

## Wipro Limited

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Good morning and a very warm welcome to all of you who have made it here. On behalf of the IR team, Jatin, Lalith, and we have Rajesh Ramaiah here, we extend a warm welcome to all of you. I want to quickly run through the agenda. We have kept the agenda outside, hope everybody has got a copy of that. We will exactly follow the agenda sequence what we have mentioned. To start with, we will go with the introduction of the management team in front of us. We have from right to left T. K. Kurien, Chief Executive of BPO Operations. Mr. Azim Premji, Chairman. Mr. Suresh Senapaty, CFO. Chandra Shekar, we call him Sekar, the Chief Executive of Americas and Europe. Tim Matlack, Chief Executive of Consulting.

This is the third annual analyst day we are celebrating here in New York Stock Exchange and we will start the proceedings with Mr. Azim Premji, Chairman Wipro.

Azim Premji

Good morning to all of you all, I am sorry we are running about 8 to 10 minutes behind schedule. We appreciate you all having come here. We have a series of presentations, but what we do want to use this occasion for as much as practical informal networking and as much as possible question and answers so that you get a better feel in terms of what Wipro has been doing and what Wipro intends to do going forward.

Overall, the India story is strong and as you read from newspapers as you get a touch and feel as and when you meet the people such as us, and as you get a touch and feel as and when you visit India. I think basically the economy is fundamentally strong, it is not based on hot air, it is stable, it is politically stable, and there will be a series of liberalization which will get announced going forward. Perhaps they may not be as fast as some of our American friends would like them to be, but those are the realities of any democracy and particularly the realities of any democracy which are based on the alliance government with a component of communists in the alliance government, but let me assure you that the pace is fast or slow, but the direction is very uniform, and the direction is very much in terms of going forward liberalization.

Touching around other points, you know, which I think I just need want to give you a quick overview on is, you know, I keep getting questions on whether we are in a situation that they are going to come into a labor shortage in India, whether we are in a situation which is going to come into a escalating cost of people in India, which will make it unaffordable to do business going forward? I would like to make couple of emphatic points, one is India will graduate this year about 425,000 engineers both diploma engineers and degree engineers. Diploma engineers being 3-year engineers after 12 years of school and degree engineers being 4-years engineers, this compares with about 75,000 engineers which United States will graduate this year, compares with about between 30,000 and 35,000 engineers Germany, which is probably the most engineering nation in the world, will graduate this year. So in terms of sheer quantity, India has scale, and this production of engineers or this graduation of engineers given intake on campus which has been happening over the past three years will be increased in terms of graduating engineers by somewhere between 12 and 15% a year going forward, which is substantial.

Engineering continues to be the second most preferred profession in India, next to medicine, and medicine has a very narrow base. So even though most of our universities may not meet international standards, the

quality of our people - graduate from these universities meet international standards, and therefore they are trainable. All it requires is very active participation by our association but more importantly by companies such as Wipro, companies such as Infosys, TCS, Satyam, Cognizant, etc., to participate actively in teaching the professors and participate actively at least in the last year in enhancing the learning and competence skills for the students.

We are very actively involved in that as a company just to enhance our base of selection from the 150 universities we do target. The other important development on this is that there is a significant movement towards right skilling, people which you are hiring for software professional jobs and for BPO jobs, and by means of right skilling what I mean is we do not over-select people, in terms of taking engineers when we don't require engineers. There is also a very major move of setting up collaborative programs between universities and the graduate, science graduates, which are coming from university. We as a company run a very important program which we call Wipro Academy of Software Engineering which we have been running for 9 years. In the next 12 months we will recruit 3500 people into it who are BSc's (Bachelor of Sciences) in Math, Physics, Statistics, Biology, Chemistry and put them through as trainees into a 4-year program with BITS, Pilani, which is exactly in the category of the IIT. End of 4 years they will graduate as Masters degree in software engineering. These young boys and girls for the interim period work with us full time and are productive on the job as equivalent of software engineers within 6 months of joining us, they are so motivated, they are so full of energy, and they are so determined to prove themselves equal or better than the engineers.

We do a similar program for B.Sc. without going through this program but other modified forms of program. So we are changing our skill mix also but without comprising in quality and without compromising career movement we are adding to our engineering talent by a non engineering talent which can either shape into engineering talent or can do jobs in testing and infrastructure support which do not necessarily require engineering talent, and I emphasize this point is because if anyone single thing will contain the rate of inflation of the talent pool coming into the market it is going to be diversification of the sourcing and supply chain of people who will be doing jobs in software and the BPO industry. BPO industry is a much higher significance of a labor pool from which you can recruit from.

Just one important point which I wanted to make, just talking more specifically in terms of what is our game plan going forward in terms of company? Let me emphasize about 6 to 7 things which I think are important, which I would like to emphasize. We are emphasizing significantly in terms of strategy and in terms of execution and in terms of the way we are horse-powering our onsite teams and our customer teams is significantly increasing the proportion of deals which offer integrated business solutions to our customers. They require stronger consulting, which we are beefing up significantly and integrating as a brand much more, we have made announcements on this how we are going about it, and much stronger talents and much stronger competencies in systems integration which can architect these solutions which are much larger than we have been doing in the past.

Second is, as a global service delivery model gets more mature newer services can be remote delivered. We have pioneered remote delivery of testing, it is an area where we are investing a lot in automation, we have accrued major investments over a year and a quarter back in automation, and infrastructure management services, where I think we are pioneers and will continue to be pioneers both in terms of size but more importantly in terms of service level and in terms of managed service level and in terms of automation, which we are bringing into it.

We are increasing our domain expertise through three means, one is by training and retraining and retraining our people. We have set up scaled training programs for different levels of competency achievement with certification attendant on them, we put in a lot of work behind this. We are hiring people with domain skills laterally both in Europe and in America and in Japan and in Saudi Arabia and Middle East

for that matter and in India, and the talent is available because Indian companies or the companies of Indian origin are a much higher image factor with potential employees today than they were even 6 months back, and we are doing it through very selective strategic acquisitions. We are using these acquisitions very strategically and we are not doing these acquisitions to aggregate sales and everyone of the acquisitions which we have done in information technology and we have done 8 of them in the past 12 to 13 months have brought with us certain skill sets which has enhanced our capabilities to deliver to our customer base or our potential customer base.

We are expanding our global footprints in our delivery centers. We now have delivery center in Shanghai, we have delivery center in Beijing, and once we scale up to about 400 to 500 people we are evaluating one new delivery center in the low cost area where we think we can get a cost arbitrage of between 20 and 30%; areas which we have finally short listed are Nanjing and Chengdou in China, in fact I am there end of March to make a final decision on this.

We will also look at some other low cost centers in that area and one of them could potentially be Vietnam, which has a certain profile and a certain development which could be of interest to us. That will give us a cost arbitrage for another 5 years as compared to China.

We have started a center in Bucharest in Romania. We have a center now in Portugal, but in a low cost area in Portugal and a center in Brazil again in a lower cost area in Brazil. And as a strategy now, we are looking to increase local content in Europe and America and are looking at lower cost locations typically university locations in states which are less developed, states like Virginia, states like Georgia, states like Idaho, where we will set up a development center in a university town, recruit locally from that university town, people who are graduating from the college, take them to India for a 3 to 5 month training as part of the standard induction program and keep them in work there for about 3 months to fully familiarize them with the global delivery model and then shift them back to these low cost delivery centers to build nucleuses where we can build them into careers to work with us going forward. We have discussed this with the government, we have discussed this with Gordon Brown when he visited us about 2 weeks back in Bangalore, and I just recently had a discussion with the ex-governor of Virginia, Mark Warren, and we can expect to get lower cost and significant state subsidy because of this initiative, which can be effective not only in terms of political localization, the possibility that these kinds of centers would build our equity with the state government and therefore potential business with the state government, but also results in significant cost break outs because these centers will be low cost as compared to even sending Indians from India in to the United States and its onsite people.

We are using our innovation platforms to embed technology and service delivery and make hence make our growth less linear. The non-linearity thing is cutting across business and we just believe that if we are able to drive this successfully and we have launched the major initiative on this. As an example in our R&D business it will mean a greater proportion of intellectual property, we already have about 40 patents. In the enterprise side of the business, it will mean high reusable modules, a higher intensity of use of SLA based service delivery platforms, and in our BPO business it will mean going the platform based outsourcing work, and in our infrastructure business more element based pricing contracts. Overall, we will be able to strive to gain a certain amount and we have fixed certain internal targets and what is the extent of non-linearity we want to drive in our business.

The proportion of our pricing will also come down from output based pricing with a limited risk attached to it in terms of managing risk rewards in terms of how we go about it. We are becoming culturally more diverse, we are hiring more locally both on campus and off campus. As an example, as part of our global delivery model, we have today about 3500 people working for us in Europe based in Europe on European salary. About 1350 of those 3500 people are local, local Europeans. In France we have French, in Germany the German, in Netherlands we have Dutch, in UK they are of British origin, etc., we find this effective vis-à-vis

local politics, we find this effective vis-à-vis the local empathy with local customers, and we find it effective vis-à-vis the kind of talent that we have been able to bring in to the organization both organically and through our acquisitions.

Growth is an important thing for us, we are driving it actively and we continue to benchmark with the leading growth companies in India and our attempt is how do we equal and better them in terms of their growth targets. The first and most important area of growth is just organic. Organic growth both in our IT business and organic growth in our IT enabled services business, our BPO business. You are seeing a major turn around taking place in our BPO business, we are back on track now and we can focus on growth and maintain our current operative margins simultaneously without one thing as hindrance to the other. We are also making a strategic shift there to get the more value added work, more platform based work, and more integrated solutions along with the software side of the business, it has really brought together or go to market team back into field and that is an important power factor for our success in the BPO business.

We have had some very solid wins, some of them we have announced and some of them we have not announced and we count them on win, we count them as wins when we start billing just to be very, very conservative in that.

We have major focus to improve our penetration and harvest and mine what we call mega accounts and typically accounts which we target that within 1 to 3, years there should be at least a \$100 million. We have about 25 of those which we are now pursuing with a much more centralized semi chief executive leadership which reports in at a much more senior level either to a vertical head but more importantly to an SBU head.

We have, in addition, what we call growth accounts or GAMA accounts, we have 50 of those, accounts which we can build to over \$50 million within the next 3 years. Again we do the same amount of integrated approach to them putting in resources in the field, in presales and in delivery and in program management to ensure that some large accounts with large potential we put resources behind which we are trying to spread our resources like liquid butter on a piece of toast is partly we have been doing in the past. And we have identified smaller accounts but with potential; it can take us far in the next 1 to 2 years and our focus is also on those accounts both in terms of potential and in terms of opening and we have prequalified accounts now which the field force is allowed to open. We do not reach the field force to be opening accounts at random because we found in the past that almost 50% of the accounts which we started we are getting closed down at the end of 1 or 2 years which was ridiculous. Now the prequalified accounts are accounts which we believe we can bill and harvest and grow and mine in the future and that is what we are getting the field force to focus on.

We are aiming to turbo charge the high growth segments, high growth segments are very obviously, Testing a high growth segments is Infrastructure Support and high growth sections is Financial Solutions. We are seeing higher growth across the industry and a high growth segment is telecom service providers space where we have had some very, very solid order wins but going forward we intent to invest much more there to make it a real growth driver for us.

Now, we are focusing on new geographies, Saudi Arabia is a major thrust area for us. We have a recent announcement of a joint venture there with a partner of the past 6 years. Huge amounts of investments are taking place there and we have a strong beachhead there, we already have about 450 people working in Saudi Arabia out of which 200 are local Saudi Arabians, so we are really taking on the context of a local company and we have started hiring from campus.

Second growth market for us in which we are completely under-penetrated is Canada. We now have leadership in Canada, I am there tomorrow afternoon and we believe that we have neglected Canada and

the price points of Canada have become interesting primarily because of Canadian currency has been firm relatively over the past few years.

In Europe, our growth markets where we are making a lot of investments, where we are very under-penetrated is Germany and France. We are localizing more there, we are putting in effort and money in there and certainly in Germany where we are very systematically looking for an omnibus acquisition which will give us a much quicker traction with customers than what we have today.

We are investing in consultancy much more than we have done in the past. We today have about 1700 consultants and if you were to take the cumulative billing of these consultants this year it will be about \$220 million which is about 7% of our sales, but we are using these consultants as most major growth drivers for us in terms of our execution business.

Our third growth driver is game changing initiatives, so we have talked in the past about our total outsourcing organization is headed by a very senior manager and is already having traction in our overseas win which have been more than 6 or 7 and continuously in our wins in India and Asia Pacific where we are having wins particularly in India of 7 out of 10 on a fairly continuous basis against a very formidable competitor which is the largest software company in the world.

We have organized a team now under Sanjay Joshi for large deals and they are focusing currently in about 7 large deals where we think we have a strong potential of winning. We have recently signed a joint venture, which is about 81% owned by us with Motorola on managed services because we believe in the telecom service provider space, the trend towards Managed Services and consolidation of partners in managed services for the large multinational such as Motorola and Nokia etc., is going to be a major growth driver for us and of course our growth driver continues to be acquisition, strategic acquisition. We are looking at acquisitions now which are of a slightly larger size than what we have done in the past in a typical size now which is on our shortlist it is size of about \$30 million dollars a year to about \$200 million.

