premji

It is possible to do both is what I tried to explain.

Supratim

And in terms of, how you actually drive that at the client's side, and what we should look for from an operating matrix perspective to see this in action?

Azim Premji

What do you mean, what should you be looking for from an operating perspective. We are not going to give you estimates on that going forward.

Supratim

Sure, two things that I am really looking at. One is if I look at your bill rates relative to this larger peer, it is lower; and if I look at your margins, it is lower, and if I also look at average cost per employee, it still trending up, so these are the three matrix that I was looking at, and what I am asking is that whether you think that any of these matrix can really change as you go forward?

Azim Premji

We are trying to drive down our average cost per employee. We have achieved some mileage in that in the past one quarter and I think we will achieve more mileage on that going forward for the next two quarters or three quarters. So it can become positive with increasing salaries, and that is primarily coming from the bulge. It is primarily coming from the bulge and also mix of some people who are non-engineers in terms of the percentage of people who are non-engineers. For certain services, you can do with non-engineers. In terms of pricing, I think we should be able to keep up with competition in terms of price increases, competition from India and competition overseas. But I don't think you should be pushing too much in terms of pricing because the reality is that customers are wanting more for less in everything, everywhere in the world, and you cannot ride against the trend. You will get price increases but unless you are simultaneously able to drive significantly higher productivity and significantly higher non-linearity in your business model, you will get crunched. So it is a mixture. It is one of the paradoxes of management, you do this and you do that simultaneously and it is doable, and we are very confident we should be able to do it reasonably successfully.

I don't know if it answers your question in full, but your question is a question which is very difficult to answer in full.

Suresh Senapaty

But the parameters we monitor are absolutely the rate and the bulge, either both of them are going in a particular direction or opposite direction...

Azim Premji

Measure of cost per person is one of your parameters, you know, and we gave you the head count, we give our manpower costs, look at that ratio. I think we give the break up of people also below 3 years, and people above 3 years, look at that ratio. It is a good ratio to look at because that is what we measure within. Ratio of people below three years, percentage of people above three years, which is quite easy to calculate once you know below three years, and cost per person, which is available because we give you the head count, opening head count and closing head count, roughly the addition of people is linear throughout the quarter, roughly.

Supratim

Okay. The other question is really on the diversification of the businesses that you have on the IT side. Between 2001 and 2005, in four years what we have seen is in two years you have grown at rates which are comparable to your larger two peers, and in two years you have grown below. Now, you know, one of the key messages that Wipro has always given that this is a risk averse mix so may get lower growth at various points in time, the question is that where is the risk aversion really coming from and how do we measure that?

Suresh Senapaty

Mix of the verticals, you know the dependence on, like the one chart that was shown by Sudip Banerjee in terms of the percentages of revenue that comes from varieties of verticals, the highest that we had was about 21%..

Supratim

Mr. Senapaty, that is right. It is just that companies which have much more focus on a particular vertical have actually delivered higher growth more consistently, so hence the question is that, you have delivered lower growth so what are the, you know, where are the risks in the business really through this mix.

Suresh Senapaty

Some of those companies which had higher level of percentage from a particular category, from a particular segment, if that segment is not doing well, it is susceptible to different kind of a volatility versus somebody who is having a very equal mix, spread out mix, that is the point. Now, it may not have happened, should it happen, should not happen, I think everybody should do well, so should we be. Now, could we do a better growth than what we have been doing so far? That is our ambition and that is where we said that all of our strategy is towards growth as to how do we mitigate, Mr. Premji said, yes, there has been for the past few years that we have not grown as much as some of the others which have grown faster, and our objective is to fix that. So we are working at it.

Supratim

Okay. And one final question to Suresh on the infrastructure side, in the last few quarters we have seen some fairly large infra management deals being announced by

one of your competitors, given the lead that Wipro actually has in this business, is it that you are not winning deals that size or are our clients are of a more shy nature so you don't declare the names?

Suresh Vaswani

There is heightened interest in the infrastructure services space, certainly we are the pioneers here, and we were the leaders here, but we will get more competition coming in here because it is a market which is growing. So you will hear deals won by competition, but I think what we have done is we have got an established leadership in this area. We are investing in this area. We are investing in very differentiated delivery model insofar as this area is concerned, and we are very confident that we can keep our position of leadership in this segment.

