

**WIPRO LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
**(IN THOUSANDS, EXCEPT SHARE DATA)**

	As of March 31,		As of December 31,		
	2000	2000	1999	2000	2000
			(unaudited)	(unaudited)	(unaudited)
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents (Note 4) .....	Rs. 783,603	\$ 16,762	Rs. 521,559	Rs. 5,761,269	\$ 123,236
Accounts receivable, net of allowances (Note 5) ..	4,431,360	94,788	4,074,243	5,382,873	115,142
Inventories (Note 6).....	1,215,160	25,993	1,512,131	1,169,878	25,024
Deferred income taxes (Note 22).....	11,678	250	44,330	223,844	4,788
Other current assets (Note 7).....	981,661	20,998	966,544	1,752,474	37,486
Total current assets .....	7,423,462	158,791	7,118,807	14,290,338	305,676
Investment securities (Note 8) .....	297,150	6,356	379,399	1,323,954	28,320
Property, plant and equipment, net (Note 9).....	3,603,681	77,084	3,463,238	5,382,864	115,141
Investments in affiliates (Note 14).....	704,885	15,078	680,447	644,666	13,790
Deferred income taxes (Note 22).....	256,073	5,477	374,087	70,562	1,509
Intangible assets, net (Note 10).....	10,795	231	19,691	985,188	21,074
Other assets (Note 7) .....	382,307	8,178	277,102	531,712	11,373
Total assets.....	Rs. 12,678,353	\$ 271,195	Rs. 12,312,771	Rs. 23,229,284	\$ 496,883
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Borrowings from banks (Note 16).....	Rs. 92,748	\$ 1,984	Rs. 1,167,526	Rs. 8,267	\$ 177
Current portion of long term debt (Note 17).....	1,249,570	26,729	241,799	1,362,033	29,134
Accounts payable.....	1,387,606	29,681	1,870,247	1,435,290	30,701
Accrued expenses .....	1,490,250	31,877	1,107,577	1,867,197	39,940
Advances from customers .....	754,825	16,146	523,938	714,525	15,284
Other current liabilities (Note 11).....	435,561	9,317	562,808	759,733	16,251
Redeemable preferred stock (Note 20).....	250,000	5,348	269,000	-	-
Total current liabilities .....	5,660,560	121,081	5,742,895	6,147,045	131,487
Long-term debt, excluding current portion (Note 17).....	211,144	4,516	1,343,471	119,571	2,558
Deferred income taxes (Note 22).....	17,974	384	73,578	9,280	199
Other liabilities (Note 12).....	101,735	2,176	42,184	44,272	947
Total liabilities .....	5,991,413	128,159	7,202,128	6,320,168	135,191
Stockholders' equity					
Equity shares at Rs. 2 par value: 235,000,000 shares authorized as of December 31, 1999 and March 31, 2000 and 375,000,000 shares authorized as of December 31, 2000; Issued and outstanding : 229,156,350 shares as of March 31, 2000 and December 31, 1999 and 232,391,814 shares as of December 31, 2000 (Note 18).....					
	458,313	9,803	458,313	464,784	9,942
Additional paid-in capital (Note 23) .....	800,238	17,117	394,173	6,664,927	142,565
Deferred stock compensation (Note 23).....	(208,358)	(4,457)	(302,171)	(132,924)	(2,843)
Accumulated other comprehensive income (Note 8) ..	1,772	38	1,587	919	20
Retained earnings (Note 19).....	5,635,050	120,536	4,558,811	9,911,485	212,010
Equity shares held by a controlled Trust:					
1,216,460, 1,263,510 and 1,272,785 shares as of March 31, 2000, December 31, 1999 and December 31, 2000 (Note 23) .....					
	(75)	(2)	(70)	(75)	(2)
Total stockholders' equity.....	6,686,940	143,036	5,110,643	16,909,116	361,692
Total liabilities and stockholders' equity.....	Rs. 12,678,353	\$ 271,195	Rs. 12,312,771	Rs. 23,229,284	\$ 496,883

See accompanying notes to the consolidated financial statements

**WIPRO LIMITED**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(IN THOUSANDS, EXCEPT SHARE DATA)**

	Three months ended December 31,			Nine months ended December 31,			Year ended March 31,	
	1999	2000	2000	1999	2000	2000	2000	2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	2000	2000
Revenues:								
Global IT Services.....	Rs. 2,652,250	Rs. 4,776,839	\$ 102,178	Rs. 7,245,077	Rs. 12,531,400	\$ 268,051	Rs. 10,206,078	\$ 218,312
Indian IT Services and Products .....								
Indian IT Services .....	377,148	361,301	7,728	1,029,298	1,213,117	25,949	1,423,283	30,445
Indian IT Products .....	1,749,567	1,223,322	26,167	4,574,303	4,520,444	96,694	6,758,344	144,564
Consumer Care and Lighting.....	840,697	852,369	18,232	2,360,994	2,424,053	51,851	3,222,316	68,927
Others .....	355,771	279,405	5,977	787,457	814,328	17,419	1,380,583	29,531
Total .....	5,975,433	7,493,236	160,283	15,997,129	21,503,342	459,964	22,990,604	491,778
Cost of revenues:								
Global IT Services.....	Rs. 1,316,384	Rs. 2,465,702	\$ 52,742	Rs. 4,482,461	Rs. 6,604,883	\$ 141,281	Rs. 6,173,724	\$ 132,058
Indian IT Services and Products .....								
Indian IT Services .....	165,317	120,368	2,575	443,452	462,936	9,902	609,574	13,039
Indian IT Products .....	1,547,958	888,439	19,004	3,788,437	3,569,348	76,350	5,573,518	119,220
Consumer Care and Lighting.....	527,624	579,938	12,405	1,687,587	1,679,467	35,924	2,251,238	48,155
Others .....	216,226	156,628	3,350	578,543	557,030	11,915	1,070,031	22,888
Total .....	3,773,509	4,211,075	90,076	10,980,480	12,873,664	275,372	15,678,085	335,360
Gross profit.....	2,201,924	3,282,161	70,207	5,016,649	8,629,678	184,592	7,312,519	156,418
Operating expenses:								
Selling, general, and administrative expenses .....	1,241,798	1,375,027	29,412	2,845,706	3,915,137	83,746	3,820,154	81,715
Operating income.....	960,126	1,907,134	40,794	2,170,943	4,714,541	100,846	3,492,365	74,703
Gain/(loss) on sale of stock of affiliates, including direct issue of stock by affiliate (Note 14)	412,144	-	-	412,144	-	-	412,144	8,816
Other income / (expense) , net (Note 21)	(15,540)	208,013	4,450	(76,233)	236,911	5,068	(155,144)	(3,319)
Income taxes (Note 22) .....	(186,126)	(298,720)	(6,390)	(335,126)	(626,619)	(13,404)	(525,298)	(11,236)
Income before share of equity in earnings of affiliates and minority interest.....	1,170,604	1,816,427	38,854	2,171,728	4,324,833	92,510	3,224,067	68,964
Equity in earnings of affiliates (Note 14)	57,917	18,302	391	88,690	27,224	582	112,590	2,408
Minority interest.....	-	-	-	(3,661)	-	-	(3,661)	(78)
Income from continuing operations.....	1,228,521	1,834,729	39,246	2,256,757	4,352,057	93,092	3,332,996	71,294
Discontinued operations (Note 3):								
Income tax benefit on sale of interest in discontinued operations .....	218,707			218,707			218,707	4,678
Net income.....	Rs. 1,447,228	Rs. 1,834,729	\$ 39,246	Rs. 2,475,464	Rs. 4,352,057	\$ 93,092	Rs. 3,551,703	\$ 75,972
Earnings per equity share:								
Basic								
Continuing Operations ....	5.39	7.96	0.17	9.91	19.02	0.41	14.63	0.31
Discontinued operations..	0.96	-	-	0.96	-	-	0.96	0.02
Net income.....	6.35	7.96	0.17	10.87	19.02	0.41	15.59	0.33
Earnings per equity share: Diluted								
Continuing operations.....	5.39	7.89	0.17	9.90	18.87	0.40	14.58	0.31
Discontinued operations..	.96	-	-	0.96	-	-	0.96	0.02
Net Income.....	6.35	7.89	0.17	10.86	18.87	0.40	15.54	0.33
Weighted average number of equity shares used in computing Earnings per equity share								
Basic .....	227,819,853	230,420,787	230,420,787	227,819,853	228,761,780	228,761,780	227,843,378	227,843,378
Diluted.....	228,032,765	232,459,424	232,459,424	228,032,765	230,694,235	230,694,235	228,648,134	228,648,134