The pipeline is reasonably strong, it takes time of top management and the 8 acquisitions which we have done in information technology; I don't say we have done a brilliant job on the integration, but we have done a fairly solid job in the integration and the one major lesson which we have learnt in terms of not repeating those mistakes in the past is that we need to fine-tune the timing and the integration of the go to market teams of the acquisition with our mainstream team better so that in the process of the integration we do not lose momentum in the field, which we have had some problems on which most of which we have fixed by now. We are investing significantly more in training than we have done in the past, so 2006-2007 will be more than double per capita what it was in 2005-2006 and more than 3 times per capita in terms of onsite training in America, training in Europe, training in Japan, training in Middle East, than what we have done in the past. We are having this by deploying more full time people in onsite training but even more important by sending training squads down to these locations which run these programs typically on Friday-Saturday or Friday- Saturday- Sunday and also be more liberal in travel for people who are working here for attending the training programs in our central facilities at Bangalore.

We are investing in initiative such as the factory model, you have read about that, it is pioneered by our manufacturing vertical and case studied and used as case study material at the Harvard Business School. We are investing in innovation, innovation this year will account for about 6% of our revenue and we measured this on a very strict term. We have today about 500 people working in innovation, but an equally interesting thing is that we have launched 4 major innovation projects this year, which we call Quantum Innovation Projects where we can, we no longer but think in terms of incremental innovation it is a breakthrough innovation and they are in a new sector in financial solutions which we intend to enter, they are extending the applicability of our remote services to equipment other than just pure IT and telecom equipment, they are in some very imaginative ways of cost, they talk to aspects of right skilling, aspects of

different mix of people we take from different universities and they are in our supply chain where our target is ,and it is an aspirational target, how do we increase our resourcing base by a factor of 10x as compared to what we have in the past. There are dedicated teams with senior leaders, full time on this innovation projects. We are using an external facilitator and a consultant to help steer us to it and these have been very operative and very active since the month of May. They are reviewed by our top management including me at a frequency of at least once in 8 weeks.

I have talked about consultancy and we are investing significantly in information system, as we have slipped on that and we have done a consultancy study on that, we are in the process of implementing the major recommendation of that consultancy service and we have formed a governing council for IT consisting of functional heads, head of human resource and head of finance, head of quality, and three major business leaders and this meets at the frequency of once in 6 weeks because these things are very important to manage this floor and to have information system for our use including interfaces by customers which are world class. This is broadly what I wish to cover, we are driving operating efficiencies, we believe that the rupee is going forward will be a little firm may be 1% or 2% a year. We believe salaries will continue to go up may be about 12 to 13% a year in India like will be the trend line weighted average for the past 2 years. We believe salaries in the US particularly will tend to be little firmer going forward because we see a huge shortage building up in United States for software professionals.

Attrition levels of all key players in the United States has gone up. IBM is running at 16%, Accenture is running at 18%, our people here go on a H1B visa and local hires are also are running at attrition level similar to India or little higher than India, which is a typical leading indicator that the United States has severe shortage of software professionals is building up. Sapient is running at 24% for example.

So, we are investing significantly in terms of execution and operating efficiency including and trying to build more work offshore, including and raising our utilizations which had fallen below desirable and standard levels and most important improving our bulge of people below 3 years of experience. We are trailing the industry leader in this and we believe that we have a huge head space of operating margin just by raising our skill levels to below 3 years people to be about 10% points more than what we have today which has a potential of 4 to 5% operating margin without in any way sacrificing delivery and we have conducted enough quality experiments to be able to establish proof of concept like this. I think what we are doing as a counter to this is investing much more in campus training, investing much more in a higher quality selection of rookies from campus and investing significantly more in delivery management, project management, and program management, all of which programs we have launched over the past 1 year and we are ensuring that we are keeping on refreshing the skills of our leadership. Broadly, this is what I wanted to say, which is outside the script which was prepared for me, but I hope you have found it interesting. This is a sequence of various people who will be coming on the dais and speaking to us. Thank you for listening to me.

Sridhar Ramasubbu

Thank you Mr. Premji. We understand that we are slightly behind schedule, so we will try and moderate the other presentations to in order to provide enough time for the Q&A. Now I request Chandra Shekar, Sekar to make his presentation.

Chandra Shekar

Good morning, I noticed when I picked up my tag that they have called me Sekar, I suspect it is because ..., if I gave you my whole name, I probably will take 20 minutes or they will have to find a much wider and longer board to fit my name, which incidentally is Ramachandran Chandra Shekar, which at least on one occasion was an advantage because when I first entered this country about in 1986, the customs and immigration official who welcomed me here took one look at my passport, attempted to pronounce my name

and said come on in with a name like that you cannot be anybody else, no one can have an imagination like that.

It has been a good story to date both last quarter and year to date and I don't really want to bore you with the detailed numbers, but the success has been both in terms of the industry and the vertical in which we participate in terms of the geographies in which we play as well as the service lines that have been growing whether it be our TIS or the Technology Infrastructure Services, which has had very, very good quarters and consistently over the last few years as all casting services or package implementation so the success has been on all three matrix, geo, industry, as well as service line the puts to current shot it is a good time to be in the IT services business in Wipro and elsewhere and I must say on a slightly lighter note this was borne home to me when I had the privilege of being with Mr. Premji at Davos recently, gathering of world leaders. Until recently, I thought Bangalore was the only place in the world where it was sexy to be nerd, you could actually go to a bar and say I am an IT professional and girls will want to talk to you. Normally in the US or in the west you say you are an IT professional people run for cover, right. I found out in Davos, it is pretty sexy to be a nerd and an IT professional, it was a good feeling and hope it lasts.

Our performance from a qualitative perspective has also been pretty good. Some of it is data that you already have in terms of quality, we are also the largest R&D services provider in the world. We are one of the largest technology infrastructure management services provider out of India. We have made great strides in BPO and Kurien I think in the last few months has done a spectacular job of getting that shop in order. Testing has been growing for us and we are considered a highly innovative company in India. We have made good news and so our image and the attention we are playing to brand has also significantly increased. Our growth momentum in Europe continues to be strong; yes there are things we need to do more in continental Europe but having said that we view that as more a glass with greater opportunity than a challenge. We still feel that the US remains a strong platform for growth. Our last few quarters have remained strong across the board as we saw in the earlier chart, we have won some significant deals both in US and in Europe, the Credit Suisse won has been announced and it has some interesting components to it both in terms of the business model, in terms of the service lines that we are going to cover as well as in terms of size and scope of that engagement, some of the verticals that are mentioned here have been growing and continue to remain strong and BPO has also been fairly good for us in terms of some important wins which are some very, very complex processes which we hope will set the tone for future wins in the future.

Now what I have thought I would do was take may be just 5 minutes on really the execution part. Mr. Premji in his discussions laid out a whole series of things but the end of the day it is about execution and it is about focusing on some of the things that we think will grow. Not this is rocket science, it is nuts and bolts for the business, but in some ways you could say that at Wipro going into the next year and starting really somewhere mid way through this year we said lets get back to the basics, lets get to really focus on what are the things that have made us successful, lets re-look and examine what are the things that we need to change, what are the things that we need to do as an organization to recreate and reenergize that platform that has served us so well in the last few years and in a nutshell it is really about finding the right kind of accounts, so that when you expand the energy to open those accounts they have the potential to not only grow to a decent and good size, but can grow fast and then there are a whole series of actions that are necessary to get them there. The next piece is how do you orchestrate or how do you restructure and how do you position yourself in a way that you not only play but improve the probability of winning significantly larger deals than you have done in the past, this includes existing account as well as new opportunities out there.

The third part is really rapidly scaling these opportunity whether it be a Credit Suisse, whether it be an Aviva, or whether it is any accounts that you have it has been taking those account which you have opened and really growing them much faster, you have the matrix which we share with you on a quarter-on-quarter

basis to 253 million dollar plus accounts, 10 million dollar accounts added every year, two \$20 million accounts added each year, but still our view is that those numbers need to change, not just in terms of which accounts we open but how do we take that 250 million dollar accounts and improve and increase the ratio of 50 hundred million dollar accounts, to improve the ratio of \$20 million accounts and how do you break a perceived glass barrier that seems to exist when you hit say a \$25 million market, because the kind of things that you need to do in terms of the kind of people you have managing those accounts, the kind of things you have to do in terms of the governance structure at which you manage those accounts, the service lines that you have to offer, the access that you need in all of these accounts all of these have to change and that is really what we have embarked on in a much not that we did not do many of these things before but we are refocusing on this from a people perspective, from a leadership perspective, and from a complete focus and dedication perspective, for example in each of the verticals that we have we are completely verticalizing our sales organization not only at the BDM level but at the leadership level in the field both in the US as well as in Europe.

We are supporting this verticalized structure through a added dimension in terms of domain and inherent subject matter capability, so if it is Securities, I mean then a business analyst and people who understand that space, if it is retail by having people who understand how the retail market works whether it be merchandizing, whether it be point of sale, and these people would be based on the ground near the customer, supporting our sales organization not only after an opportunity has been unearthed but in actually creating that opportunity because they also find that the way you open an account is extremely critical because it positions you right, it positions you for growth, and it positions you in a way both in terms of how you are perceived but also how what kind of projects and the complexity of those projects and the partnership with which you would be viewed with these accounts. So really speaking from a geo and at the sharp end of the stick whether rubber hits the road, we are going to be really focusing on those accounts, building the teams to build those accounts, separating the hunting from the mining organization, creating client engagement managers and raising the profile of those client engagement managers in terms of where they report, the kind of people we have and how they will be managed. Dealing with the hunting account separately and also dealing with a whole bunch of accounts which are in the \$3 to \$5 million range which we think with the right kind of energy and the right kind of people and structure can accelerate in terms of the growth we have clearly we have implications in terms of the kind of people we will have, how we will reward these teams, so for example Raja and me have been working on incentive mechanisms which will look at hunting versus mining, which will look at rewarding people to go after the larger transaction, which will reward people to pursue larger accounts and stay with it so that it is opened rather than opportunistically get diverted simply because an opportunity comes at the door, it also requires a firm level of discipline for us as the company both at a field level, at an organizational level, at a vertical level because resources are scarce. Good resources are even scare, so our ability to now take the people that we have and add more people that we think we will bring us change and give us those strengths and then identify them, earmark them and then focus on those larger opportunities as opposed to say a whole bunch of fragmented opportunities that we have historically pursued will we feel will significantly change and our ability to grow this clearly that includes people development and the third peg in this on the vertical accelerator is also aligned, we are also wanting to play with the series of identified players and I am sure you will hear about this in the coming months where we have decided that there is a significant play that we can have given our extraordinary or rather extreme breath in terms of understanding infrastructure, understanding technology, having the BPO capabilities where we can play with them to go into the end parlay out at significant capabilities in the Asia and the Indian markets which is a market which all of these global players are very, very keen to get their hands on with a high growth markets where the Wipro as a company has not only great brand image, but very, very significant market presence. We can parlay that to see if we can leverage that into the global space.

Just further elaboration of this, so we are talking about geo expansion, we clearly are looking at Canada, Mr. Premji talked about that. Going forward not immediately but we do perceive that Latin America is a market

where we are not currently present although we do have a development center which we recently got through an acquisition of Enabler, the gentlemen Antonio is going to be talking to you about the Enabler acquisition. We are also looking at Europe and we are consciously saying that there are 2 to 3 markets, Germany and France in particular, the Nordic and the Benelux where we will revisit how we approach those markets and each of them would have a separate independent strategy which is much more country specific with people and leadership and resources that will allow us to may be accelerate the pace at which we have penetrated those market.

Global programs in terms of large deals is another area. Account management I have kind of talked about that the mega account, the verticalization of the sales organization, the separation of the mining versus the hunting, separate incentive programs that will change behavior and focus people on the kind of things that they should be doing, our dedicated teams that will allow us to do that, I kind of mentioned leveraging these alliances and we feel that we have underplayed in that space. If you look at Accenture and if you look at Bearing Point and if you look at Deloitte any of these companies, they have a very significant presence and they leverage that from a market perspective. We have historically done a very good job of doing that from a technology perspective. We play with SAP, we play with Microsoft, we play with every single major product and technology player out there in the world and have great forces to bare and our strengths now in terms of sheer scale is very considerable, we have about 12 to 1300 people in SAP, we have about 5000 people in data warehousing and business intelligence, there is no reason why we cannot parlay that into much more significant forces in the market place and I think we will be leveraging these alliances not from a technology perspective but much more consciously from a market perspective, which does mean change of behavior from our sales people, in terms of rewarding these people, as well as leadership focused on this alliances as well as the way we interact, share, and make gains with our partners something that is an evolutionary process, because as a kid when you are growing up it is all mine and you see a toy and you want to keep it and you want to play with, I think we have reached the point where we have grown, we realize that in order for us to grow even bigger we have to share other things that we can get much more by partnering with our people.