Supratim

Okay, let me rephrase that in a different manner, have you actually won a similar size contracts in the last year compared to what the competition has announced, and you know, a similar tenure, similar size, or these were like one offs which you didn't win?

Suresh Vaswani

See I think a lot of announcement that have happened are for very integrated deals which are not necessarily only infrastructure oriented, but if we speak about purely infrastructure I think quarter on quarter, and if you really go back to the past few quarter, we have won deals which are large, we have won deals which have significant annuity commitment from five to seven years in the global market place. Now what we are doing is, you know, I spoke about the domestic market, we spoke about the sort of total outsourcing wins that we have had in the domestic market. We are now also taking that proposition into the global market and we are contesting very actively in that segment.

Azim Premji

Let me give you a straight answer on this. I assume you are referring to the HCL deal.

Supratim

Correct.

Azim Premji

Then why we are already beating around the bush on that, okay. Let's talk about the HCL deal. Why did not we win it? Because we did not bid for it. Why did not we bid for it? Because we made a mistake. We did not have the market penetration there. They have done a great job. Now, they have to execute the great job, that is important thing. So they are also upset that we were not bidding and obviously we could not win if we were not bidding for that deal. They have been working on it I think for 15 months.

Supratim

Right. Thank you very much. And one final question to Sudip on the GM contract. It cannot get away with that one right.

Sudip Banerjee

But here is the template also...

Supratim

How do you ring fence the contract from a potential chapter 11 filing by GM, and is that one of the reasons that the contract announcement has been delayed, the vendors are actually taking more time to fetch us the numbers out?

Sudip Banerjee

At this point in time we just remain one of the bidders of that contract. That is all I can say. There has been no decision, no announcement, no win or losses, etc. As far as the ring fencing of the contract is concerned, I think the shortlisted bidders have all made their own recommendations and have offered to GM the way in which this contract can be executed, and we have offered ours as much as everybody else has offered theirs. I think the real answer to your question can only come after decision is made and whoever wins it can tell you about the details of a contract.

Suresh Senapaty

And just to supplement, there have been cases like we have seen in case of Delta, where this particular problem happened and the way they went through their insolvency case, they said that because the turn around strategy of that company is to use lot of offshore vendors, so there has been a waiver vis-à-vis any kind of losses that the offshore vendors could have got. So there was no write offs that any offshore vendor got. So more and more in US it is a recognized fact that many companies who are vulnerable tend to get into more and more outsourcing and therefore they want to sort of cultivate a particular relationship with the offshore vendor and seeking waiver, and those are some of the safety things that one thinks could be of help if there were any problem any time.

Supratim

Thank you.

Trideep

Hi, this is Trideep from UBS. One quick question on the larger contracts in terms of ability to handle them, as you all mentioned, made the presentation, Sudip in your own capability, how do you rate, what is the largest size of the contract you would be able to handle with respect to the size and scope on a per annum basis and how has that moved over the part let us say couple of years?

Azim Premji

I think you will see a significant difference in approach on that within Wipro in the next between four and six weeks. We did reorganization for that because we realized we have been slow on that. So we will be reorganizing for that, and we will put that in place properly starting early Q1 of 06-07, Q1 08... Like we have done for our total outsourcing, total outsourcing we have organized now. We are filling up the organization because it is typically the deals like the HCL deal which that total outsourcing organization will be really going after, and it is part of G. K. Prasanna's team, but it has got a dedicated focus with a dedicated leader who also addresses total outsourcing in India where we had a solid track record of wins in the past four quarters. Similarly, we think it is essential where the deals have a lower component of infrastructure and are primarily determined and driven by maintenance and primarily driven by development and application support you need a separate organization because those deals can be even larger, because those companies, the large companies are carving out those deals and breaking them into pieces, which we have typically seen in the ABN Amro case. We want to be in the fray for that.

Trideep

As a follow on to that, like you know, this large contract thing has been kind of all around of us. I just wanted to understand in your thinking when you look at let us say 25 to 30% growth, how important is the other large contracts in getting to that number, or do you thing the large contracts would be an icing on the cake, we should come on top of the normal ramp ups that we see which also the industry has been used for year now?