See accompanying notes to the consolidated financial statements

**WIPRO LIMITED**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(IN THOUSANDS, EXCEPT SHARE DATA)**

	Equity Shares		Additional Paid in Capital	Deferred Stock Compensation	Comprehensive Income	Accumulated Other Comprehensive Income	Retained Earnings	Equity Shares held by a Controlled Trust		Total Stockholders Equity
	No. of Shares	Amount						No. of Shares	Amount	
Balance as of March 31, 1999 ....	229,156,350	Rs. 458,313	Rs. 182,562	Rs. (154,348)		Rs. 2,796	Rs. 2,158,969	(1,409,485)	Rs. (68)	Rs. 2,648,224
Cash dividends paid .....	—	—	—	—	—	—	(75,622)	—	—	(75,622)
Shares issued by Trust, net of forfeitures ( unaudited)	—	—	—	—	—	—	—	138,280	(10)	(10)
Sale of shares by trust	—	—	466,768	—	—	—	—	54,745	3	466,771
Compensation related to employee stock incentive plan .....	—	—	150,908	(150,908)	—	—	—	—	—	—
Amortization of compensation related to employee stock incentive plan .....	—	—	—	96,898	—	—	—	—	—	96,898
Comprehensive income .....	—	—	—	—	—	—	—	—	—	—
Net income .....	—	—	—	—	3,551,703	—	3,551,703	—	—	3,551,703
Other comprehensive income..	—	—	—	—	—	—	—	—	—	—
Unrealized gain/(loss) on investments, net .....	—	—	—	—	(1,024)	(1,024)	—	—	—	(1,024)
Comprehensive income .....	—	—	—	—	<u>Rs. 3,550,679</u>	—	—	—	—	—
Balance as of March 31, 2000 ....	229,156,350	Rs. 458,313	Rs. 800,238	Rs. (208,358)		Rs. 1,772	Rs. 5,635,050	(1,216,460)	Rs. (75)	Rs. 6,686,940
Balance as of March 31, 2000 \$..	—	\$ 9,803	\$ 17,117	\$ 4,457	\$ 53,982	\$ 38	\$ 120,536	—	\$ (2)	\$ 143,036
Cash dividends paid (unaudited) .	—	—	—	—	—	—	(75,622)	—	—	(75,622)
Common stock issued (unaudited) .....	3,162,500	6,325	5,796,449	—	—	—	—	—	—	5,802,774
Shares forfeited, net of issued by trust (unaudited) .....	—	—	—	—	—	—	—	(56,325)	—	—
Exercise of employee stock options (unaudited)	72,964	146	79,093	—	—	—	—	—	—	79,239
Compensation related to employee stock incentive plan (unaudited) .....	—	—	(10,853)	10,853	—	—	—	—	—	—
Amortization of compensation related to employee stock incentive plan (unaudited)	—	—	—	64,581	—	—	—	—	—	64,581
Comprehensive income .....	—	—	—	—	—	—	—	—	—	—
Net income (unaudited)	—	—	—	—	4,352,057	—	4,352,057	—	—	4,352,057
Other comprehensive income (unaudited)	—	—	—	—	—	—	—	—	—	—
Unrealized gain/(loss) on investments, net (unaudited) .....	—	—	—	—	(853)	(853)	—	—	—	(853)
Comprehensive income (unaudited) .....	—	—	—	—	<u>Rs. 4,351,204</u>	—	—	—	—	—
Balance as of December 31, 2000 (unaudited) .....	232,391,814	Rs. 464,784	Rs. 6,664,927	Rs. (132,924)	—	Rs. 919	Rs. 9,911,485	(1,272,785)	Rs. (75)	Rs. 16,909,116
Balance as of December 31, 2000 (unaudited) \$ .....	<u>          </u>	<u>\$ 9,942</u>	<u>\$ 142,565</u>	<u>\$ (2,843)</u>	<u>          </u>	<u>\$ 20</u>	<u>\$ 212,010</u>	<u>          </u>	<u>\$ (2)</u>	<u>\$ 361,692</u>