Our transformational initiatives is the last speech and I think we kind of talk a little bit about that the first piece is really innovation, it could be in terms of process, is in terms of product, it is also in terms of the kind of services that we will want to offer in terms of the complete bag of services, so you are talking of the Global Command Center, we are going to further invest in those areas, we are talking about product innovation whether it be in the technology space or in terms of building from IP even on the enterprise point not necessarily to become a product company, but to leverage that niche capability to become a far stronger player in that niche space, it could be revenue in the security space, it could be point of sales in the retail space. So clearly those are areas we want to get some IP. We are also saying that we want to we are examining the way we go to market and the way we have positioned we have thought of really more given despite the breadth and depth of capabilities we have really more as individual service lines or individual vertical and I think we are consciously working to change that perception again it requires certain changes in the way we are structured, the changes the way we go to market, as well as the kind of people we have and we are investing in all of these 2 areas whether again this obviously also means more onsite capabilities which will allow us to position ourselves a solution providers to organization really play with the business players as oppose to purely the CIO and I think the addition of service lines like BPO and others will give us a better chance to go and say not only can we execute on what you tell us to do which we are doing a very good job of, not only can we play in certain areas of strength, we can actually sit by your side along with consulting and BPO and take a problem and solve it or sit with you and play a much more of a consultative advisory role across the whole range of areas because we have the disparate pockets of tremendous knowledge, it could be for example in telecom, we recently won and secured a large deal in Europe managing a fairly end-to-end capability of a telecom organization and we found that we had incredible depth of pockets within our company. We have people who had actually run a telecom service provider. We have people who understood operations. We have people who understood the infrastructure of that company, so

there were people within our pockets and we are beginning to put them together so that we can create a good story.

The last part is really the Wipro way, so if you look at previously, it had been about 6 Sigma, it had to do with a lot of our processes but we are also now subtly changing and bringing a much greater emphasis on one critical component of this quality journey which is the customer perspective, so it is about people and has always been about people, it is about process, and it has always been about process and Wipro has been one of the leaders in both of these areas we are not saying lets also look at it from the customers perspective. We got to wear the hat which says how can we benefit or what is it that can we do to maximize value, which again encompasses the whole range of initiatives across the company in terms of consulting, in terms of creating solutions sets, in terms of creating an IT plus BPO solution, in terms of providing slightly different business models to that client, so as an organization I think we are going into a journey which will hopefully allow us to change the nature and the way we play. Thank you very much for that and I look forward to answer any questions on this. Thanks.

Sridhar Ramasubbu

Thank you Sekar. Now I request Tim Matlack to join us here. Tim Matlack joined us through the AMS acquisition in the Energy and Utilities Group and now he heads the Wipro Consulting group, he is the chief executive of consulting group.

Tim Matlack

Those of who might have been here a year ago you may recall that we had an opportunity to discuss how consulting was increasingly expected to play a critical role in enabling Wipro's growth and we had identified 4 to 5 different areas where we felt it is important for consulting to help drive the business as a whole and what I thought it will be easy to investors is perhaps provide a report card, how we are doing on this commitment and on the strategic plan from a year ago. Two years ago when I was here I was discussing the fact that we had a consulting business, but then it was newly created one and now it is what are we doing with it , how are we leveraging it, what contribution is it making.

Consulting as a standalone business continues to grow. Our global consulting revenues are up about 35%, we estimate by the end of this fiscal year, the head count around 1,700 and now about half to 60% of those people are actually based in India, that core of the Indian team consists of people who are based but traveling and participating in engagements around the world where they come in as industry and domain experts and as technology experts but there are some significant components of the consulting group which are based outside of India in North America; we had a dramatic growth what I would call it as cross cutting consultants, people with centralizing in business process improvement, in transformation, in IT strategy consulting, in the like where we have had a 50% growth of the team which is based in North America and Europe and also industry and domain experts where we have had over a 100% growth yield in part by the acquisitions that people have come in both people who work for Enabler who are part of them.

We also do India based consulting to companies in India, Middle East, and Asia Pacific and that group has a parallel sort of focus to our North America and European consultant teams, they do business process improvement, they do IT strategy consulting, they are really part of this global set of offerings that we provide as strong competitive offerings and we have not talked as much about them in the past, but they are an important part of the overall Wipro consulting family. They also had, continue to have rapid growth. The idea in the sense is it is not the growth itself because the numbers are still relatively small, but the ideas we have to get scaled whether we are able to have more people in more places and Sekar still wishes that I had even more more people to put in more places, but getting scale is critical and at the same time we are able to maintain profitability; this is consulting has never been like any other part of business at Wipro, the

group that was allowed to not make money and so we have been able to build a business model which for the group as a whole allows us to sustain profitability and grow.

Sekar mentioned in couple of instances where we are increasingly leveraged consulting in large deals, over the last 12 months there have been at least 6 major deals where consulting people have played a key role and helping to bring in the deal that spans multiple industries, covers both activity before the sale and also afterwards and the dominant types of service lines have involved business process to transformation and transition management around the BPO and IT and also process improvement.

Basically, what we have done here is inject senior consulting people into opportunities where we have a chance to change the perspective that our perspective point has on Wipro's family of services and provide more of an integrated view of the business value, so it is not just representative that you will of a number of different Wipro service lines all demonstrating what we can do but rather with the aid of senior consultants we are able to sort of wrap up the total story and show how we are going to have the total company drive business value, that and stay with it we will dedicate senior people too on account, and we will work with them over time so that one of them are very familiar, with now on the west coast of the large company that we are chasing where their view of Wipro was as off shore providers varied and their IT services group and in the last 6 months, to a much significant concerted effort on the part of the people who went part of the senior consulting team, we are now viewed as critical partners to their CIO and that shift in perception has given us an opportunity to now go after a significant piece of business with 6 months ago we would not have been perceived as in the running for at all. and this is aided, in part, by the willingness that we had to dedicate this global program team, we augment it with people out of the consulting businesses as well.

Another element is that using consulting to help grow our key accounts, so with existing accounts, how can we open up new lines of services, how do we drive extra value, how do we elevate the perspective of Wipro and we do this both by ensuring that we elevate our offerings to our traditional clients in the CIO arena, but at the same time look for ways to drive more value on the business side of our customers where, frankly, there is often significant room for growth and penetration and in this we have done, in part, by determining ways we can create more to the integrated capabilities that speak to the problems that our customers have and one example, for instance, is a large diversified servicing and manufacturing company in North East with whom we had a long term relationship doing IT services, we did a large SAP implementation for the enhancement, but in the sense they were still not getting all the value, in our view, out of our relationship not were they achieving all their business goals and we started talking about opportunities to drive profits improvement to step out of just the IT services domain and convince them to give us an opportunity to go after an engagement where they had been considering using another firm for doing in order of the cash process improvement in one big component of their business - they had multiple sub businesses- they had done some acquisitions, there was no standardization and you have the cash process and they also wanted to figure out how they could turn that into something that was a more standardized process that they could support better through SAP. We convinced them that we had a team to do it, we pulled together integrated people from around the business including SAP experts and process improvement experts, and domain experts, the project which has been very successful, we are now moving into the implementation stage, this is opening up nice line of business for us and also demonstrating this company how much more they can get out of the Wipro relationship and this is the kind of thing we are kind of replicating it at many different customers around the world.

Final element here is continuing to leverage consulting as the talent attractor in addition to the both in terms of including campuses and then also off the market. Probably the most significant thing here is perhaps our ability to work with prospective acquisition targets to discuss in a sense what life is going to be like at Wipro for their senior team and then also to work closely during the integration phase and good portion of my year working with Antonio and his team at Enabler both before the acquisition close and subsequently working through issues of integration of how do you take senior consultative people to make sure that they feel like

they are going to have a home in Wipro that we address the issues appropriately and there is a perspective that we can get from the consulting side of Wipro that you can establish more common bonds with these prospective acquisition folks and that helps us to again leverage the power of consulting to improve Wipro's growth. So we feel we are making good headway on all of our strategic objectives. I will be happy when we hit the question and answer phase to go anything further and my job is to catch up.

Sridhar Ramasubbu

Thank you Tim. We will make a small change in the agenda; we will request Antonio to come forward. We have acquired Enabler in Portugal last about 4 to 5 months back and we are tremendously excited about this acquisition and Antonio will share with us about the reasons of success, how the integration challenges will come and etc., etc., Thank you.

Antonio

Good morning to you all. It is pleasure to share with you the view of an acquired company and my name is Antonio and I should share with you that basically I am normally said that am grocer by now after having worked in retailing for 15 years, I don't call myself an engineer anymore, am a grocer, what in hell does a grocer do in Wipro. I will explain to you basically what we did and how are we doing being part of Wipro. Enabler was created 9 years ago and it has grown pretty well all over Europe and as software consulting company serving very large tier one and tier two retailers. When we were approached by Wipro actually to be acquired actually the first moment the reaction was pretty much why will we do that, that Sekar was persuasive enough to actually excite us positively and of course the finest element of such a transaction was probably the easiest part of the sink.

We spent 12 months to guarantee that we would marry and we did not do that because we saw it was the right time just because we wanted to flow something but because it is very important to understand that integration is a key part of any acquisition. If you don't do good job there who before and after transactions actually you don't get value. I don't regret a single moment as invested with team, with Sekar, with Bhanu my colleague in retail all the moments that we spent of those 12 months we actually start to work post-acquisition because if we would have not done that we would not have been succeeding but we have been succeeding from last 2 months. Now I want to share with you few ideas about the things that you should do to execute such a transaction. The first thing that I would like to touch upon is, of course, like I was telling you the integration challenges. I will start by the cultural aspect you should not neglect the fact that it is not easy simply put towards 300 western people to a company that is still pretty much 90% to 95% Indian. There is a huge culture distance that is both from a national culture perspective and also from a business culture perspective and one has to consider to that okay and if one does not address that as an issue actually one is doomed to fail. How did we tackle that, I have told you already that we actually invested both Wipro and, of course, Enabler a lot of time in this. We wanted to guarantee that things would go right after the transaction, because of course we honor our people, we want to guarantee that the objectives that we defined are met and if possible surpassed and in order to do that you need to guarantee that you are going to be there. You would also have dedicated team of senior people only to integration to all streams of integration from instruments of management, to mobility issues, to banding issues on HR okay, whatever issues that are actually relevant to people. We all know that it is a people business, which means that if one person gets out of the door, it is money flowing out of the door literally speaking and if you do not tackle that you will not tackle the core business of the company. Another thing that I would like to share with you openly currently is that probably out of all things that we have experienced over the last six months the one in which we still are in adaptation mode, we still struggle that it is not easy to live in a company that can see it is absolutely normal natural to grow 40% a year. We are not used to do this, we are at this movement doing 20-30%, but we still are laggards within Wipro. We do not like to be called laggards, so we want to learn, I mean how we need to do guarantee the people take that as normal. So I am saying this from a

transparency perspective because it is fair to say that it is not easy to actually do year on year like Wipro has been using for n years, what Wipro has been delivering. The other thing that of course I would like to share is about business leverage and this is exciting for me. For many year because that was should we say a boutique shop for top retailers at many instances I could not address their request to needs. So, they would request me that we would do for them full outsourcing, but we could not do that. We were small entrepreneurs and as a result of that we would know that there would be thing that we dare to do and things that we would not dare to do because we are balance businessmen. One of the great things to be part of this gigantic and very, very entrepreneurial companies is that you can do such thing, so width and the depth of the services that can I offer to our customers, both existing customers and new customers is, of course, much larger. We also got some great leverage out of doing work together, there are markets in which if you could not exploit together like we did in few months we would not been able to cut deals. Quite honestly, these deals are actually result of joint work, which is the best recipe for integration. Joint work is always the best recipe. The last thing that I would like to mention is, of course, was very dear to us was the Enabler was and is a very close Oracle retailers. We are probably one of the top three global partners of Oracle retailer all over the world. Being Oracle retailer the #1 solution for retailers all over the world. As a result of proposition, we designed a strategy to implement 4 what we call development implementation centers would rest to word markets. This is completely new for us again, we could not do this before, but by now by leveraging Bangalore both to attack US market and also South Asia, by using Portugal existing development centers to attack Europe like we have been doing and to guarantee that we use Curitiba Development Center in Brazil to address Latin America mainly, Mexico, Chili, and Brazil, which by themselves represent a large portion of the GDP of Latin America and of course not neglecting the United States the biggest markets of the world in terms of retail as much as anything else. We really want to guarantee that we are one of the engines of growth, parallel engines of growth of Oracle retail. By the way we firmly believe that our percentage as the company of sales through strategic alliance has considerable increase. This also means that our strategic alliances will have to be further verticalized because of business it is becoming much more verticalized. We firmly believe that IT is a means not an end and by sales okay these as implication on the way we conduct business. So, to reestablish worldwide Oracle retail partnership in all continents of the world has been a key outcome of the joint planning that we did with Wipro executives. As a result of these, actually, it flows naturally that we were able to open much more markets than we did before, previously through Wipro acquisition would be out there I have to say that could open two new markets a year. By now I can 5-7 markets I can do because the resources are there and the constraints are absolutely different from what they were, so at this very moment we are growing considerable in US in which we have no sales literally with Oracle retail implementation. We are leveraging our large international retailers such as Pascal, which we serving right now in 10 countries and growing and we of course do intend to grow substantially in Latin America with assets of culture and language. We speak Portuguese, Spanish and Portuguese are the language that you speak over there, so it is very important. We should understand that most of the outsource market so far is English speaking. I do believe that in next few years Spanish is going to become really important and of course we considered the Curitiba Development Center an asset for us. The Middle East and South Asia have already been mentioned. A last word about reasons for success before I finish. I would like to mention two reasons that actually have been there to guarantee that the transaction occurred and they have been engines to justify the operation. Of course one was sales in the neighboring Europe. Wipro retail sales were very strong and they were always very strong in US, they do more than \$100 million and we grow at 40%-50% growth rate, but in Europe, especially in continental Europe, which is very different from UK, we would not have the same kind of numbers. We in labor addition we are now even much more, shall we say, balanced situation in each we have great sales in US, but also great sales in Europe. The other reason was of course that someone would call consulting skills actually do not like too much the word 'consulting' because unfortunately the semantics of the word 'too often' are not well defined and I would prefer to speak about deep retail knowledge both from a customer prospective because many of our affiliates have been ex-customers themselves, top rank customers and we proud of ourselves having deep retail in the world. And also business risk management capabilities, very important. The kind of things that we do for retailers is inherently risky, which means that when you do heart surgery

normally you do not like to chose a cheap surgeon; not a good idea. If the guy fails your are dead, so what I mean by this is that actually price is one of the ingredients of the equation but value, business continuity, management capabilities are pivotal and we cannot trade on those, they are simply too important. If you call that consulting fine we do not mind we called that consulting. For god sake let us guarantee that we understand we are doing heart surgery and heart surgery is important, it is not commoditized. The third and last element that I would like to touch this is really my last remark is about culture difference and the respect for different ways of doing stuff; look I am fully aware that we are mostly a very large Indian operator that is operating all over the world, but I would dare to say that in the next few years it is almost mandatory given the thrust and shall we say the relationship that we have with customers all over the world that we need to transform ourselves into a truly multinational, dare to say multinational organization that is going to be very diverse. Now, if one organization is very diverse, one organization will say there are many different ways of cracking the same game. Now, in Europe I would like to say to you that there is no such thing in Europe. It does not exist. An Italian businessman and the German businessman cannot be more different. An Italian businessman considers that the 30% discount is normal. A German businessman consider 30% discount an insult because is bad manners, it means that you gave to the man the wrong price in the first moment. This is cultural; both are probably right. These are different ways to see the world. We need to guarantee that we understand that this important it has to have a major influence in the way we trade. We certainly consider these one of the major reasons for our recent success and we learnt a lot by having lot of interactions with our Indian colleagues and I would say that the reverse is also true. This is the last remark that I would like to share with you, happy to take your questions at the right time. Thank you very much for your attention.