Azim Premji

No, the reality is if you are at 1.7 or 1.8 billion dollars in terms of size, and you want to grow even at industry growth rates which you know NASSCOM for software has now projected about 25 to 26% a year going forward for the past five years, you have to have a certain percentage of large deals to be able to sustain that kind of a growth. So it is really part of a mix of deals which we must have. So it is very difficult to say whether that is icing on the cake, and saying that 25% is going to get turbocharged to 45% because of a flood of large deals coming in. That would not be a realistic way for us to project it.

Suresh Senapaty

Simpler answer is without a large deal the growth rate will be lower, with the large deal the growth will be higher.

Trideep

Right, I mean, I was trying to understand overall planning process, anyway just a near term thing, as the year has started so far, like you know we are coming to the close of something, any hiccup in the ramp ups or any specific idiosyncrasies of this calendar year that you could have seen with your clients or something of that sort?

Suresh Senapaty

The last line I....

Trideep

I Just said that any as we, I mean, kind of, are through with January, and the ramp ups the way it has been going at the beginning of this calendar year, any particular issues with the ramp ups that you have seen which makes you wonder that this is something which was an imponderable, we did not think of, as US economy issue or some other where we, like you know, whatever, we keep hearing all sorts of news, last year it was resurgence of steel or whatever, any such big thing to this calendar year CY06 that has come across. Is the question clear or not?

Azim Premji

There is nothing, there is no killer app or there is nothing on the horizon which is very significant. I think there are some sub segments, which are showing more traction enterprise security services for example is an area, which is showing lot more traction. Building large scale portals is another area in the development space it is showing more traction than others. So there are sub segments in that, but there is on killer app on the horizon.

Trideep

Thanks. Thanks for coming over to Mumbai.

Participant

My question is on the BPO side, though we got in presentation there, just wanted to start with the last line, which Mr. Kurien said that if everything is fine that means we are not growing fast enough. I just want you to kindly elaborate BPO plan slightly in more detail given the large growth opportunity that we have shown for next five years. We want to know that what are the plans for this business, where it is going to go in next two to three years, what contribution it will make to our overall business, and though you know we have very much established as far as IT services business go, on the BPO side not only Wipro, I mean, all other IT companies also kind of still in the experimental stage, so I would like to know that in next two to three years what is do we want to achieve in..?

T. K. Kurien

Okay let me answer that question in the best possible way that I can. We talked a little about how we are integrating BPO along with our IT services. We talked about how we are going to provide one single service to the customer, that is typically the portion that would increasingly be the approach as we go into the three year horizon. So it would be a bundle approach that we would take over a three year horizon. Short term towards getting to three year horizon, there would be steps on the way, which is that there are two specific areas that we are focused on, one is building our transaction processing business, and in that business we have had some early wins in the sense that in the past quarter we had six wins both in our existing customer base as well as the new customers in the transaction processing space. These have primarily been in the area of, two specific areas, one is financial accounts and the other one has been procurement because we believe that these two areas are really hot areas for the future. So that is where we are focused on. On the industry segment side we really focused around BFSI, and BFSI really again in three specific areas, securities, insurance, insurance would be