See accompanying notes to the consolidated financial statements

**WIPRO LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands, except share data)

	Year ended March 31,		Nine Months ended December 31,		
	2000	2000	1999	2000	2000
			(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities:					
Income from continuing operations.....	Rs.3,332,996	\$ 71,294	Rs. 2,256,757	Rs. 4,352,057	\$ 93,092
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:					
Loss / (Gain) on sale of property, plant and equipment .....	22,944	491	2,323	(41,034)	(878)
Depreciation and amortization .....	738,723	15,802	454,364	688,690	14,731
Interest accrued on long term debt	-	-	-	109,741	2,347
Deferred tax charge / (benefit).....	182,553	3,905	87,595	(34,574)	(740)
Loss / (Gain) on sale of short-term investments.....	(681)	(15)	(410)	-	-
Loss / (Gain) on sale of stock of affiliates, including direct issue of stock by affiliate .....	(412,144)	(8,816)	(412,144)	-	-
Amortization of deferred stock compensation .....	96,898	2,073	63,788	64,581	1,381
Undistributed equity in earnings of affiliates.....	(97,890)	2,094	(73,990)	(19,873)	(425)
Minority interest .....	3,661	78	3,661	-	-
Changes in operating assets and liabilities:					
Accounts receivable .....	(858,439)	(18,362)	(507,287)	(1,197,970)	(25,625)
Inventories .....	228,569	4,889	(68,403)	(235,009)	( 5,027)
Other assets.....	(237,449)	(5,079)	(121,012)	(824,704)	(17,641)
Accounts payable.....	(523,951)	(11,208)	(41,311)	137,873	2,949
Accrued expenses.....	622,528	13,316	219,092	372,591	7,970
Advances from customers...	216,820	4,638	(14,066)	(55,130)	(1,179)
Other liabilities.....	165,972	3,550	273,464	311,014	6,653
Net cash provided by operating activities .....	3,481,110	74,462	2,122,421	3,628,253	77,608
Cash flows from investing activities:					
Expenditure on property, plant and equipment .....	(1,317,958)	(28,192)	(888,777)	(2,278,147)	(48,730)
Proceeds from sale of property, plant and equipment .....	32,333	692	39,680	161,158	3,447
Funding of discontinued operations.....	(855,793)	(18,306)	(855,793)	-	-
Purchase of minority interest in subsidiary.....	(67,500)	(1,444)	(67,500)	(1,087,216)	(23,256)
Proceeds from sale of investments in affiliates .....	153,128	3,275	153,128	-	-
Proceeds from sale of assets of the peripherals division	-	-	-	156,280	3,343
Purchase of investments.....	(833,622)	(17,831)	(814,273)	(1,033,249)	(22,102)
Proceeds from sales and maturities of investments.....	95,974	2,053	4,204	64,817	1,386
Net cash used in investing activities.....	(2,793,438)	(59,753)	(2,429,331)	(4,016,357)	(85,912)
Cash flows from financing activities:					
Proceeds from issuance of common stock	-	-	-	5,802,773	124,123

	Year ended March 31,		Nine Months ended December 31,		
	2000	2000	1999 (unaudited)	2000 (unaudited)	2000 (unaudited)
Proceeds from exercise of employee stock options	-	-	-	79,239	1,695
Proceeds from/(repayments of) short term borrowing from banks, net .....	(1,688,043)	(36,108)	(613,265)	(105,537)	(2,257)
Proceeds from issuance of long term debt .....	1,010,219	21,609	1,010,219	-	-
Sale of shares by Trust .....	466,771	9,984	-	-	-
Repayment of long-term debt .....	(755,049)	(16,151)	(630,518)	(88,851)	(1,901)
Redemption of preferred stock	-	-	-	(250,000)	(5,348)
Proceeds from issuance of common stock by a subsidiary/affiliate.....	502,345	10,745	502,345	-	-
Payment of cash dividends.....	(75,622)	(1,618)	(75,622)	(75,622)	(1,618)
Net cash provided by/( used in) financing activities .....	(539,379)	(11,538)	193,159	5,362,002	114,694
Effect of de-consolidation of a subsidiary / step acquisition of an affiliate on cash and cash equivalents (Note 14).....	(1,943)	(42)	(1,943)	3,768	81
Net increase/ (decrease) in cash and cash equivalents during the year.....	146,350	3,131	(1,15,694)	4,977,666	106,471
Cash and cash equivalents at the beginning of the year.....	637,253	13,631	637,253	Rs. 783,603	16,762
Cash and cash equivalents at the end of the year .....	<u>Rs. 783,603</u>	<u>\$ 16,762</u>	<u>Rs. 521,559</u>	<u>Rs.5,761,269</u>	<u>\$ 123,236</u>
Supplementary information:					
Cash paid for interest .....	Rs. 335,545	\$ 7,177	Rs. 241,734	Rs. 60,929	\$ 1,303
Cash paid for taxes.....	221,233	4,732	80,688	829,771	17,749

Non cash consideration of Rs 114,600 was received from hive off of the peripherals division in the form of a 39% equity interest of Rs 54,600 in the hived off entity ( Wipro e-Peripherals) and non-convertible debentures of Rs 60,000 of this entity.

See accompanying notes to the consolidated financial statements

**WIPRO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**INFORMATION AS OF AND FOR THE NINE MONTHS AND THREE MONTHS ENDED DECEMBER 31, 1999 AND**  
**2000 IS UNAUDITED**  
**(IN THOUSANDS, EXCEPT SHARE DATA AND WHERE OTHERWISE STATED)**

**1. Overview**

Wipro Limited (Wipro), together with its subsidiaries Wipro Inc., En Think Inc., Wipro Prosper Limited, Wipro Welfare Limited, Wipro Trademarks Holdings Limited, Wipro Net Limited, Net Kracker Ltd, Wipro Japan KK and affiliates Wipro ePeripherals Ltd and Wipro GE Medical Systems Limited (collectively, the "Company") is a leading India based provider of IT services globally. Further, Wipro is in other businesses such as Indian IT Services and Products, Consumer Care and Lighting and healthcare systems. Wipro is headquartered in Bangalore, India.

**2. Significant Accounting Policies**

The preparation of consolidated financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

*Basis of preparation of financial statements.* The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles.

*Functional currency.* The functional and reporting currency of the Company is the Indian rupee as a significant portion of the Company's activities are conducted in India.

*Convenience translation.* The accompanying financial statements have been prepared in Indian rupee, the national currency of India. Solely for the convenience of the reader, the financial statements as of and for the nine months ended December 31, 2000 and as of and for the year ended March 31, 2000 have been translated into United States dollars at the noon buying rate in New York City on 29<sup>th</sup> December, 2000 for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of \$ 1 = Rs. 46.75. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate.

*Principles of consolidation.* The consolidated financial statements include the financial statements of Wipro and all of its subsidiaries, which are more than 50% owned and controlled. All material inter-company accounts and transactions are eliminated on consolidation. The Company accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the investee.

Pursuant to a joint venture agreement, effective December 27, 1999, the shareholding of the Company in Wipro Net Limited (Wipro Net) was reduced from 100% to 55%. The minority shareholder, KPN Group, held 45% of the voting stock and had certain significant participating rights which provided for its effective involvement in significant decisions in the ordinary course of business. Accordingly, the financial statements of Wipro Net were not consolidated from December 27, 1999 and were accounted for under the equity method. In December 2000, the Company acquired the minority interest held by the KPN Group. The financial statements of Wipro Net have been consolidated subsequent to this acquisition. Wipro's interest in Wipro Net prior to the date of acquisition continues to be reported by the equity method.

The financial statements of Wipro Finance Limited (Wipro Finance), a majority owned subsidiary, were consolidated with Wipro in fiscal 1998 and 1999. In December 1999, Wipro reduced its shareholding in Wipro Finance to 50%. Wipro has no financial obligations or commitments to Wipro Finance and does not intend to provide Wipro Finance with further financial support. Accordingly, Wipro has not provided for any losses beyond its equity investment and net advances, and the financial statements of Wipro Finance have not been consolidated since April 1, 1999.

*Cash equivalents.* The Company considers all highly liquid investments with remaining maturities, at the date of purchase/investment, of three months or less to be cash equivalents.