Sridhar Ramasubbu

Thank you Antonio, thank you for sharing the challenges in the integration and the cultural nuances in Europe. We have two options now we are actually at the break time, we can either run through the presentation, have enough time for Q&A and you have opportunity to network through the management team during lunch. We intend to do that, that is our first option, otherwise, we can have a break for five minutes. So if anyone feels that they want to have a break now please raise your hands then without break otherwise, we intend to go through the presentation. This seems to be consensus. So, I request Raja our head of International Operations HR. Raja is the campus recruit has been with Wipro for more than 15 years and handles all the countries of the world except for India.

Raja

Good morning ladies and gentleman, I know we thought of keeping you from your tea break and I want to keep this very quick, that has been a part of the mandate set here. I also sort of need to tell you that if you sort of noticed through the presentations in the morning, the quite a few things, which I think is very relevant to the subject that I wanted to talk about. One is growth and two is the people business that we are in, three transformation. All of it sort of resonate again and again whether it is in the walk of business or in the people function that we handle in Wipro. Very quickly I wanted to sort of start with the growth topic, which I think has been resonated by all the speakers ahead. If you look at the chart it is clearly a chart, which shows the kind of surge we have seen in adding the number of people that we have today. We are around 66,000+ strong, around 11000+ strong in the international market that is kept in line with the trends 22-25% of the overall IT employee base with a 66,000 of both IT and BPO. We have 23 nationalities fairly culturally diverse in terms of ethnicity and the companies are becoming younger by the day because of our leverage focus on campus recruitments so to say. We are one of the top three recruiters in India specifically with our focus on campus. We stand to be day 1 and day 2 in most of the campuses that we visit in India. The number of applicants we receive and the hires, the offers we make is a testimony to the brand we have within India. It has also sort of given us the impetus that we need to expand this footprint and the brand equity we have in the international markets and this year we are sort of starting of in a big way in US,

Europe, and APAC especially focusing on China and Japan on campus hiring as source to sort of leverage are hiring process.

Talking about sourcing if you look at the sort of typical classic sources that have been conventionally available almost 70% of the sourcing comes from an internally leveraged tier I would say whether it is a database, career site, or referrals. Our database itself constitutes size of almost roughly around 600,000 active and passive candidate and it is growing at a fairly healthy pace around 8000+ and as we can see that is a sort of gives us the largest number of candidates as a source. Our processes are highly integrated both in terms of how we partner with our vendors, also in terms of how we handle the recruitment process from the indenting point of view in terms of request for given source or candidate to right through the hiring process and the offer generation process, it is highly automated and gives us leverage of speed and time. You have heard about this subject and Mr. Premji started of on this very same topic in terms of if there are adequate resources, do we have crunch in terms of supply chain of the people given the growth that the IT industry is facing, the company is facing, the Indian market is facing. I just though let me also give you another slice or data prospective to the data point that Mr. Premji shared in terms of the total number of engineers that the country produces. If you look at the total number of engineers that the country produces that is roughly around 7% of the total higher education, graduates that the country produces and for those of you can't sort of look at the yellow chart that is 84% of graduates who specialize in art or science degree, which is what we intend to leverage or tap in to and Mr. Premji already talked about that and that we are working through a WASE program, which gives us the leverage to tap into the source, it is a four year degree program and that source which we think we can build on has given us high quality people over the years and something which we think we can not just multiply but quadruple over the coming years. We also believe that a it is a source, which we can leverage in some of the low end technology area in the TIS and the infrastructure business and the testing businesses. Having said that there is also the issue of engineering campuses itself. If you look at most of the leading companies you will find that the total number of engineering campuses that we visit are roughly probably 10% or lesser of what the country has and that is a reflection of the quality of people that are produced by this campuses and also in terms of reach of these campuses. There are also parallel multiple programs that the company has undertaken in terms of developing the faculty, working with the faculty to sort of you look at the curriculum itself and also to see how we can sort of target some programs where some of the people we have recruited from these campuses can be trained right in the campus in a focused manner before they come into the company, so in someway orient them into the company well before the graduates from the program itself. So a few innovative programs like that; certainly international campus hiring is one more way which we plan to sort of expand or footprint on this. We talked about the centers, which also are giving us some additional foot prints whether it is China whether it is Vietnam, whether it is Latin American, there are sort of places where certainly provides platform for us to leverage for additional resourcing capability not to mention finally the acquisitions, I think they provide more than anything else an ecosystem to attract talent. Tim was talking about the fact that apart from the fact that the acquisitions have given us volume numbers. The fact that we have an ecosystem in a consulting environment for that matter any of the other acquisition takes for that matter an Enabler helps us attract the talent which we can, because it tells the candidate that we have a career and we have a work culture and environment which is something more conventional to the kind of place and work that we have worked in. We also heard about the bulge factor, I just want to talk about the kind of hiring patterns, we are seeing the campus through lateral hiring. Over the past three years, we are seeing this numbers in terms of campus hiring move from 35% to currently this year roughly around 42% of the overall hire and reflective of that is 0 to 3 year experience ratio also which I think it was again touched upon by Mr. Premji. A 37% around 3 years back to currently 46% of the ratio of 0-3 year profile. All of this is only possible if you are able to enable it with fairly robust processes and system and I wanted to talk upon a couple of areas, which I have thought may be of interest. We have a fairly strong operational model in the form of shared services, most of our back office operation if you look at our international HR or international finance operations there are very few actually in the international HR, we hardly have back office operations in the markets at all. Even though, we have 11000 odd people and we have only HR executives and

managers who are engaged in touch time effort, so that is a fairly strong leverage model of bringing in efficiency into our operations, it not only sort of keeps the cost and control but also in terms the kind of efficiencies the SLAs that we are able to derive much more supreme. Much of our employee engagement is also through intranet, highly automated processes helps us to keep it to a self-service kind of a model. We work in a virtual environment and therefore every given key HR process, whether it is performance management, whether it is cash reimbursement processes anything that you can think of probably is automated to the nth degree and can be accessed virtually. Finally, we also certainly drive 6 Sigma and quality process cutting cross function to drive efficiencies and improvement across the organization. All of this ultimately has to lead to the ability to build talent within. In the interest of time, I am not going to step into a lot of talent management initiative so to say, but suffice to say that we are fairly robust HR processes and systems starting from our performance management systems, our cross functional training exposure, the job rotation polices Wings Within as basically a career site, a internal job posting site. All of which over the years has led us to sort of have a strong talent pipeline, which has stepped into multiple leadership roles over the years and the statistics there is just a reflection of that. It is also reflective of the kind of training efforts that goes into organization. For three years in a row, we have in judged by American Society of Training and Development as one of the best in the world in terms of a capability that we bring to table for our employees. We certainly invest a lot of time and money resources. Mr. Premji talked about the quantum leap in that specific segment may be one or two additional points, we do leverage technology very significantly in terms of enabling training. We have currently roughly around 20,000 odd employees who are enrolled in one form or the other in terms of technology leverage training. We have a faculty in the technology business so for 102 full time faculty who are focused on training, much of them fly in, fly out as squads to train people and on the subject of international training purely on behavioral training itself you look at we have done something at 4000 person-days of training over the past 9 months. So that gives you good reflection of the kind of focus, but I think what I would like to end with this more than training I would like to sort of probably bring to your attention the fact that there is a transformational endeavor and you saw that reflected in our initiatives which you saw that reflected Tim's speech, you saw that reflect in Antonio's speech also. There are multiple programs within Wipro which we are driving to build cadre capability within the company whether it is in the program management level where you want to build the cadre of a certain higher degree, whether it is in the sales engine, which we call field force, where we have plans to program for our field capability enhancement, whether it is in the strategic leadership perspective where we want to bring in innovative global minds that perspectives and we have tied up with the likes of Schneider, L'oreal, Nissan, Motorola, Hanson and we work with them to bring in teams and collaborate to learn from each other. So there are multiple programs of fairly life-cycle oriented themes with in-depth focus to build cadre and specialized competencies, which I think is clearly a reflection of the transformation we require in these skills not to mention the volume of skill sets that you need to build in this and last as a quick sort of example in the last three years or so, we have graduated something like 5,000 odd Wipro leaders through our leadership training programs, which we run at our corporate offices in Bangalore and we have never shied away at least in the recent past to send people from across the world in spite of the cost of the time that it takes to sort of put them through this programs and that is just to give a feel of the commitment in terms of transforming this talent for further growth and challenges that we face in the coming days. Thanks for your time and I will take your questions along with the rest later on.

Sridhar Ramasubbu

Thanks Raja, Raja is available during the Q&A session to answer your questions on sourcing and HR issues and I now request Kurien, Chief Executive Wipro BPO to join us

Kurien

I will give a quick sense of the way the market is moving in the part BPO service is concerned. I will also give you a sense of strategic direction that we are taking for Wipro BPO and we will sum it up with how we

have done over the past couple of quarters financially and we will end with the few wins that we have in the space, the kind of deals we have been winning. I will give you a flavor of what we have been doing in the space. So, to give you a quick sense the numbers that you see here are the numbers, which have come from the McKinsey-NASSCOM survey, which is on the left, which gives you a sense of which segments are growing and if you look at it across different segments the lowest rate of growth is probably 32%, the highest rate of growth is running at close to about 45% and the offshore market we just address the offshore market here by 2010 was expected to be in the region of about \$25 billion that is what we are seeing in terms of the total market. What we are seeing in terms of trends and internal estimate we have got is that end to end in transformational and platform based services are expected to constitute 60% of the total pie and this is the big, big shift up from the current number of about 29%. So fundamentally what is happening in the BPO space is that folk are coming in and saying you know give me end-to-end solution, do not sell me the wedge, give me a solution for the processes problem that I currently have with me. We are also seeing customers demand follow-the-sun approach in terms of service delivery, in the olden days, even exists today we use to have people who used to come and expect from service out of India and people used to content with services out of India. Now, we are seeing with more end-to-end capability, we are finding that more and people are looking at disaster recovery, looking at following sun in terms of serving delivery, which means that you must be in a position to work in the America time zone, you must be in a position to work in the European time zone and hand out work across to India. So that is the way the model is kind of maturing. The other third trend that we see clearly is that Banking and Financial Services is a key area of focus, telecom is again is an another area that is coming up clearly as an area of opportunity and manufacturing and travel are the other two areas that are kind of lagging behind, but still a fairly significant number. On the back office side what we see is finance and accounts, which is again a huge area of opportunity and this is something where if you looked at analysts estimate may be three or four years ago, this would have just been a blip on the screen, but over the past couple of years what happen is even analysts have kind of revised the estimate. Our estimate is that this market by itself would probably be about \$10 billion globally, not just the offshore model and this estimate has been raised something like \$5 billion in the previous year and the last component, which I think is got major strategic implications for all of us in the BPO game is that outcome based pricing is becoming a reality in this game. You know it is good many years ago to go and sell FPE based pricing and people would buy it, now people do not buy FPE based pricing anymore. Everybody is looking at outcome basis pricing and fundamentally that would puts pressure on providers like us to basically integrate both our consulting, our quality consulting business, our IT business along with our business process outsourcing business to deliver solutions to customers. So the whole theme has actually changed from just getting labor arbitrage and capturing the labor arbitrage, getting it to one step beyond that to say what is it that we can deliver to the customer that will really add value to him, I think that is the way the market is actually moving. Our belief is that the market is actually consolidating into four very, very clear segments. Global providers with business transformational capabilities who go after big solutions. Industry platform players and this would clearly becoming an area which is emerging. In the past you saw an areas like payrolls, we saw in areas of some components with security processing, you are going to see more and more of that coming in and especially we believe in the finance and accounts area, we believe that is an area clearly of focus where this industry platform solutions are going to go in which are going to address not only the large customers but also the SME segment. Within the SME segment by itself constitutes a fairly large opportunity in this space.