property and causality in the US, and life in the UK, and banking. Banking again retail, that is broadly the area that we are going after. So in those specific spaces what we are doing is we are building solution sets, and we are going out into the market with those solution sets, integrated with an IT offering in the Bank, so that is typically Wipro has been taking. In terms of our current voice business, our current voice business used to be always a business where we used to sell the first level support, it used to be just a support business. We are changing, converting that completely, we are really focusing a lot on the technical help desk side because that plays into our product engineering business. You know, think about a case where, typically the model take for providing technical help desk services to a computer manufacturer computer manufacturer, printer manufacturer, all these things let me charge you per call or per hourly basis. We do not, typically what happens is after the call is closed, the customer measures customer satisfaction. If you have got better customer satisfaction, the customer dumps more business in you. Nobody goes back and says how do I cut the number of calls that come in, and because if you start doing that the cost of support would come down. If you look at most large manufacturers, they spend between six and eight percent of their total top line on support. So really our focus would be how do we bring that support down. So that is where the focus is going to come. So our focus is going to move from an event based kind of a pricing model into more looking at the customer business and saying how do I optimize the business efficiently so as to cut cost. So that is the approach that we are taking on the voice business side. We expect to grow, over the next three years we would keep up to industry growth. In the areas that we are in, we would like to be kind of experts in that area. So we have picked a few areas and in those specific areas we are saying we will build market dominance, because if you look at the BPO market on a global basis there are 600 different services that companies provide on the BPO side. If you look at that basket, the top three providers control 70% of the market. There are about 20,000 BPO companies in the world, they control the rest of the piece. So our game is look at the niches, build dominance, and grow in that because that is where we believe we will get higher pricing, that is where we believe we will get more stickiness, and we will get non-linear growth because if you look at the kind of growth that we are going to have over the next couple of years, you know, I started to think as to how many people I will have to employ to get that growth because today we are about 14400 people at this top line, think about if you are going to hit a billion dollars, how many you have to employ, and it is just not a viable model. So that is the kind of approach, the focus on the business today. Does that answer your question.

Participant

Yeah, partly. One more thing I want to ask you, when you say that industry growth rate, what that industry growth rate....

T. K. Kurien

I think the McKenzie chart is pretty clear.

Participant

The same, that is what you mean. Another thing is that when you talked of this people challenge and especially trying to come out of it, basically I wanted to ask you what is the biggest challenge, is the people challenge the biggest challenge or getting the

knowledge of the processes, which you are planning to outsource is a more bigger challenge?

T. K. Kurien

You know, when you start a process first, it is getting knowledge of the process. After you start the process, getting people to execute is next. So it is a moving target in a way. But I think what is happening today is, in the BPO market today it is impossible to get readymade resources that are trained for a particular process. So you really have to take people in and train them. So what we have done in the BPO, Wipro BPO part of the business is that we have created a single, what we call the supply chain, we have integrated the supply chain between recruitment, training, and attrition control because all three are critical to optimize the chain. So we have looked into the supply chain problem rather than recruitment problem, training problem, and attrition problem. That is how we have kind of integrated the chain. So it just makes sure that we get more efficiencies in the entire chain itself.

Participant

Also in terms of playing on the cost advantage, are we playing on that advantage when we pitch to the customer, and whether, I mean, we feel that that would vanish very fast given the overall salary levels increasing in India on various...?

T. K. Kurien

That is a very good question. It is a very important question for all of us in the BPO space, and that is why we believe as a pure, pure play BPO player, primarily pushing cost. This is not going to be a market that you are going to be getting in long term sustainable advantage, and when I say long term, I do not think the advantage should last for more than two to three years. So you can do as much as you can. Two to three years, somebody else will compete with you, so for us it is the geographical diversification, how do we get into geographies where we get lower cost. That is one big strategy. Because short term that is the only way you can get your cost structures in place. The second big thing is how do you get realization in place and how do get into markets where you get higher realization, how do you get into, take the production space, that will get you higher realization. So that is how we are kind of approaching this market because the game is very simple, if your labor cost is over 42% of the total equation, long term you cannot survive in this market. So you have to make a structural adjustment to get there.

Participant

Thanks, and just one more thing is that, are there any plans again for an inorganic growth, is it possible or...

T. K. Kurien

I will just go back to Mr. Premji's point. BPO like any other business, if there is a particular competence that we do not have, particular geography that we are not in, or a particular client base that we are not addressing, clearly inorganic would be there to do that.

Participant

Okay thanks.

Shekhar

This is Shekhar here from ICICI Securities. I just want your views on say like on the BPO side, would you have been better off, had you built the thing from the scratch on you own rather than acquiring the Spectramind?

T. K. Kurien

The great thing about 20/20 vision is that, normally not many people have it when they are starting off. So, I think the key issue is, today if you look at what the acquisition has given us. It has given us really credibility, it has given us a platform for growth, and I think that's a platform that we believe that we can leverage on. So if you look at the other IT players that have got into this game, all of them have got in with, you know, not many of them have got in on their own. One of the top players got on their own, they really haven't grown. The others who have got in with an equity investment, still has to pay the price at a certain point of time. That is, we could have done better or we could have done worse. We really believe that we have a platform which we have created by which we are going to grow. We could not have got the growth rate that we have today without that.