*Revenue recognition.* Revenues from software development services comprise income from time-and-material and fixed-price contracts. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue with respect to fixed-price contracts is recognized in accordance with the percentage of completion method of accounting. Provisions for estimated losses on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Maintenance revenue is deferred and recognized ratably over the term of the agreement. Revenue from customer training, support, and other services is recognized as the related service is performed. Revenue from the sales of goods is recognized, in accordance with the sales contract, on despatch from the factories/warehouses of the Company. When the Company receives advance payments from customers for sale of products or provision of services, such payments are reported as advances from customers until all conditions for revenue recognition are met.

*Inventories.* Inventories are stated at the lower of cost and market. Cost is determined using the weighted average method for all categories of inventories.

*Investment Securities.* The Company classifies its debt and equity securities in one of the three categories: trading, held-to-maturity or available-for-sale, at the time of purchase and re-evaluates such classifications as of each balance sheet date. Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Temporary unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis and are included in earnings. A decline in the fair value of any available-for-sale or held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. Fair value is based on quoted market prices. The impairment is charged to earnings.

*Derivative Financial Instruments.* The Company uses short-term forward foreign exchange contracts to cover foreign exchange risk. These contracts qualify as hedges, as changes in their fair value offset the effect of a change in the fair value of the underlying exposure. Such contracts are revalued based on the spot rates at the date of the balance sheet and the spot rates at the inception of the contract. Gains and losses arising on revaluation are recognized as offsets to gains and losses resulting from the transactions being hedged. Premium or discount on such forward exchange contracts are recognized over the life of the contract. The Company has entered into interest rate swap agreements which hedge interest rate risk on underlying debt. These contracts qualify as hedge transactions and are accounted for under the accrual method.

*Investments in affiliated companies.* The Company's equity in the earnings of affiliates is included in the statement of income and the Company's share of net assets of affiliates is included in the balance sheet.

*Shares issued by subsidiary/affiliate.* The issuance of stock by a subsidiary/affiliate to third parties reduces the proportionate ownership interest in the investee. Unless the issuance of such stock is part of a broader corporate reorganization, the Company recognizes a gain or loss, equal to the difference between the issuance price per share and the Company's carrying amount per share. Such gain or loss, is recognized in the statement of income when the transaction occurs.

*Property, Plant and Equipment.* Property, plant and equipment are stated at cost. The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. Assets under capital leases are amortized over their estimated useful life or the lease term, as appropriate. The estimated useful lives of assets are as follows:

Buildings	30 to 60 years
Plant and machinery	2 to 21 years
Furniture, fixtures and equipment	2 to 5 years
Vehicles	4 years
Computer software	2 years

Software for internal use is primarily acquired from third-party vendors and is in ready to use condition. Costs for acquiring this software are capitalized and subsequent costs are charged to revenue. The capitalized costs are amortized on a straight-line basis over the estimated useful life of the software. Deposits paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed under capital work-in-progress. The interest cost incurred for funding an asset during its construction period is capitalized based on the actual investment in the asset and the average cost of funds. The capitalized interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

*Intangible Assets.* The Company records as assets, costs incurred on assets which are of enduring value at the consideration paid for it and amortizes the cost by systematic charges to income over the period estimated to be benefited. Cost of acquisition that result in a goodwill is reported as an intangible asset and amortized over a period of five years.

*Start-up costs.* Cost of start-up activities including organization costs are expensed as incurred.

*Research and Development.* Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities that are acquired or constructed for research and development activities and having alternative future uses, is capitalized as tangible assets when acquired or constructed. Software product development costs are expensed as incurred until technological feasibility is achieved.

*Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of.* The Company has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

*Foreign Currency Transactions.* The functional and reporting currency of the Company is the Indian rupee. Foreign currency transactions are translated into Indian rupees at the rates of exchange prevailing on the date of the respective transactions. Assets and liabilities in foreign currency are translated into Indian rupees at the exchange rate prevailing on the balance sheet date. The resulting exchange gains/losses are included in the statement of income.

*Earnings Per Share.* The Company has adopted SFAS No. 128, Earnings Per Share. In accordance with SFAS No. 128, basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be antidilutive.



*Income Taxes.* Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

*Retirement Benefits to Employees.*

**Gratuity:** In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering certain categories of employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. The Company provides the gratuity benefit through annual contributions to a fund managed by the Life Insurance Corporation of India. Under this scheme, the settlement obligation remains with the Company, although the Life Insurance Corporation of India administers the scheme and determines the contribution premium required to be paid by the Company. The impact of the scheme is not material or expected to become material to the financial condition or operations of the Company.

**Superannuation:** Apart from being covered under the Gratuity Plan described above, the senior officers of the Company also participate in a defined contribution plan maintained by the Company. This plan is administered by the Life Insurance Corporation of India. The Company makes annual contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its annual contributions.

**Provident fund:** In addition to the above benefits, all employees receive benefits from a provident fund, a defined contribution plan. The employee and employer each make monthly contributions to the plan equal to 12% of the covered employee's salary. Until fiscal 1981, the Company contributed to the employees' provident fund maintained by the Government of India. Effective fiscal 1982, the Company established a provident fund trust to which a part of the contributions are made each month. The remainder of the contributions are made to the Government's provident fund. The Company has no further obligations under the plan beyond its monthly contributions.

*Stock-based Compensation.* The Company uses the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25 to account for its employee stock based compensation plans. The Company has therefore adopted the pro forma disclosure provisions of SFAS No. 123, Accounting for Stock-based Compensation.

*Recent accounting pronouncements.* In June 2000, the FASB issued SFAS No. 138, Accounting for Derivative Instruments and Hedging Activities an amendment of SFAS No.133. SFAS No. 138 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet either as an asset or as a liability and be measured at its fair value. The Statement requires that changes in a derivative's fair value be recognized in the current period unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that the Company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 138 is effective for all fiscal periods beginning after June 15, 2000. Application of the Statement will not have a significant impact on the financial statements of the Company.

### **3. Discontinued Operations**

The Company was involved in the financial services business through Wipro Finance, a majority owned subsidiary. The Company, for strategic reasons, decided to concentrate on its core businesses and as a result, in March 1999, the Company decided to exit the financial services business and approved a formal plan for winding down the operations of this business. Under the plan, Wipro Finance will not accept any new business and the existing assets

and liabilities would be liquidated as per their contractual terms. The Company estimated the shortfall in servicing liabilities of Wipro Finance through its assets and decided to fund the shortfall through a fresh infusion of equity and preferred stock amounting to Rs. 950,000.

The results of operations of Wipro Finance for all periods have been reported separately as "loss from operations of discontinued finance division". Similarly, the obligation of the Company to fund losses under the plan, in excess of recognized losses as of March 31, 1999, has been accrued as "provision for operating losses during phase-out period".