Our third component is the offshore shops that focused around volume, you are going to have a segment which is going to always be there and that segment will become smaller and smaller as we go along because fundamentally those are the companies who are not able to marry the transformational and the IT capability with delivering a service. So we believe that that segment would get commoditized as we go along, and the last, of course, is the boutique players. So, our take on this entire market is that the BPO growth would be driven by process efficiency and re-engineering capabilities and these are two are capabilities that we believe are extremely critical for any global player to have in this particular space. And last of all, we talked about outcome-based pricing, the transaction-base models and outcome-base pricing

where we clearly have to move our business models up to get there to provide that. So these are the strategic implications that we have, one is when we go to market, on the left hand side we basically covered the three components, go to market, competency, and delivery and globalization, and on the right hand side we are trying to address what we are doing to kind of hit that. So, the first thing that we did, roughly about 18 months ago, was integrate the Wipro Technologies sales force and the Wipro BPO sales force. For a longtime, we had a Wipro BPO sales force that used to hit the customer independent of the Wipro Technologies sales force, and what ended up really happening was the these sort of wedged in the BPO side, the IT guy used to come and sell their IT solutions and we were lucky if both of us met in the elevator. Fundamentally, they were dissimilar services being sold into the same customer base. One big strategic change that we have done over the past year has been we have said that the Wipro Technologies guys would be out there, going and selling to customers, which meant that in the BPO side, now we have had to educate the Wipro Technology's guy to actually go and sell a process solution out to the customer something that he or she does not really used to doing in the past. The Wipro BPO sales force has been restructured to actually provide profit solutions and their job is to go out there and see how they can improve the process, getting more outcome based kind of deals and actually sell the deals from a domain and a competency perspective rather than just from a selling a wedge. The second component is that we have taken a products approach on the competency and delivery side, so what we have done is that the first big move, that we as a company, decided was that we said we would not be everything to everyone because what is happening to us in the BPO game was that we were focused around anybody who want to do offshore, we were their provider of choice. We decided to move from that saying we will focus on a few segment and in those segments we would be biggest, so really what we said was that we picked up our entire portfolio and out of the portfolio we cleaned up a whole bunch of process that we did not see global scale. So for example, if you looked at our numbers from move of 400 processes, we brought it down to 100, now up to 115 and these are the kind of processes that we expect to grow as we go along. The other piece that we did was the move from an SLA linked final output based pricing to an FPE based model. Even today, the number on that segment is still pretty small, is still running at around 24% of our total revenue but it is a pretty significant shift from where it was one year ago. The third component there is the follow-the-sun approach deliver services and more importantly is that just following the sun I think the bigger component for us is how do we really build a scalable delivery model that we can grow irrespective of the number of people that we have, I think that is the big component. In the BPO market, if we expect to have linear growth by adding more people, it is extremely unlikely that we will be able to score scales I business, so we are making major investments in terms of standardizing processes. In the past what used to happen was that for every customer that we ran, we basically move that process from the US or from Europe into India and we follow their processes in India. We improved upon their processes, but we really did not go after them with the standard set of processes. Right now, the major shift is to go after them with a standard set of processes. So, just to give you an example, in our business today, we expect that if you looked at using an old quality measure, cost of quality and the cost of inspection for staff you were similar with the manufacturing piece of the business. Our cost of inspection today runs at roughly about 4%, we believe that that should be less than 1% for us to have really scalable delivery model in this game because this model at the end of the day, the BPO model has to be like a manufacturing model. The last piece is around globalization of delivery, Romania is the first global site that we have. I think, if you look at it today, Antonio can have touched upon it little bit. Today, we have taken just a few baby steps in this area. We are still very far from calling ourselves the global company as far as BPO is concerned. We have a little bit of work going on in Rumania, but fundamentally I think that is the big shift that we have to make it, we really have to become a player of choice for the segment. As far as the US geography is concerned, we expect that by 2008, we will have a site in the US, which will deliver services into the US geography in the US time book. So, I think the key thing for us is servicing the value chain with integrated solution and scalability is what we are trying to drive towards.

On the financial side, just to give you a sense, this gives you where we have been over the past couple of quarters. The good news is that the margin improvement has been the big thing for us, you know, our

operating margins running at around 23%. If you look at June 2005, we were running at roughly about 9%, so that has been a big, big shift that has happened. It has happened primarily because of couple of factors, #1 is that we have rationalized the number of processes that we play in and that has been the big one for us. #2 is by rationalizing number of processes we have been able to focus on fewer customers and gain depth in those customers, and #3 which I think is the most important is, customers have seen more value in the kind of services that we deliver and the net result has been that we have been able to get pricing increases from nearly all of our customers in some form or shape, so that has been the big one for us. In terms of growth, our revenue growth was 7% over the previous year in Q1, it has grown to 23% in Q3. The pipeline right now in industry segments look strong but again just to give you a sense, we believe that long term in this business we cannot be selling those little wedges, so this quick opportunities that come by where we can get incremental top line growth without getting a scalable platform, we have actually in most cases been turning those down because we believe end-to-end solutions is the way to go in this game. So, I will give you a quick sense of that kind of wins that we had in the space, for example, today we work with one of the top 5 investment banks in the world to do securities processing out of India where we actually handle an end-to-end transaction not only in some very critical areas like foreign exchange and prime brokerage, we do work in the mortgage processing area for one of the large retail Banks in the US, we do work for the same bank in retail lending, outside of mortgage, we do work for an insurance company here in the US, doing work around healthcare where we not only do just claims processing but we also handle the end-to-end chain in terms of also eligibility and everything else behind that. We do finance and accounts work for a large manufacturing company which is probably a Fortune 100 company and there again what we are doing is, our approach has been to go after the entire back office and take the back office out, so it is a combination of not just taking work out but it is a combination of actually going and improving the process first, in some cases and then taking the work out. In some cases, taking the work out and improving that process by itself after the work has gone offshore, so it is a combination, so that is primarily what we have been going after, and the most interesting thing is that more than 80% or the numbers around 90% of the wins we have had over the past year, has come from an integrated approach that we have taken along with Wipro Technologies and I think that has been the success in this business. Thank you.

Sridhar Ramasubbu

Thanks Kurien. I request Suresh Senapaty to summarize the session, then we will have the Q&A.

Suresh Senapaty

Good morning ladies and gentlemen. I will just take about 5 minutes to do a complete summary shot here and this is basically the complete market that you had in terms of progression and if you look at here this is the ET-Kearney study, one is talking about the offshore, you know, if you look at complete global IT spend is about \$960 billion and the offshoring potential that ET-Kearney has come up with is about \$300-\$330 billion based on the criteria that has been given here in terms of factors impacting offshoring, and today if you look at the actual offshore is about \$30 billion and when you split that between IT and the IT services this is about 18 and 11 and the potential is to go up to \$150-\$180 billion and \$120-\$150 which is about 9 times and 12 times respectively. The India component is \$12 billion, India component in BPO is about \$5.2 billion, so India, therefore, is going to be a major player, in the offshore and the kind of a potential that India has, based on this kind of a study is very, very big and huge. Also, if you look at the kind of rating that has been given for India versus many other offshoring countries, India scores very high with 7.12 versus any other destination whether it be China, Malaysia, Czech, Singapore, and Philippines. Multiple points, I think as far as infrastructure is concerned, may be India is little behind but many steps are being undertaken and hopefully going forward you will see that factor strengthening more and more, that has finally been translated based on a study by Mckinsey in terms of what India could look at in terms of a total IT services market that it can capture and that talks about \$50 billion by 2010, this is a third study after having been done in 1997, thereafter in 2002 and again in 2005, and now they are talking about a potential of \$80 billion

even beyond 2010. So India has done well in terms of \$6.2 billion in 2001 going up at a CAGR of about 29% to 2005-2006 of 23.6% and 06-07 estimate that recently been talked about a \$30.5 billion which has been the CAGR of about 29% is already happening, another CAGR of about 28% will make India reach there about \$60 billion, so that is a big, big opportunity India has been delivering and India continues to be on track to be able to get there with BPO growing at about 37% plus and also IT growing at about 24% plus. So, where does Wipro stand here. If you look at here, Wipro has done 01-02, \$475 million and \$2.5 billion would be the revenue if we gross-up based on the guidance that is given for Q4, it is \$2454 million which is a growth rate of 39 versus the Industry growth rate of about 32%. So Wipro has always been growing faster year after year than the industry. This is our year-to-year growth rate of industry versus how Wipro stands here, 30% the industry growth rate and Wipro growth rate of 36%. So, what makes Wipro unique, there are so many IT services companies the top tier 1, tier 2, tier 3, and everyday and every month many more companies coming up in Bangalore, in India and so on. We think Wipro has differentiated itself based on these four criteria, let me talk about this in individual slides. First, incubating newer service lines. Wipro has always been ahead, revenue from newer services 00-01, 8% of the revenue was coming from newer services being here in terms of Package Implementation and IT infrastructure services. As you have seen, year after year, we have added on newer services either organic or inorganic, PI was organic, TIS was organic, BPO we had it inorganic beads and consulting which had an inorganic beads and testing has been completely organic. Based on inorganic and organic move, each and every practice has grown and you see the growth rates and talk about TI having been growing 38%, TIS been growing 77% in third quarter of this year and 57% in terms of testing 42%, etc., etc., so this has lead Wipro to be growing ahead of the industry. Second thing, why these particular practices are important, why it matters in terms of those particular services is because they are the growth drivers. The McKinsey study says, in 2005, \$1 billion is the revenue coming from IT infrastructure outsourcing, it is likely to be \$9 billion by 2010 which is a CAGR of 55%. Similarly, if you look at BPO, a CAGR of 37% testing a CAGR of 25%, so these are the areas soft spots, sweet spots which are still under penetrated and more and more growth can come in, while in the ADM Application Development Maintenance Phase, many more player differentiations are becoming lesser and lesser, these are the kinds of emerging practices we think are going to drive the growth and therefore Wipro's presence and foothold and leading edge helps grow faster. Look at our string of pearls acquisition, if you look at the spread the last 8 acquisitions that Mr. Premji talked about, to look at across verticals and across practices, there are fairly well spread. So, while large number of initiatives are taken in terms of an organic growth, we have added on, we have invested in by using cash, we have been taking a dilution on our margins to be able to investing in this acquisitions and build them because we think they will be the growth drivers as the success has been showing. The other factors that Wipro has been unique is our R&D business, many of you know that Wipro is the largest R&D house with more 16,000 engineers today and we are fairly well spread out in terms of addressing the computing company, the telecom company, semiconductor company, consumer electronics, printing and imaging, medical devices and so on so forth, very good \$202 million last quarter growth, last quarter was our revenue and that means it has already gone into \$800 million and very quickly will be there in a billion dollar bracket.

World class enterprise business, enterprise business has already touched \$1.1 billion annualized to quarter 3 revenue, doing well 22,000 employees, and again if you look at the revenue CQGR last four quarters, Wipro has done well with 8.2% versus the top 3 Indian players being about 7%. Similarly, if you look at the finance solutions, it would again cross half a billion dollar revenue on the basis of the Q3 revenue, 11,250 employees ranks in securities, take top 50 by the IDC, and here again the growth has been 10.9% the last four quarters versus 10.1, vis-à-vis the top 3 Indian players. Strong foundation in domestic business, pioneering in Middle East, Middle East is something which we have invested in over the last four years and we are getting very good traction and very good growth. The growth of Wipro InfoTech business last quarter was at 74% YOY and we have done a small acquisition there in that particular area, primarily to address the BPO area which is a complete supplementation to the range of services we offer in India. Here again, this has been a very strong advantage, very unique compared to many other Indian players because this has helped us incubating newer and newer services and all the kind of service lines that we have

incubated have been rolled out globally and we have achieved pretty good success. So, how is our overall comprehensive end-to-end address, A, if you look at the consulting ADM package implementation and testing coming through this CIO, 52% of the revenue comes from that because product engineering space about 29% of the revenue comes through the CTO who controls the product engineering solution and the TIS again the CIO's infra budget which is about 11% and the BPO at 8% which typically addresses the COO and CFO's budget. So, if you look at the Wipro's top 10 large accounts, about 40% of our revenue comes from consulting, ADM, package implementation, 45% from product engineering, TIS infrastructure outsourcing is about 11% and BPO about 4%. Similarly, if you look at the next curve about out of the top 50 accounts, 90% accounts use at least 4 service lines, and out of the top 20 accounts, 50% accounts use at least 5 different services, therefore, that story is working well for us to be able to increasing our share of wallet on the customer base. So, what is therefore the bedrocks of various anomalous quality standards, as Sekar talked about the Wipro Way, we have talked about the SEI-CMM level 5, PCMM level 5, Lean Manufacturing and Six Sigma, so all this has been the bedrocks to be able to attract more and more customers talents, customer base, and enhancing our market share or wallet share. Secondly, our innovation, innovation has been in process area, finding the art of adopting new techniques, innovation has been in the area of delivery focus and also we are talking about standardized delivery in a factory model which has helped us getting a high level of productivity and high level of customer satisfaction and also extending that in terms of a global delivery model, the technology focus in terms of solutions with high intellectual property, in terms of reusable modules to be able to get higher amount of productivity and perhaps in some form getting into a non-linearity. Business focus in terms of frameworks and methodologies for developing solutions. All this has led to this kind of performances as you see on your screen. So, with this I would now open the floor for question and answer. Thank you.