Shekhar

Secondly, just wanted to know like in a steady state with more of transaction processing based BPO business, which I believe is a nonlinear model, don't you think that the margin in the BPO business should actually be much higher compared to the software services margins at some point in time?

T. K. Kurien

Okay let me just go back. Transaction processing by itself, you know, do not get completely carried in by the term. I think the transaction processing can be sometimes lower priced than voice. Depending upon the kind of transaction processing which you do. If you do data entry, you are not going to get great pricing. Your pricing would be one-third that of price. If you do integrated services, I completely agree with you that your margins would be better. So if you look at an ADC for example, that is an integrated model. They provide the platform, it provides the BPO service in top, and they provide solution to the customer with its payroll process. For them the operating margins are ahead of 20%. You know, so that is the way to go. If you look at Spicer in the financial services space, 20 plus margin, again the same approach. So the market determines, ultimately in that stage your margins will probably be higher. In transaction processing itself, no.

Suresh Senapaty

And also an element based pricing will give you better realizations. So that is possible both in transaction processing, as well as voice. So transaction processing you can do

hell of a lot, but all you do is a per person basis, then again it becomes linear. So you have to have a model

A. You should be able to deliver productivity.

B. You should have a pricing arrangement which is element based. Then you get non-linearity.

Shekhar

Absolutely. Lastly like, just excuse my ignorance, but your company is doing almost 80% revenue from time and material, on a time and material based pricing, how does it help to improve your process efficiencies and all, because all the benefit of that will actually be going to the client. How do you capture the process efficiencies and the other efficiencies, which you develop within the company?

Suresh Senapaty

You are right that we are doing only 20% of the time. We are not doing 80% of the time. So while we do not want the contracts to be all 100% fixed price projects, there is a particular mix we feel comfortable about, and we think we want to take it up.

T. K. Kurien

Just before the next question comes in, I do want to make a share education that I have had from the BPO team which is that, I am basically belong to that group more than this group here, and every time I talk of voice and non voice, the only people who talk non-voice, non-voice is you and your analyst friends because the industry analysts, including the Gartner, IDCs, do not look at BPO in a voice/non-voice manner. They look at it as different processes. They look at the level of the value of that processes. So that is one of the reason why in the last quarter call we did mention that we have stopped looking at our own process. We used to just record that number just for the sake of reporting it to you, if it does not make business sense to look it that way, if the customer does not look at it, if the industry analysts do not look at it that way, I do not think we would look at it that way either. Thought I would share the education that I have had with the rest of you.

Azim Premji

Coming back to your fixed price projects, you know, we got over cautious about a year and half back because we lost some money on that relatively, because we were not doing good project assessment, project change notices, and project execution. I think we have fixed that problem. It has been a major focus area, we are improving on that problem. We are building stronger skills. We are putting a lot of training into our project managers, very intense training and program managers we are creating, which we did not have before. So you will see some inching up of our percentage of fixed price projects to total mix. How much we will grow up to, I think certainly we should grow up to about 30%, but we will do it in steps.

Shekhar

Lastly like, just wanted to know like, in maintenance projects, is it possible to do component based pricing like the way we do in infrastructure services?

Sudip Nandy

Yes, it is possible to do component based pricing, but I think we have got into another round of innovation there and that is in terms of providing that as a managed service, and when you provide maintenance as a managed service, then what you can do is to share the cost of that across different customers, and as a result the pricing which you get is different. You can price that element differently, and usually you get better returns in that. So we have got to that round of innovation, we are not doing that...

Shekhar

Thanks a lot.

Sudhanshu

Sir hi, this is Sudhanshu from B&K. My question is that if you look at the average revenue per client in the top 10 category, it is much less compared to some of the larger peers. Now given the diversity of services we have and also the diverse segments in terms of product engineering and enterprise, logically maybe it should be equal or better given the scope which we can cross sell to customers, so which other areas, you know, am I seeing it wrongly or you feel there are certain areas in which incrementally we need to invest higher?