The assets and liabilities of Wipro Finance as of March 31, 1999 have been aggregated and reported separately as "net liabilities of discontinued business" as given below:

	<b>As of March 31, 1999</b>
<b>Assets:</b>	
Cash and cash equivalents .....	Rs. 7,472
Loans, net of allowances .....	1,278,533
Investment securities .....	116,855
Property, plant and equipment, net .....	64,705
Other assets .....	<u>147,063</u>
Total assets .....	<u>1,614,628</u>
<b>Liabilities:</b>	
Long term debt .....	2,141,844
Accounts payable .....	33,058
Preferred stock .....	286,000
Other liabilities .....	<u>9,519</u>
Total liabilities .....	<u>2,470,421</u>
Net liabilities of discontinued business .....	<u>Rs. 855,793</u>

The summarized information on results of operations of the discontinued business is given below:

	<b>Year Ended March 31, 1999</b>
Revenue .....	Rs. 469,582
Operating expenses .....	<u>(930,399)</u>
Loss from operations of discontinued finance division .....	<u>Rs. (460,817)</u>

In December 1999, the Company sold 50% of the interest in Wipro Finance to certain investors for a nominal amount. As a result of the sale, the Company does not have a controlling interest in Wipro Finance. The financial statements of Wipro Finance have not been consolidated for the year ended March 31, 2000 and nine months ended December 31, 1999 and 2000. The tax benefit of Rs. 218,707 arising on the sale has been reported separately as a component of discontinued operations.

#### **4. Cash and Cash Equivalents and Restricted Cash**

Cash and cash equivalents as of March 31, 2000, December 31, 1999 and 2000 comprise of cash, cash on deposit with banks and highly liquid money market instruments. Cash and cash equivalents include deposits of Rs. 2,108, Rs. 2,108 and Rs. 2,108 as of March 31, 2000, December 31, 1999 and 2000 respectively placed with banks as margin money in the normal course of business operations.

## 5. Accounts Receivable

The accounts receivable as of March 31, 2000, December 31, 1999 and 2000 are stated net of allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts based on present and prospective financial condition of the customer and aging of the accounts receivable. Accounts receivable are generally not collateralized.

The activity in the allowance for doubtful accounts receivable is given below:

	<b>Year ended March 31,</b>	<b>Nine months ended December 31,</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Balance at the beginning of the period.....	Rs. 277,841	Rs. 277,841	Rs. 196,602
Additional provision during the period .....	299,122	152,448	225,259
Bad debts charged to provision .....	(380,361)	(45,344)	(30,434)
Balance at the end of the period .....	<u>Rs. 196,602</u>	<u>Rs. 384,945</u>	<u>Rs. 391,427</u>

## 6. Inventories

Inventories consist of the following:

	<b>Year ended March 31,</b>	<b>As of December 31,</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Stores and spare parts .....	Rs. 42,914	Rs. 45,772	Rs. 44,275
Raw materials and components .....	497,545	722,442	490,971
Work-in-process .....	92,970	133,312	108,029
Finished goods .....	581,731	610,605	526,603
	<u>Rs. 1,215,160</u>	<u>Rs. 1,512,131</u>	<u>Rs. 1,169,878</u>

## 7. Other Assets

Other assets consist of the following:

	<b>Year ended March 31,</b>	<b>As of December 31,</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Prepaid expenses .....	Rs. 377,911	Rs. 340,144	Rs. 377,840
Advances to suppliers .....	35,510	56,712	101,884
Balances with statutory authorities .....	224,215	120,043	113,361
Deposits .....	382,307	363,366	531,712
Inter Corporate Deposit	-	-	637,014
Advance income taxes .....	125,000	236,995	204,708
Others .....	219,025	126,386	317,667
	1,363,968	1,243,646	2,284,186
Less: Current assets .....	981,661	966,544	1,752,474
	<u>Rs. 382,307</u>	<u>Rs. 277,102</u>	<u>Rs. 531,712</u>

## 8. Investment Securities

Investment securities consist of the following:

	As of March 31, 2000				As of Nine months ended December 31, 1999				As of Nine months ended December 31, 2000			
	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:												
Equity securities .....	Rs. 233	Rs. 2,298	Rs. (27)	Rs. 2,504	Rs. 674	Rs. 2,014	Rs. (29)	Rs. 2,659	Rs. 233	Rs. 1,961	Rs. (29)	Rs. 2,165
Debt Securities.....	Rs. —	Rs. —	Rs. —	Rs. —	Rs. —	Rs. —	Rs. —	Rs. —	Rs. 911,265	Rs. —	(1,266)	Rs. 909,999
	Rs. 233	Rs. 2,298	Rs. (27)	Rs. 2,504	Rs. 674	Rs. 2,014	Rs. (29)	Rs. 2,659	Rs. 911,498	Rs. 1,961	Rs. (1,295)	Rs. 912,164
Held-to-maturity:												
Treasury securities.....	Rs. —	Rs. —	Rs. —	Rs. —	Rs. —	Rs. —	Rs. —	Rs. —	Rs. 47,952	Rs. —	Rs. —	Rs. 47,952
Bonds and Debentures .....	Rs. 294,646	Rs. —	Rs. —	Rs. 294,646	Rs. 376,740	Rs. —	Rs. —	Rs. 376,740	Rs. 363,838	Rs. —	Rs. —	Rs. 363,838
	Rs. 294,646	Rs. —	Rs. —	Rs. 294,646	Rs. 376,740	Rs. —	Rs. —	Rs. 376,740	Rs. 411,790	Rs. —	Rs. —	Rs. 411,790
Total.....	Rs. 294,879	Rs. 2,298	Rs. (27)	Rs. 297,150	Rs. 377,414	Rs. 2,014	Rs. (29)	Rs. 379,399	Rs. 1,323,288	Rs. 1,961	Rs. (1,295)	Rs. 1,323,954

Debt securities, held to maturity as of December 31, 2000 mature between one through five years.

Dividends from securities available for sale, during the year ended March 31, 2000, December 31, 1999 and 2000 was Rs. 22 , Rs 31 and Rs 13 and is included in other income. Proceeds from the sale of securities, available for sale were Rs. 4,474 during the year ended March 31, 2000.

## 9. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	As of March 31,		As of December 31,	
	2000		1999	2000
			(unaudited)	(unaudited)
Land .....	Rs.	273,804	Rs. 276,002	Rs. 418,315
Buildings .....		701,839	555,107	974,318
Plant and machinery .....		3,202,434	3,249,373	4,435,872
Furniture, fixtures, and equipment .....		647,590	568,774	865,515
Vehicles .....		217,729	199,316	294,820
Computer software for internal use .....		298,105	262,584	495,317
Capital work-in-progress .....		709,146	690,213	990,083
		6,050,647	5,801,369	8,474,240
Accumulated depreciation and amortization .....		(2,446,966)	(2,338,131)	(3,091,376)
Property, plant and equipment, net .....	<u>Rs.</u>	<u>3,603,681</u>	<u>Rs. 3,463,238</u>	<u>Rs. 5,382,864</u>

Depreciation expense for the year ended March 31, 2000, nine months ended December 31, 1999 and 2000 is Rs. 734,473, Rs. 452,329 and Rs. 686,840 respectively. This includes Rs. 53,261, Rs. 49,606 and Rs. 123,193 being amortization of capitalized internal use software during the year ended March 31, 2000, nine months ended December 31, 1999 and 2000 respectively.