Participant

I was wondering what kind of dynamics are you seeing with regards to contract renegotiations in US versus Europe, any dynamics who are the winners, who are the losers. And the second question I have is on Telecom vertical unit. The software vendors seems to be struggling in the Telco space, I was wondering why are the IT services companies doing very well in that space. Thank you.

Tim

With regards to the contract negotiations, there is a difference in the US and European markets, at least based on our experience we have not really seen any significant trend that I can comment on in terms of how different US versus Europe as clearly clients on both sides are renegotiating, clients on both sides are depending on their experiences with their incumbent players, their behavior is driven to some extent by that. Most of the organizations that have previously entered into contracts which did not have an offshore component, are increasingly looking at adding offshore players into that mix, especially when those projects are not of a very very large scale and not all that global in nature whether it would be in the US or in Europe. There is also a trend to breakup some of these very, very mega contracts into more manageable components. I would say that these are the trends but it would be hard for me to, kind of say that, US seems to be very different from Europe.

Azim Premji

Can I request Sanjay Gupta to answer second question? Sanjay, if you don't mind, you can introduce yourself.

Sanjay Gupta

This is Sanjay Gupta. I am responsible for both the product engineering part of Telco and the service provider business in North America. Would you just restate your question a little more because you said something is doing well and something is not doing well, I just wanted to be clear which part you are enunciating.

Participant

I was trying to understand is like the Telco spaces going from massive mergers and acquisition across the whole globe and some data is indicating like the software vendors like BEA and others are struggling to sell their software products into the Telco vertical, whereas the service providers like yourself and some other ones including, I think, Tech Mahindra and everybody, they are doing very well in Telco space, what are the dynamics that are being played out that favors your business model versus a software product model?

Sanjay Gupta

It is hard for me to comment on the dynamics of the software product industry, so I am going to take a pass on that part, but I will certainly talk about our industry. Whenever there is a restructuring there are two parts, which companies are focused most on, one is successful integration and the second is particularly in a slow growth environment cost takeout, and our Telco business is positioned extremely well on both of these whether it is product rationalization on the equipment end or integrating applications and business processes on the service provider end. We have a long strong domain capability in both of these to be able to successfully integrate companies and product lines when they merge or they are rationalizing, in fact, we are talking about this at the OSS BSS forum in April this year as well with one of our clients whom we have enabled them to acquire four companies in the last one year through our capability of domain and IT integration speaking with us on the same platform. So that is one part of it which relates to integration of companies. We have a very strong capability there. The second part is cost takeout, we are through our ability to reduce the number of applications of products, help define product strategy and then define a global IT as well as product engineering road map in terms of delivering from both high cost, lost cost countries and then driving both quality and productivity to further takeout cost because I think the part of taking work to India or China is little old where Wipro I think steps up even ahead of competition or other companies is our ability to drive productivity or ability to take it SLA based and our ability to demonstrate or deliver processes like Lean, Six Sigma and our domain capability to further drop down cost of whatever we take on, so that is why we are doing well. The point is the growth is happening because of more and more offshoring with the reduction in the ARPUS, i.e. average realizations per subscribers. The customers are looking at more and more cost takeouts. With the consolidating mergers happening, some are going off, some are consolidating on the existing platforms, so perhaps you are seeing in some form a reduced new product sale but existing IT budgets are now getting higher bang for the buck in terms of more of offshoring, more of end-to-end projects and that is where you are finding IT service providers are doing much better than what the product side the guys are doing.

Participant

I have two part questions, first, can you comment on the various leverage points that exists in the model, has anything changed there in terms of the various factors, that is #1, in that respect your BPO operation went through a restructuring phase and actually now we have seeing some pretty impressive margins, is there more to go in terms of margin expansion their in your view, that is #1. #2, in terms of profitability, is your difference in profitability looking at your North American operation versus Europe, which seems to be in a build up mode, and then lastly, we have not heard a lot of comments on pricing during the presentation, is that because we are less bullish about the ability to raise bill rates on existing versus new contracts made, you can give us an update on that. Thanks.

T K Kurien

It is a pretty easy one actually. I think we have been very forthright about the fact that we expect margin to track between 20% and 22% on a sustainable basis. I know last quarter we have been at 23%, but really our endeavor would be to put whatever we can back into marketing because we believe that it is a growth opportunity, it is really what we could access over the medium term. So net-net is there more option to takeout cost from the current model, the answer is certainly yes, would that be reflected completely in terms of operating margin, you may see blips in a positive way in terms of quarter-to-quarter, but overall if you looked at a 24-month period, we would say 20-22% where we would track. Okay. Thank you.

Sekar

I am not going to say anything which is very different from what you probably heard, which is that pricing in both the US and Europe has remained stable and continue to be fairly strong, we are seeing increases in the range that we have had in both markets, profitability actually is really more on an account by account basis or broadly it is not dissimilar, by and large we have seen the same trends, there are a few where we have been able to get a higher level of profitability depending on actually the service line as well as the vertical which is engaged in that account but not too much of a difference there. We are able to get better pricing on obviously our new accounts but also in the last six months been a little more successful in our contracts come for automatic price increases or for the renegotiation where they have not got any price increases in the last 12 months. I think it is in the range of about 60 to 65% on those we have got price increases, in the range of about 3 to 5%.

Suresh Senapaty

The other point he was talking about is, what are the kind of profitability in Euro versus US, like you said, we don't see much different there in terms of the profitability, while yes, you are right that the investments in Europe is much higher, but the currency has helped because the European currencies have firmed up vis-à-vis US dollars, so that has helped us in terms of re-investing in more of sales and marketing including the marketing budget that we have seen in the current year, significantly upgraded compared to the earlier years and perhaps that will continue going forward.

So far as the change in the business levers are concerned, (a) we have seen as you have seen the slide that I talked about, financial services has been growing pretty well consistently year after year compared to the industry and compared to the other players that we are playing with. Yes, we have a smaller base and catching up in terms of with the high growth rate, we have taken some initiative in terms of an acquisition in the payment services area, where we were not present, that is doing pretty well and adding to the base that to we already had.

The second thing is with respect to the enterprise solution, again you saw how we are doing pretty well, whether it is retail, energy utilities, and also in TMTS, in terms of the technology sector, again the growth rate has been pretty good.

So far as the product engineering side is concerned, I think we are because of some of the merger stories that you talked about when we were discussing the earlier question, there are some kind of hdd ups in terms of some new budgets that is likely to be coming up. We are seeing some progress and yet some more will unfold as time goes by, but at this point in time it is little sluggish. Similarly, on the semiconductors space also there are little bit of weakness being seen. So like semiconductors goes through a cyclicity, in some form we have experienced low growth rates in our tech business, but if you have seen we have taken multiple initiative what Mr. Premji talked about (a) in terms of an acquisition in Austria, (b) in terms of an acquisition in Finland, we have done a joint venture with Motorola to address a particular segment which we

were never addressing and it is gaining traction now, the funnel we haven't got much revenues so far, but now the kind of pipeline build up is really attractive. Similarly, we have also entered the space of Computer Aided Engineering (CAD/CAE) area. Again, that is growing pretty well. We think these are the initiatives, which will start showing up or making up for the short-term sluggishness that we were seeing in some of the pockets in our tech business. But hopefully, next two quarters we should be up and running.

Third is the BPO side, as we have grown 56% in 04-05, 05-06 the growth was much lower at about 17%, and quarter after quarter you were seeing the growth rate expanding. Q3 was about 27%. So, it is still behind industry growth rates, but pretty quickly we will be matching and exceeding industry growth rate because of the reasons that Kurien talked about, the kind of transformation that we were trying to achieve, and we are progressing in that path. You will see that, we have already done that on the financial parameters, and we will do on growth parameters pretty quickly.

Participant

Two questions. The first is, if you can give us a flavor for how soon as your older customers also growing, you have clients that have been for ten years or for seven years or five years, as may be you can just walk through by vintage the growth that you are still seeing one of those customers. And second question is just on the acquisition side, I know you mentioned comfort now, buying businesses sort of 50 to 200 million in annual revenue, but just your thoughts down the road of yourselves or potentially when your competitors are making a much larger play for large European provider to sort of really kick start or take that business, you know, up in a particular fashion?

Azim Premji

Very candidly, I don't have the tracking of customers in terms of vintage. There has been some churn I think in our top 10, top 15 customers, but the average growth of our top 10 customers has been inline with our overall Wipro growth, as well as our top 5. I think there has been churn of one or two in the last two or three quarters, but I will have to get back to you in terms of if you were ....

Suresh Senapaty

The top 50 customers have grown about 9.7% sequentially last quarter, higher than our average sequential growth. So, typically what you are seeing the business that you get out of the new customers is under 10%, 5, 6, 7%. So most of the business come from the existing customer, the definition of the new customer is the customers acquired it starting of the financial year. And we haven't seen, when you talked about the churn, the churn is like, you say 15 customers where 14th become 10th and the 10th becomes the 14th, which means variation within the 15, but within that 10 there may be churn but it is not that the customer has exited. So, because of certain segmental stuff and because there is always a 50-60% of the project that are working on sometimes, project got over, the new project started, it takes a little longer time, or sometimes the projects are becoming much more transformational and therefore the knowledge acquisitions phase take longer, so you tend to take time in terms of ramping up. Otherwise, we have not seen any much concern in growth continues to be robust in the existing customers.

Azim Premji

Yes, your second question. We have no plans to acquire a large European service company. I mean it just doesn't make sense to us to buy yesteryear, it is getting an outdated model, they are trying to emulate a model which is evolving model, which is basically the model that companies like Wipro and others have set, I think its good money after an obsolescing model.

Participant

I mean there could be pieces of that would still be interesting.

Azim Premji

From that perspective, we may not be chasing figures, but you know, I don't know if pieces could be interesting.

Participant

Yes, the question on the growth strategy, I think, across the board all the presentation, we heard about stepped up investment plans and I guess there are three areas. One would be the industry and domain expertise, another in local presence getting close to the customers, and then also when expanding the geographic reach. All clearly where the market is moving in and understandable goal, you talked about how you manage to make those investments and what that means in terms of your margins. Can you maintain more operating margins in this investment mode or should we expect to see a gradual decline?

Azim Premji

Subject to foreign exchange and subject to the movement of the Indian rupee, broadly movements of margins within the narrow range. We have enough levers in our operating efficiencies. We have enough levers in terms of price increases. We have enough levers in terms of offshore onsite ratios, and we have enough levers in terms of bulge and in terms of utilization to be able to offset some of the developments which are taking place in terms of investments we are making, plus investments we are making in terms of salary increases.

Suresh Senapaty

Over the years we have enhanced the investment in the sales and marketing significantly in terms of the head count overseas, in terms of marketing budget, and we are going to see the benefit of that going forward. So fair amount of investments have come in.

Participant

Actually, I would say that it is pretty good. Good update on the non-linearity just to follow up on last year's discussion and the actions we have taken. So while it is clearer how non-linearity can lead to growth for you, don't you think it also leads to a higher level of risk and could you talk a little bit about risk mitigation that you are using when it comes to things like output based contracts, so you can avoid problem contracts, if you can talk about that.

Suresh Senapaty

You know, all these we have done because we have been incubating this kind of services in our India Wipro Infotech. We have done large deal, we have done total end-to-end complete outsourcing, and that is how we rolled it out globally. And so far the wins has been very good, the kind of profitability, the productivity that we aimed for at the time when we won the deal and the progress we have made, has given us complete confidence and satisfaction that we should be able to progress and improve upon them as we go by, and that would mean size of the deals bigger than what we have so far won. So, this is in the technology infrastructure services, as well as in the application development in terms of large deals. Some of the wins and therefore you will see, and when you talk about the risk management process, yes, I mean we have a

risk management process where we continuously evaluate the projects which are fixed price projects where the risk are sort of taken upfront with a complete knowledge, and we have a methodology based on which that gets reviewed and escalated on an ongoing basis. So that is the basic enabler for us to take up this bigger risk projects.

Azim Premji

So, I think of those fundamental backbones of this, which I think is one of the strengths of the global delivery model, is greater than the 90% of our business is repeat business from the existing customer base. You cannot have a larger risk mitigating than that. I mean if we are driving the company to go up the value chain, some amount of risk is attended with that, and that is part of the game. I think it's the job of the top management to see to it that there is a right balance between what we have to gain from it with what exposures we could be creating for ourselves from it, and I think we are sensible enough to do that reasonably carefully.

Participant

Next question on, because I heard a lot of talk about the local components of your work force increasing, especially you go outside the US and Western Europe. So, could you talk a little bit about how your demographics might look, say three to five years from now, and does that carry any implications for growth and margin?

Azim Premji

You are talking about people demographics?

Participant

Yes.