Azim Premji

No, in very gross street terms, we see that has a major opportunity. We have not exploited that opportunity enough. We have seen some correction on that in Q3 in terms of the growth of our large costs versus the average growth rates, but you know we can be selling more cross geography. We can be selling more cross services. We can be selling more proactive basis, and one of the areas now we are using our consultancy arm quite aggressively and I think quite scientifically is how do we work with those key customers in a manner in which we are much more proactive in terms of what we can do for them. I think you will see on an ongoing basis improvement in that area, it is a focus area for us.

Suresh Senapaty

Our top five customers grew 15% sequentially last quarter.

Sudhanshu

Sure they did last quarter but...

Azim Premji

Let us not get carried away with that, but that is a focus area. You will find improvements taking place there because we are investing. We are investing front-end resources for that also.

Suresh Senapaty

We have not reached the level of saturation of share of the wallet, so it is important to get into multiple services being sold, that is the...

Sudhanshu

Yeah, that was my point. I mean, if you track it over a longer period, one sees that Wipro is a little different compared to the other companies in its quality of growth, which has not come from the top 10 guys at all. You know, outside of that the growth has been really sharp. So one, I mean, you tend to think that why is it that the other customers are not able to replace some in the top 10, this is why the average revenues are a little lower, just trying to reason that thing out.

Suresh Senapaty

Actually now if you look at our top 10 customers, there is a very good configuration of, fair mix of enterprise as well as R&D, while earlier it used to be much more particular segment specific. So this is a good sort of mix blend we have and therefore we expect going forward to be delivering much better growth than we have been.

Sudhanshu

But you do not think that as far as the efforts on selling, or perhaps account management is concerned, you know, given for example, for a product engineering clients to whom we can sell a lot of enterprise type services, so do you think that the amount of efforts which we require are perhaps higher than what we have seen in the sector, the selling or the account management efforts?

Azim Premji

No, lets not get too carried away in terms of enterprise account you can sell easily product engineering service and vice versa, it can be done, but the compartments are fairly water tight. So it is really using a very strong reference base of one versus the other, but then having to do all the ground work from fundamentals, but all in all the point is very well. We have done not enough job. I think there is an opportunity there. I think we can do a much better job, but the good equity is that our top 10 customers or our top 20 customers or our top 30 customers are very positive on us. We have delivered to them. So they are customers who are willing to open their arms for us provided we are walking into that direction, there is no question on that.

Sudhanshu

Sure, thanks. And just a second question on new service lines, service lines like perhaps infrastructure management, enterprise solutions, testing, I mean, is it true, is the understanding correct that a lot of these services have had their roots in the R&D business and now are getting increasingly cross sold to the enterprises side or is it wrong to look at it this way?

Suresh Vaswani

We have had roots in different places. If you look at testing services business, it had its root on the technology side, and that is what we have been able to leverage, at least in terms of processes, methodologies, and frameworks, we have been able to leverage it on the enterprise side, building on the domain experience that we have had in the enterprise side. So it has paid us good dividends. Combination of good vertical skills and the horizontal skills that we got from the product engineering side. In infrastructure services, it has really leveraged the, you know, very significant presence that we have in the domestic market. So it enabled us to move the infrastructure services business globally leveraging on the strengths we have in the domestic market as well as on the global delivery model.

Sudhanshu

Sure thanks.

Lan

All of you, just, why do not you just take a break. There is high tea organized, and we can discuss. The management will be there and we can discuss it informally. So I think all of us have sat for a very long time in this room even though there is no AC, still not that comfortable.

Suresh Vaswani

Are we coming back?

Sudip Banerjee

No, we are not coming back.

Lan

We will not reassemble from there, we will wind it. Before we do that, so I guess I am forgetting the etiquette. I must thank you all for making it today afternoon. It is really very nice of you to come down, it is not down town as US guys would say that, but it is mid town, there can be such a term in Mumbai, but we do really appreciate all the support we have had from you all these years, and that little extra bit for coming down today and being with us and sharing your questions with us. We thank you once again and we look forward to continued interaction. The management team is always available, more than that the investor relation team is again always available to talk to you at any point of time. Thank you and have a nice evening, bye bye.