## 10. Intangible Assets

Intangible assets consisting of technical know-how and goodwill, are stated net of accumulated amortization of Rs. 5,647, Rs. 3,432 and Rs. 2,069 as of March 31, 2000 and December 31, 1999 and 2000 respectively. Technical know-how is amortized over six years. Amortization expenses for the years ended March 31, 2000, nine months ended December 31, 1999 and 2000 are Rs. 4,250, Rs. 2,035 and Rs. 1,850 respectively.

In October 1999, the Company acquired the 45% minority interest in Wipro Computers Limited for a consideration of Rs. 67,500. The acquisition resulted in a goodwill of Rs. 10,500. In December 2000, the Company acquired the 45% minority interest held by the KPN Group in Wipro Net for a consideration of Rs. 1,087,216. This acquisition resulted in a goodwill of Rs. 977,012. Goodwill is amortized over a period of 5 years.

## 11. Other Current Liabilities

Other current liabilities consist of the following:

	As of March 31,		As of December 31,	
	2000		1999	2000
			(unaudited)	(unaudited)
Inter-corporate deposits .....	Rs.	49,692	Rs. -	Rs. -
Statutory dues payable .....		154,958	79,418	423,536
Sundry deposits .....		-	-	154,246
Taxes payable .....		195,497	373,769	127,915
Others .....		35,414	109,621	54,036
	<u>Rs.</u>	<u>435,561</u>	<u>Rs. 562,808</u>	<u>Rs. 759,733</u>

## 12. Other Liabilities

Other liabilities primarily consist of security deposits collected from the Company's dealers.

## 13. Operating Leases

The Company leases office and residential facilities under cancellable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under those leases was Rs. 237,693, Rs. 170,561 and Rs. 205,876 for the years ended March 31, 2000, nine months ended December 31, 1999 and 2000 respectively.

## 14. Investments in Affiliates

*Wipro GE Medical Systems (Wipro GE).* The Company has accounted for its 49% interest in Wipro GE by the equity method. The carrying value of the investment in Wipro GE as of March 31, 2000, December 31, 1999 and 2000 was Rs. 434,299, Rs. 384,447 and Rs. 582,929 respectively. The Company's equity in the income of Wipro GE for the year ended March 31, 2000, nine months ended December 31, 1999 and 2000 was Rs. 138,749, Rs. 88,690 and Rs. 155,980 respectively.

*Wipro Net.* As of March 31, 1999, the Company held a 100% interest in Wipro Net represented by 15,219,180 equity shares of Rs. 10 each. Wipro Net is engaged in value added networking and communication services. The financial statements of Wipro Net were consolidated in fiscal 1999. In December 1999, the Company sold 2,903,410 equity shares to a minority shareholder for a consideration of Rs. 203,000 pursuant to a joint venture agreement. The gain on sale of Rs. 146,144 is included in the statement of income. Additionally, Wipro Net directly issued 7,173,132 shares to the joint venture partner at a price of Rs. 70 per share. As a result of the transactions, the Company's interest in Wipro Net reduced to 55%. The shareholders' agreement provided the minority shareholder in the joint venture with significant participating rights, which provided for its effective involvement in significant decisions in the ordinary course of business. Therefore, subsequent to the dilution, the Company accounted for its 55% interest by the equity method. The carrying value of the investment in Wipro Net as of March 31, 2000 and December 31, 1999 was Rs. 270,586, and Rs. 296,000 respectively. The carrying value increased by Rs. 266,000 due to the direct issue of shares to the minority shareholder. As the direct issue of shares by Wipro Net is not part of a broader corporate reorganization, the gain due to the change in the carrying value of the investment has been included in the statement of income. The Company's equity in the loss of Wipro Net for the year ended March 31, 2000 was Rs. 26,159.

In December 2000, the Company acquired 45 % minority interest for Rs 1,087,216 resulting in a goodwill of Rs 977,012. Subsequent to the acquisition, the financial statements have been consolidated with Wipro. Wipro's equity in the loss of Wipro Net prior to the acquisition of minority interest amounting to Rs 135,893 is reported by the equity method.

*Wipro e-Peripherals Ltd.* On September 1, 2000, the Peripherals Division (PD) of Wipro, which was engaged in the business of manufacture, sales and trading of computer peripherals was hived off into a separate legal entity, Wipro e-Peripherals Ltd. (WeP). Assets and liabilities of the PD were transferred to the new entity for Rs 270,880. The consideration for sale was received in the form of 39 % equity interest in WeP of Rs 54,600, 12.5 % non-convertible debentures redeemable in 2005 of Rs 60,000 and cash of Rs 156,280. No gain was recognized on the sale. Contemporaneously, WeP issued the balance 61 % of its equity to strategic investors and employees for cash. Shares were issued to Wipro and new investors at the par value of Rs 10. Subsequent to the sale Wipro has accounted for its 39 % interest by the equity method.

The carrying value of investment in WeP as of December 31, 2000 was Rs 61,737. The Company's equity in the income of WeP for the nine months ended December 31, 2000 was Rs 7,137.

## 15. Financial Instruments and Concentration of Risk

*Concentration of risk.* Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, investment securities and accounts receivable. The Company's cash resources are invested with financial institutions and commercial corporations with high investment grade credit ratings. Limits have been established by the Company as to the maximum amount of cash that may be invested with any such single entity. To reduce its credit risk, the Company performs ongoing credit evaluations of customers. No single customer accounted for 10% or more of accounts receivable as of March 31, 2000, December 31, 1999 and 2000.

*Derivative financial instruments.* The Company enters into forward foreign exchange contracts and interest rate swap agreements where the counterparty is generally a bank. The Company considers the risks of non-performance by the counterparty as non-material. The following table presents the aggregate contracted principal amounts of the Company's derivative financial instruments outstanding :

	As of March 31,	As of December 31,	
	2000	1999	2000
		(unaudited)	(unaudited)
Forward contracts .....	\$ 48,487,662(sell)	\$30,872,620 (sell)	\$58,038,573 (sell)
Interest rate swaps .....	\$ 6,500,000	\$ 8,125,000	\$ 4,875,000

The foreign forward exchange contracts mature between one to six months. Interest rate swap agreements mature between one to five years.

## 16. Borrowings from Banks

The Company has a line of credit of Rs. 2,650,000 from its bankers for working capital requirements. The line of credit is renewable annually. The credit bears interest at the prime rate of the bank, which averaged 13.12% in fiscal 2000 and during the nine months ended December 31, 1999 and 2000. The facilities are secured by inventories, accounts receivable and certain property and contain financial covenants and restrictions on indebtedness.