Azim Premji

You know, lets just look at some of the fundamentals of our business model. The fundamental of our business model is about 25% to 28% of our people workforce, works on customers sites or in near shore centers but primary on customer site. You can go on the basis in terms of broad street numbers and it would vary from country to country. It would probably be more in Europe and Japan where localization is more important and perhaps a little less in North America where localization is little less important, given the nature of the society and the nature of mix of the society. You could say that about 25% to 30% of our people working overseas within a reasonable period of time, our people working overseas outside of low cost countries would be of local origin, and that would be a reasonable ratio. The advantage of that is that one is able to integrate with the communities more, one is able to politically be less vulnerable to the waves of protectionisms which are building up in certain countries, and one is having less dependence on resource, which will continue to be choke points, including H1B visas which are continuing to be choke points. So as far as our delivery centers are concerned, in addition to India, from the point of view of advantage to the customers for localization, from the point of view of hedging geographical risk, you will see growth taking place in China, you will see growth taking place in eastern Europe, you will see growth taking place in Brazil and Portugal, and perhaps a couple of new locations, which could be lower cost to India. And there are a few, which have potential to be also build up as satellite locations. In addition what we are doing is within India, we are trying to drive much higher growth in terms of incremental revenue and incremental billable head count outside major metro cities like Bangalore, which are getting expensive and having high attrition levels. So we have bought and are under process of constructing a series of centers

around University towns, outside the main brand cities, whether the places like Mysore, whether the places like Vizag, whether it be places like even Orissa where we have now about to open a small center and Kolkata which still seems to be quite moderate and some centers in north India.

Bernie Keane

Hi, its Bernie Keane from Prudential. Just try to still get a sense on where you are taking your market share, is it in internal budgets or from the external vendors. And you talked about the old model versus the new model that Wipro represents, just interested in where and what particular service lines you think that some of the old models, the IBM the Accenture, the EDS since they are vulnerable for you guys to take a lot of market share.

Sekar

I think the market-share gains are coming actually, fairly broad spectral by. Both in terms of the geography I think we are still continuing to grow in Europe, in Continental Europe and our growth rates are higher than what it is in the UK and those are markets where we are clearly taking share from incumbent players. It is happening in the UK as well in the US, which are really, shall I say more developed markets from an outsourcing standpoint. Again taking market share in terms of some of the larger engagements as well as the growth we are experiencing in our value added service lines. If you look at our infrastructure services business, if you look at our package implementation business, both of them are growing significantly higher than our, shall I say additional businesses and those are, and that is in scope both in terms of the scope of those engagements as well as in the kinds of customers where we are penetrating across markets. I would say it is really in that area, as well as in new markets where we are expanding our presence; we are taking market share from incumbent players.

Bernie Keane

Are you seeing cases or examples that you are able to start pulling business away from the IBM's and EDS's that have dominated that space in the past?

Sekar

Absolutely. There are a fair number of opportunities where we are competing directly against the IBM's, the EDS of the world. We are winning particularly in areas such as managed services and there are still certain areas where which are very much larger in scope in terms of global delivery, when I say global delivery in terms of the customer organization and where there are very large requirements in terms of data hosting or where asset take over and people take over involved where some of the incumbent players do have some advantages, but even there we are getting invited to participate in projects where we would not have been and have not been in the maybe even two years ago.

Participant

Hi, I was just curious if you guys could talk about shifting focus from the skill set. If I understood you correctly, you said that you are going to try and increase the skill set for workers in 0-3 year range and that would potentially add about 4% to the operating line. Is that because of the flattening of the employee pyramid, is that how I should look at that particular situation and if so, will attrition start to creep up in the middle manager area?

Azim Premji

What you mean by flattening of pyramid, I didn't understand.

Participant

Just hiring more and more freshers, so that the total cost of employees, which seems to stay consistent with revenue even though you are continuing to do more and more work.

Azim Premji

Obviously one of the reasons are, we are trying to hire people with low years of experience because they are cheaper. Sometimes they are also more enthusiastic and more hardworking, but that's secondary to our objective. We have done very extensive depth analysis to restructure 6-Sigma multiple projects on this do decide what is an optimal mix of a typical project, of a typical size, categorizing them into typical sizes and we find that quality in most instances is improving with some of the experience profiles coming down, it is not getting negative in any way. And within these parameters what we can do, what type of projects, we believe that we have head space to take a mix of people with less than three years experience with concomitant high selection standards, concomitant high intake training and high on the job training, and concomitant with high project management upgrading of skills and demands of leadership, we believe that we have head space of taking up skill set of people of less than three years experience by about 10 percentage points, and 46% what you mentioned previously. We have done it from about 36-46 in the past one year and if anything our deliverables have improved and have not deteriorated. So that is not to say that we always want to deteriorate or lower skill sets, if you are able to charge more for higher skills, if you are able to do jobs which require higher skills, most certainly we will man for those skills and specialized skills which are required for certain jobs are always in the market floor. So we do not need to over skill the skill set. In addition to years to experience, I think the other important thing which Raja emphasized and which I emphasize early was that we don't require engineers for everything, you can do many jobs in testing and infrastructure support and in some areas you can do with non engineers who have a technical background or who can be graduates of science and who can be graduates of science also with some amount of IT training from institutions which are fairly good.

Suresh Senapaty

It is not that the experienced people are getting replaced with freshers. What we are saying is that when we add people you have a higher component of that people that you are adding as freshers as opposed to laterals or experienced, so for example if we were hiring 40% of the net hires as freshers, now we have scaled it up to 60 to 70%, so we want to go up that way, so it is not as if the existing senior people who go away and the new people replace them.

Participant

My second question here, it is more on the BPO side. I know you talked about reducing the amount of processing from about 400 down to a 100, I wonder if you could give specific examples on both sides of that. In other words what processes you eliminated because you thought they weren't scalable and on the other side what processes you kept or added because you felt they were scalable.

T K Kurien

Roughly about 9% of our revenue in June 2005 used to be around what is basically outbound telemarketing, and that is down to zero, because we basically went in and said let us look at the competency that we have. What is the competency that we are bringing in front of the customer? It is basically accent and the ability to speak, and that by itself is not a model that you create any kind of entry barrier for anybody else coming into

the space, so it is really to across different processes and figure out what kind of processes you want to build competency in which will keep you in the game over a five year period, that is the first objective. The second part of the question in terms of what kind of processes we have done. For example, one good example would be if you give us with a very large global telecom provider where we do everything from what we call network provisioning is done by us out of India, that is a pretty core area that has never before outsourced, leave alone offshore, and that is now being done out of India, so our customer would give us an order for a particular equipment or provisioning in particular line and those in India would provision that line out of India, make sure the truck rolls if they were to be delivered into the customer premises, make sure the installation is complete and then go back and also schedule the work force management piece that runs in the back lane to make sure that people landing at there in time with the right kind of skill set. So it is a example of an end to end kind of process. It is not just one wedge that you are selling, that is a good example.

Participant

Wipro is delivering across different geographies, services and offerings, how do you manage the resources with the growth, in other words you know with there being a little bit of a crunch on the labor supply in India, how do you continue to grow in different geographies, is there a specific strategic plan in place to do that sort of dichotomy again being resources versus growth. Thanks.

Certain Indian players have specific focuses and that you guys don't have specific focuses, but if you see at the plan that you have laid out you know who is moving into different geographies, into different service offerings, into different global regions, with that kind of a plan the focus tends to not necessarily deteriorate but it has been more difficult to execute because you are growing at a such a rapid pace. So how do you find the happy median if you will between growth and the need for resources?

Azim Premji

No I don't think we are finding ourselves significantly constrained in growth and I use the word very carefully significantly constrained in growth, because of supply chain constraints on human resources. I think we have just upgraded the processes, we have upgraded the talent, we have added head counts to the talent disproportionate to our growth because we thought they are on demand, we have increased our catchment areas, we are penetrating more deeply in terms of across campuses, and we have strengthen our induction process and our training processes. We are investing significantly in training though our approach up to now has been different is that we have our training centers spread across six locations instead of trying to have one large center in one location and claiming it as the largest in the world, but that is not to say that we will not have centralized locations, we will have centralized locations also, but they will be supplementary to the distributed locations we have, because we find it makes more sense to have distributed location plus we find a major advantage is that we can engage local faculty of our leadership much more than we have it distributed across locations. I think the biggest challenge is not so much our ability to recruit, our ability to induct, ability to induct in quality processes, I think the biggest challenge is that you have to maintain a continuity of culture, and people underestimate that, the challenge that poses, and that requires a huge amount of time in terms of leadership and I give that message to our leadership which is sitting here also that they have to spend time meeting and engaging with people, and it is a huge amount of time. Just an example to give you, you know, I spend a huge amount of my time on that. I was in Boston on Sunday night, touring 17 hours, spent three hours with employees, starting at six in the evening. Yesterday we were in Stamford, after a customer dinner, from 8:30 to 10:45 we spent two and half hours with 150 of our employees in two of our accounts there, UPS and Pitney Bowes and we are giving this message across is you know give informal time to employees. We are also following a very systematic method that in accounts we transfer people who are middle management of Wipro and have been able to carry the culture of Wipro, and part of their critical responsibility is to carry that culture through a process osmosis. Are we doing a

perfect job? Of course not, but it is a job which we make as very much metrics that leadership has to get themselves involved in on an ongoing basis, so that to me is the biggest challenge. It is absolutely the biggest challenge. The good thing about you know some of the acquisitions which we are doing and we do this very thoroughly, is we examine the culture of the company we are acquiring also very thoroughly and try to see that the culture of the company is meeting certain basics which we expect, basics in terms of customer sensitivity, basics in terms of interpersonal sensitivity, basics in terms of a broad definition of integrity, much beyond just a question of what we are seeing happening with some of the international competitors on giving bribes, and that makes it easier to absorb those cultures into our company because we pre-screen them, even more so than just inorganic hiring, even more so than that lateral hiring, because they come to us as teams which is important. That company has spent time and effort building that team and then the issue is that team culture is compatible or not compatible with us, if you have pre screened that we are not finding any significant jerk inputs coming to us through the cultures disparities with us which we have acquired so far.

Participant

The first one regarding the tight labor market in the US and Mr. Premji comments about how it potentially impacts wage increases on site, if I am not mistaken this is the quarter when Wipro gives out its onsite wage increase, so just wondering if that has changed any bit from what you had announced at the beginning of the fiscal year versus what would be given out this quarter?

Azim Premji

No is your question whether the salary increases which we have given effective January one is in line with what we anticipated?

Participant

Right, I mean my question is more about as you said because of the tight labor market, you could potentially see further increases in wages on site, more than what you have seen in the past. I was just wondering given this is the quarter when you actually give out those actual wage increases if they are more than what you have thought you would give out at the beginning of the financial year, how much more, if you could give us from data points?

Azim Premji

No, they are within our budget. They are on plan in terms of what we intended do give, because we had planned to give something which is more than normal, which is what we have done.

Participant

Okay great, and the second question is about consulting, it really seems like the Indian players haven't been able to do as well as they planned in the field of consulting. I mean clearly we are seeing some of your competitors come out and actually accept that they have not moved as planned, and UK was a very good idea about what Wipro is planning to do in the consulting space, but I was just wondering if you could perhaps give us some more actual metrics that you perhaps calculate and measure etc., which could show us where you are today versus where you plan to be and when do you expect to achieve these metrics?

Azim Premji

No what we are trying to do now in terms of revised thrust is building a stronger overall brand through our consultancy. We are significantly larger than the image we have conveyed in the market place, because our image has been associated with a small team which is resident under one part of our business, total number of consultants which we have and we are not going to be over extended in terms of our definition of consultants is about 1700, and we are using fairly strict cut off norms. What we are trying to do is that under central leadership of Girish Paranjpe who is head of our financial solution business, we are trying to bring a uniform approach to consultancy. Uniform approach in terms of recruitment, compensation, progression, the way we make our offerings, the way we present our brands, and the way we go to market and the way we use it as a strong arm for growth, that is our first priority at this point of time. With that success we believe that our percentage of revenue which will come from consultancy will go up gradually. So we are not trying to build the consultancy as the major business line in itself. We are building consultancy as the major driver of growth and embedding it more and more in terms of accounts as a strong and hence of the value proposition we can give our customers in those accounts. At the same time, we do run consultancy as a consultancy, because it is necessary we believe to create the IT processing and that is very broadly it. In terms of an excessive amount of metrics which we can share, this point of time we do not have something which we would really like to share. But we are happy with the progress we are making. What is the next step we have started experimenting with is, we have in the 1700 people about 350 people who are part of Wipro Infotech, which is our domestic IT business, and they have billing rates which are significantly higher than the billing rates we get in India for our software professionals. They are comparable with the billing rates which are got by the PriceWaterHouse etc., who have large bases in India, so part of their semi-Indian international business combined, and what we have now started experimenting with is how can we use that team or expanded team also to be able to give global delivery in consultancy. There are significant parts of our consultancy cycle which can have a global delivery tool without in anyway sacrificing what the customer is looking for in the consulting. I think that probably is going to have the highest pay offs in terms of breaking the different dimensions of value add to the customer.

We will take some more questions. We can take a shorter lunch break.

Kamakshi Rao

As you grow and the deal sizes become larger, when will you need to start thinking over assets and people? Mr. Sekar mentioned that that might be one constraint in the competition with IBM's and the EDS's of the world.

Azim Premji

You know I think there are many innovative financing ways not to take over assets. There is enough money flushing around the place including with banks and asset financing companies where you can successfully have them take over those assets, we would not like to and Suresh can supplement on this, we would not like to overload our balance sheets so our cash flows would take more assets.

So far as taking over people are concerned, we are selective, we don't love doing it but if it makes strategic sense, if the quality of people which we take over are people which are going to be productive and of cultural fit to us, we would take them over, but we would not do deals which are excessively heavy on people take over, and we would be much more conservative on doing deals on people take over in Europe outside of UK where you do not have the flexibility of separation. In United States, at a cost, separations are possible. In UK, at a cost, separations are possible. In the rest of Europe, separations are possible, the cost are prohibitive and attentions are very very large around it. But the end result of the take over of people and the retrenchment of people should not be that we have got to demoralize residue team, which cannot deliver to customer requirements. We are conservative on that. And we are willing to walk away from deals which have an excessive weightage towards that, we don't have to go after every deal.

Ed Caso

Thank you. My question revolves around the domestic Indian market. It looks like Wipro is in the best position to take advantage of what is a very rapidly growing market and has been for several years, and if your industry continues the domestic markets will continue too. Can you let us know how are you positioned, what you focused in on and a narrow question is if you get bigger domestically what are the implications to your tax rates?

Azim Premji

No we are hugely focused on the domestic IT market and we have been focused on it now for five years. In fact it reports in directly to me and it did even when Vivek Paul was there, it reported in directly to me because the profiles are different, the operating margins are different, the nature of customer requirements are different, but what we have done is we have attached to the domestic market the Australian market and the Middle East market, primarily because we see it part of some amount of commonness in terms of growth rates as well as in terms customer pricing points. Domestic market is growing at about somewhere between 22 and 25% a year. We are growing at 40% plus a year, and we think that is doable going forward, therefore we are gaining market share. Our percentage of services and solutions in our business in the domestic and Middle East market is about 38 to 39% and that is going up by above four to five percentage points per year, which is to an extent enriching margins. I think it is also because we have such an enormously strong brand in the domestic market, it gives us a huge opportunity to launch new initiatives there. There are many initiatives which we have launched in the domestic market. The telecom service provider initiative, the global total outsourcing contracts initiatives, and multiplicity of other initiatives which have been tested out in the domestic market and then taken to the global markets. Your follow through question on that, I forgot, what was that?

Ed Caso

If you are doing domestic work , that takes you out of tax preferred centers.

Azim Premji

Yeah you know we have to accept the fact that in the domestic market we have to pay the tax rates which are applicable for domestic companies, and that I think average tax is about 32%, but with the blend of the SEZ, you know we have been pioneers in making the movement from STP's to SEZ's, absolutely the pioneers, and with the SEZ's which we are now moving to software exports, special economic zones which we are moving into. I think it would be reasonable to expect that our average tax rates going forward will be again within a very narrow range, they could be a couple of percentage points more than what they are today, may be three percentage points more than what they are today.

Suresh Senapaty

In terms of the domestic business profitability, what happens like you said the service income is going up as a percentage so the profits will go up, but there are certain other move that is happening to be maintaining the tax rate in the domestic IT businesses because (a) our profitability from the Middle East and Saudi Arabia is going up which amounts to export profits in the domestic business. We have classified Wipro Infotech includes India, Middle East, Asia-Pac, Australia, so to the extent of that export component it becomes tax free and also we are now sitting up facilities in Uttaranchal which is again another kind of state where if you do manufacturing, the manufacturing and the services profit arising out of that would be tax free for longer years.

Azim Premji

30% is only taxable of the income, so the tax is really 10%.

Suresh Senapaty

So the growth in both these areas should retain the ETR of the domestic IT or Wipro Infotech at similar level.

Participant

The government just mentioned that they were going to halt all approvals for SEZ's for some period of time, is there any breakthrough or when is that going to change because that if they halt or temporarily suspend, people will have to pay at higher tax rates?

Suresh Senapaty

You know anytime this kind of new legislation comes in it takes time to stabilize, and we are familiar with that in terms of software technology park which started in 1991 and finally I think about '96 or '97 it stabilized in terms of the tax holidays, the exim policies etc. etc. So SEZ is just about less than a year old in terms of the SEZ Act and the Rule. So as of now, so it will go through back and forth and in some form so there is more and more refinement comes in, but as it stands today whatever has been approved is approved, that is not under question. The approvals which are yet to be happening or the applications yet to be pending they have a little bit of uncertainty in terms of how it transpires into the GoM meeting that takes place. So, we have a fair amount of locations and facilities of ours which has already approved, whether it is Bangalore two locations, Chennai, Poona, we have Hyderabad, many of our locations have already got approvals, of course there are some more in this pipeline which may be it will take time, but I do not think it will impact us in the next 3 to 6 months.

Participant

Also in the remote management area you have been very strong leaders in doing remote infrastructure management, but then we see TCS come up and they announced 4-5 really big deals in remote infrastructure, why they are having so much success and why haven't we also announced those type size deals, \$100 million deals of remote infrastructure management deals?

Azim Premji

I am not in a position to comment on what TCS has done, I think to the credit of TCS they have made some significant wins in large deals. We have also made some significant wins in large deals though not to the extent of what TCS has done or Tech Mahindra has done recently, some of them we have announced, some of them we have not announced, we have a decent pipeline. We appreciate criticality that at these scales of operation you need to have some large deal. We are little more discriminate in what we take, perhaps we are little more conservative in what we take, and perhaps we should be more aggressive in what we take, but we are moving on that and we have got a pipeline of large deals, though TCS performance you know to credit to them is impressive.

Suresh Senapaty

Also sometimes it is the structuring of a transaction. For example, some wins that we have got they are capable of being structured as 100 million, 200 million, and 300 million deals, but you have got customer

which we will be the primary vendors and this can scale up to a very very large numbers, but it could have been in some other case structured as a \$100 million or \$200 million deal, so since our structuring is different, which is little more safer both from the customer and our perspective, so you know we need to give a higher weightage to those than the others.

Participant

Mr. Premji your comment about the pressure on the US software engineers, how do they get resolved, I mean what is the balancing factors that wages increasing or we actually get visa increases, I mean how is that going to balance, are we actually going to getting the H1B visa cap lifted in order to mitigate some of that tension?

Azim Premji

You know, we are driving very hard as an association NASSCOM and in political circles to get a cap raising of H1B visas from 65,000 to a more realistic figure, because that figure was I think was approved last 5 years back when Indian exports were probably about one third of what they are today. I think with the current status of American politics, we are not going on a basis it will happen the next year or two and all our plans are on the basis that that cap will not be raised. How are we resolving the problem. One area in which we are resolving the problem is picking the right people for getting the visas, you know we have made mistakes in the past of having people with H1B visas which were never used. A much higher supply chain management of those visas that we are able to exploited them to the hilt. In other words we want people with visas to be in the United States on a rotation basis, at the same time not blockout careers of other people, selective use of L1 visas where we are completely and 100% within the framework of law, we are very very careful of this, because the laws are sensitive on this. No local hiring. This issue which I talked about of low cost centers, particularly the US, which we think is going to be interesting, and they will not necessary raise our cost you know. I think I would like to underline this. The Indians we sent from India to work in the United States or Europe costs us very more, very often for the first 4 years more than what the American or Europeans cost us. Because we have to not only pay them comparable salaries we have to pay their transfer in and transfer out, that is expensive and they take a certain amount of time to get up to speed, the major advantage which we have with sending people from India working here is they understand the global delivery model better, and #2 they are more flexible in terms of transfers, because they do not have family roots here and that gives us flexibility to move them from customer to customer, but we believe that if we have the right mix and as indicated the mix of the people we have overseas if we can have between 25 and 30% of them as local locals, we think we can get the best of both worlds including cost.

Participant

Which states are you working with right now?

Azim Premji

I have mentioned it, I do not want to repeat it. You know what we are looking for is there are 3 to 4 states which are very interesting from the point of view of leadership in those states which is very very interested in this and will go out of its way to support us in terms of ad hoc incentives taking it forward and #2 they have universities which are in decent cities where we can have a huge access to the university talent and hire from the university talent and retrain them, including the couple of states which have very strong defense establishments which are getting downsized, and they were technical defense establishment, and this can give us access to very disciplined American defense people for our R&D service, which is interesting, and defense people have never been very overpaid, that is another thing, you know they are more affordable. They are at the stage where even if they have been there for many years, are still sub 50 and very active.

But you know it is a task force we have formed, Raja is heading that task force, it was formed about a week back. He had 8 weeks to finish it then, he has 7 weeks to finish it now.

Participant

Well my question was similar to one that was just asked, really on the onset we saw shortage, but still as we see shortage and you except a change in the delivery mix a little, will be more India based resources and then you think that the wages in US might increase overall on a state by state level though you are going to use some low cost center to that approach 10% of wage increase in the next couple of years?

I was just curious, the answer ,it was little bit unclear, you are going to go to some low cost areas in United States, but there is still a shortage is which you guys discussed. And I am wondering the market is huge, you are going to grow, it seems like you will have the opportunity to grow extensively, some next 2 to 3 years you expect wage has to increase at 10% at least in the state by state level and then do you expect to use more India resources you know in your delivery say 70:30 may be as high as 80:20 at times. You expect the trend towards the higher range of Indian resources? Thanks

Raja

To start with I think, you are right, I guess the mix may not dramatically change overnight for sure, and our aim has been in terms of the compensation increased to trend in lines with the market, but what we do is very carefully ration that out in terms of prioritizing it for the right skill sets and time it accordingly also, because if you look at our compensation patterns we sometime sort of phase it out in a fairly spread across patterns to ensure that we deliver that right skill at the right time where we believe there is a most need at a given part of time. By and large, over the past few years that is the way we have been able to manage the cost well within the market trend line, so we certainly try some fairly innovative means of sort of structuring it, timing it, and rationing it out to the right skill sets to ensure that it is largely kept in lines with market trends.

Difficult to say if the market, if you continue to see very high attrition around the market which we are seeing some increase, there is a chance that 3.5 to 4% market average increase may go up in US, and that is anybody's call at this point of time, but I do not think it will dramatically go up, certainly probably a percentage or two, but it really does not look like it is a market which historically has seen any significant swings in the numbers.

Participant

Just 2 questions on the BPO business. If you could just give us some view on the competitive landscape, it seems like everyday there is another pure play guy going public. Could you come up against most often you know who are the guys that you sort of compete against, the most, and also related to that how you view captive organizations as competition as well you know captives are becoming bigger or small part of the pie? And then my second question is just on ....

T K Kurien

Let me answer his question on captive. If you look at the offshore BPO markets, the captive share of the business remained at around 50-55% of the total pie, and that we expected to decline last year, unfortunately it hasn't. The market itself has grown but that piece hasn't declined. Do we see competition from captives? The answer is clearly yes, but more and more what we are seeing is that captives themselves or captives that are great way to kick start process in India and to get you the cost benefit, that is when a captive becomes uncompetitive, because captive cost structures keep growing based upon wage

pressure, and for some strange reason, very much the reason why they are really outsourcing in first place, the process efficiency is not really focused on. So given that once company sees cost pressure on its captive site, typically they go out looking for another vendor, and that has been our experience. In terms of who we run up against, the market has changed considerably over the past year and a half, and primarily because of the fact that we are selling a new set of services, and that could be the reason why we are selling more integrated services. Right now in most cases we run up against Accenture, an IBM on the back office side, on the health care side typically an ACS, in terms of other processes and mix. In most cases amongst the Indian vendors typically we run up against our biggest competitor which is Infosys and WNS.

Sridhar Ramasubbu

We have other senior members of the management team. You heard Sanjay Gupta, head of technology Business PES telecom side, we have Makarand Teje, head of BFI – banking finance and insurance, for Americas. Rajiv Pant, head of enterprise solutions for verticals TMTS, energy and utilities, and we have Manoj Punja, head of the business for TMTS across the globe. Nagendra Bandaru, head of BPO operations for Americas. Sameer Kishore, head of infrastructure management for the Americas. Rajiv Shah, head of securities worldwide. So we have all these people available for discussion.

Mr. Premji just one question from Ashish we will take and then we will wrap it up.

Ashish

Thank you for taking this question. Last year at this forum, management had stated that key area for improvement lay in deepening top tier client relationships. You have touched upon this today, but any kind of additional color would be most helpful. What is your assessment of your opportunities and the progress that you have made with your top tier clients in terms of penetration?

Azim Premji

In terms of our large clients?

Ashish

Yes.

Azim Premji

I think we are doing a better today than we were 6 months back, and I am confident we will do a significantly better job 6 months from now than what we are doing today. I think our basic problem was we under resourced it, we just were penny wise pound foolish on it. We are fixing that and building teams around where we think the opportunities are, I think the mistakes we made was that too much of the talent we had we spent too thin across accounts without prioritizing those accounts which had the maximum potential. We are also doing now very strong program management training. We are using Stanford University for that extensively and now we are using a global consultant for very strong training of various components of our field force, people who actually sell, people who are pre sales, people who support, people who architect, and we have a very strong training program running now at various levels on technical skill building for architectural skills. Each of these programs are run at a very senior leadership level oversight. We believe that so far as large accounts are concerned, we have been growing slower than competition, and that is accounting for some amount of nucleus in our growth rate, with this problem getting attacked on absolutely war footing basis, I think one area where we had deficiency we should be able to fix. It is absolutely priority number one and priority number two. We have some superb accounts where we have a superb reputation.

We have to be more proactive in growing them faster and growing them significantly larger, which is why I talked initially about the mega accounts and the other large growth accounts. We are absolutely high on priority, and we have even shifted our system of reviews on a quarterly basis, 50% of our reviews are just focused on these accounts now at my level, and there are specific measures which people have to report on a quarterly basis in terms of where we are moving from point A to point B to point C to point D. Thank you.

Thank you and please join us for lunch. If you have a pre set meeting, the people will be available. If you need to set any meeting or you just need to network it is your privilege.

Sridhar Ramasubbu

Lunch is served in the just behind this hall, it is room #632, we request you to join for lunch. We are making arrangements to post the transcripts of the event.