## 17. Long-term Debt

Long-term debt consists of the following:

	As of March 31,		As of December 31,	
	2000		1999	2000
			(unaudited)	(unaudited)
Debentures and bonds .....	Rs.	-	Rs. 6,667	Rs. -
Foreign currency borrowings .....		269,453	368,491	194,698
Rupee term loans from banks and financial institutions .....		1,153,495	1,161,819	1,243,235
Foreign currency term loans from financial institutions .....		-	14,848	-
Others .....		37,766	33,445	43,671
		1,460,714	1,585,270	1,481,604
Less: Current portion .....		1,249,570	241,799	1,362,033
		<u>Rs. 211,144</u>	<u>Rs. 1,343,471</u>	<u>Rs. 119,571</u>

In December 1999, the Company has transferred an 8% interest in Wipro Net to a financial institution. Under the terms of the transfer, the Company has a call option to repurchase the transferred shares at a pre-determined consideration. Additionally, the financial institution has a put option to sell the shares to the Company at a pre-determined consideration. The financial institution cannot transfer the shares to a third party within the period of the call option. The Company has recorded the transfer as a secured borrowing with pledge of collateral. The rupee term loans include Rs. 1,010,219, Rs 994,218 and Rs 1,138,136 representing such a borrowing as of March 31, 2000, December 31, 1999 and 2000 respectively. The call and put option can be exercised between 13 months to 18 months from the date of transfer. The principal shareholder of the Company has pledged certain shares held in Wipro to further secure the borrowing.

All other long term debt is secured by a specific charge over the property, plant and equipment of the Company and contains certain financial covenants and restrictions on indebtedness.

Foreign currency borrowing represents a fixed rate U.S. dollar borrowing. In order to hedge the foreign exchange risk on the borrowing, Wipro entered into a structured swap agreement with a bank in September 1999. Under this agreement, the bank would assume all responsibilities to repay the borrowing and interest thereon in foreign currency as per the scheduled maturity of the borrowing. In exchange, the Company would pay the bank a fixed amount in Indian rupees per an agreed schedule. In order to secure the Indian rupee payment streams to the bank, Wipro made an investment in certain discount bonds, the proceeds of which have been assigned as security to the bank. The swap agreement has been accounted as a hedge with the hedge cost amortized to income over the life of the contract. The discount bonds are classified as "held to maturity" investment securities.

An interest rate profile of long term debt is given below:

	As of March 31,		As of December 31,	
	2000		1999	2000
			(unaudited)	(unaudited)
Debentures and bonds .....	—%		18.5%	—%
Foreign currency borrowings .....	6.7%		6.7%	6.7 %
Rupee term loans from banks and financial institutions .....	13.9%		13.5 to 15.0 %	14.75 %
Foreign currency term loans from financial institutions .....	—%		7.5 %	—%



A maturity profile of long term debt outstanding as of December 31, 2000 is set out below :

Maturing in:	
2001.....	1,362,033
2002.....	90,793
2003.....	28,305
2004.....	105
Thereafter.....	<u>368</u>
Total.....	<u>1,481,604</u>

## 18. Equity Shares and Dividends

The Company presently has only one class of equity shares. For all matters submitted to vote in the shareholders meeting, every holder of equity shares, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held by him or her.

Indian statutes mandate that dividends shall be declared out of distributable profits only after the transfer of up to 10% of net income computed in accordance with current regulations to a general reserve. Should the Company declare and pay dividends, such dividends will be paid in Indian rupees to each holder of equity shares in proportion to the number of shares held by him to the total equity shares outstanding as on that date. Indian statutes on foreign exchange govern the remittance of dividend outside India. Such dividend payments are subject to withholding taxes applicable at the time of payment.

In the event of liquidation of the affairs of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company, after such discharge, shall be distributed to the holders of equity shares in proportion to the number of shares held by them.

The Company has paid cash dividends of Rs 0.30 per share aggregating to Rs 75,622 for the year ended March 31, 2000 and nine months ended December 31, 2000.

In November 1997, the Company effected a two-for-one share split in the form of a share dividend. In September 1999, the Company effected a five-for-one share split of the Company's equity shares. All references in the consolidated financial statements to number of shares and per share amounts of the Company's equity shares have been retroactively restated to reflect the increased number of equity shares outstanding resulting due to the share splits.

In October 2000, the Company made an American Depositary offering to international investors of 3,162,500 American Depositary Shares representing 3,162,500 equity shares at an offering price of US \$ 41.375 per American Depositary Share.

## 19. Retained Earnings

The Company's retained earnings as of March 31, 2000, December 31, 1999 and 2000 include restricted retained earnings of Rs. 23,585, Rs. 30,773 and Rs. 274,335 respectively which are not distributable as dividends under Indian company and tax laws. These relate to requirements regarding earmarking a part of the retained earnings for redemption of debentures and to avail specific tax allowances.

Retained earnings as of March 31, 2000, December 31, 1999 and 2000 also include Rs. 532,885, Rs. 508,447 and Rs. 541,066 respectively of undistributed earnings in equity of affiliates.

## 20. Redeemable Preferred stock

Preferred stock issued by companies incorporated in India carries a preferential right to be paid and on liquidation, and a preferential right to be repaid over the equity shares. The Company has two series of redeemable preferred stock as detailed below that are reflected as a liability in the balance sheets.

*Redeemable preferred stock of Wipro.* The Company had issued 25,000,000 preferred shares aggregating Rs. 250,000 to a financial institution bearing dividend at 10.25% per annum. The preferred stock was redeemed in December 2000.

## 21. Other income / (expense), net

Other expense consists of the following:

	Three months ended December 31,		Nine months ended December 31,		Year ended March 31,
	1999	2000	1999	2000	2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Interest income / (expense), net of capitalized interest .....	Rs. (17,927)	Rs. 73,449	Rs. (172,017)	Rs. 13,929	Rs. (283,627)
Foreign exchange gain/(loss) .....	(8,253)	91,474	35,355	110,688	51,603
Others.....	10,640	43,090	60,429	112,294	76,880
Total.....	<u>Rs. (15,540)</u>	<u>Rs. 208,013</u>	<u>Rs. (76,233)</u>	<u>Rs. 236,911</u>	<u>Rs. (155,144)</u>

Rs. 53,980 Rs. 53,980 and Rs 10,000 of interest has been capitalized during the year ended March 31, 2000, nine months ended December 31, 1999 and 2000 respectively.

## 22. Income Taxes

Income taxes consist of the following:

	Three months ended December 31,		Nine months ended December 31,		Year ended March 31,
	1999	2000	1999	2000	2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Current Taxes					
Domestic.....	Rs. 112,135	Rs. 224,089	Rs. 127,135	Rs. 403,889	Rs. 167,825
Foreign .....	<u>66,856</u>	<u>109,205</u>	<u>120,396</u>	<u>257,304</u>	<u>174,920</u>
Deferred Taxes					
Domestic.....	7,135	(34,574)	87,595	(34,574)	182,553
Total income tax expense.....	<u>Rs. 186,126</u>	<u>Rs. 298,720</u>	<u>Rs. 335,126</u>	<u>Rs. 626,619</u>	<u>Rs. 525,298</u>

The reported income tax expense differed from amounts computed by applying the enacted tax rates to income from continuing operations before income taxes as a result of the following:

	Three months ended December 31,		Nine months ended December 31,		Year ended March 31,
	1999	2000	1999	2000	2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Income from continuing operations before taxes .....	Rs. 1,415,599	2,133,449	Rs. 2,591,883	4,978,678	Rs. 3,858,294
Enacted tax rate in India.....	<u>38.5%</u>	<u>38.5%</u>	<u>38.5%</u>	<u>38.5%</u>	<u>38.5%</u>
Computed expected tax expense.....	545,006	821,378	997,875	1,916,791	1,485,443
Effect of:					
Income exempt from tax in India.....	(337,459)	(655,906)	(739,267)	(1,600,060)	(1,104,111)
Change in enacted tax rate.....	-	-	(22,385)	-	(22,385)
Others .....	<u>(88,277)</u>	<u>24,043</u>	<u>(21,493)</u>	<u>52,584</u>	<u>(8,569)</u>
Domestic income taxes .....	119,271	189,515	214,730	369,315	350,378
Effect of tax on foreign income.....	66,856	109,205	120,396	257,304	174,920
Total income tax expense.....	<u>Rs. 186,126</u>	<u>Rs. 298,720</u>	<u>Rs. 335,126</u>	<u>Rs. 626,619</u>	<u>Rs. 525,298</u>

A substantial portion of the profits of the Company's India operations are exempt from Indian income taxes being profits attributable to export operations and profits from undertakings situated in Software Technology and Hardware Technology Parks. Under the tax holiday, the taxpayer can utilize an exemption from income taxes for a period of any ten consecutive years. The Company has opted for this exemption from the year ended March 31, 1997 for undertakings situated in Software Technology and Hardware Technology Parks. The aggregate rupee and per share effects of the tax holiday are, Rs. 1,104,111 and Rs. 4.85 for the year ended March 31, 2000, Rs. 739,267 and Rs. 3.24 per share for the nine months ended December 31, 1999 and Rs. 1,600,060 and Rs. 7 per share for the nine months ended December 31, 2000 respectively.

	<u>As of March 31,</u>		<u>As of December 31,</u>	
	<u>2000</u>		<u>1999</u>	<u>2000</u>
			<u>(unaudited)</u>	<u>(unaudited)</u>
Deferred tax assets				
Allowance for doubtful accounts .....	Rs.	37,366	Rs.	162,008
Carry-forward capital losses .....		24,446		—
Transfer of stock of affiliate .....		194,261		194,261
Others .....		11,678		62,148
Total .....	<u>Rs.</u>	<u>267,751</u>	<u>Rs.</u>	<u>418,417</u>
Deferred tax liabilities				
Property, plant and equipment .....	Rs.	16,610	Rs.	71,218
Unrealized gain on available for sale securities .....		500		397
Borrowing costs .....		864		1,963
Total .....	<u>Rs.</u>	<u>17,974</u>	<u>Rs.</u>	<u>73,578</u>
				<u>Rs.</u>
				<u>294,406</u>

Management is of the opinion that the realizability of the deferred tax assets recognized as of March 31, 2000, December 31, 1999 and 2000 is more likely than not. Management has considered estimated future taxable income and the impact of tax exemption currently available to the Company, while analyzing the realizability of the deferred tax asset.

### **23. Employee Stock Incentive Plans**

In fiscal 1985, the Company established a controlled trust called the Wipro Equity Reward Trust ("WERT"). Under this plan, the WERT would purchase shares of Wipro out of funds borrowed from Wipro. The Company's Compensation Committee would recommend to the WERT, officers and key employees, to whom the WERT will grant shares from its holding. The shares have been granted at a nominal price. Such shares would be held by the employees subject to vesting conditions. The shares held by the WERT are reported as a reduction from stockholders' equity. 530,635 , 358,750 and 679,450 shares held by employees as of March 31, 2000, December 31, 1999 and 2000 respectively, subject to vesting conditions are included in outstanding equity shares.

In February 2000, the WERT sold 54,745 shares to third parties for a consideration of Rs. 524,475. The gain on the sale aggregating Rs. 524,472, net of the realized tax impact of Rs. 57,704 has been credited to additional paid-in capital.

The movement in the shares held by the WERT is given below:

	<u>As of March 31,</u>	<u>Nine months ended December 31,</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>
		(unaudited)	(unaudited)
Shares held at the beginning of the period.....	1,409,485	1,409,485	1,216,460
Shares granted to employees .....	(254,100)	(248,600)	(2,660)
Sale of Shares by the WERT .....	(54,745)		—
Grants forfeited by employees .....	<u>115,820</u>	<u>102,625</u>	<u>58,985</u>
Shares held at the end of the period .....	<u><u>1,216,460</u></u>	<u><u>1,263,510</u></u>	<u><u>1,272,785</u></u>

The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for its employee stock-based compensation plan. During the year ended March 31, 2000, nine months ended December 31, 1999 and 2000, the Company has recorded deferred compensation of Rs. 150,908 , Rs. 211,611 and Rs. 5,676 respectively for the difference between the grant price and the fair value as determined by quoted market prices of the equity shares at the grant date. The deferred compensation is amortized on a straight-line basis over the vesting period of the shares which ranges from 6 to 60 months. The weighted-average-grant-date fair values of the shares granted during the year ended March 31, 2000 , the nine months ended December 31, 1999 and 2000 are Rs. 1,028 , Rs. 1,002 and Rs. 2,142 respectively. The amortization of deferred stock compensation for the year ended March 31, 2000, the nine months ended December 31, 1999 and 2000 was Rs. 96,898, Rs. 63,788 and Rs. 64,581 respectively. The stock-based compensation has been allocated to cost of revenues and selling, general and administrative expenses as follows:

	<u>Year ended</u>	<u>Nine months ended December 31,</u>	
	<u>March 31,</u>	<u>1999</u>	<u>2000</u>
		(unaudited)	(unaudited)
Cost of revenues .....	Rs. 36,299	Rs. 25,239	Rs. 23,075
Selling, general and administrative expenses .....	<u>60,599</u>	<u>38,549</u>	<u>41,506</u>
Total .....	<u><u>Rs. 96,898</u></u>	<u><u>Rs. 63,788</u></u>	<u><u>Rs. 64,581</u></u>

In July 1999, the Company established Wipro Employee Stock Option Plan 1999 (the "1999 Plan"). Under the 1999 Plan, the Company is authorized to issue up to 5 million equity shares of common stock to eligible employees. Employees covered by the 1999 Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the 1999 Plan. During the year ended March 31, 2000 and nine months ended December 31, 2000 the Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the 1999 Plan is as follows:

	Year ended March 31, 2000			Weighted-average remaining contractual life
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	
Outstanding at the beginning of the period.....	—	—	—	—
Granted during the period.....	2,558,150	Rs. 1,024 to 2,522	Rs. 1,091	36 months
Forfeited during the period.....	(146,000)	1,086	1,086	39 months
Outstanding at the end of the period.....	<u>2,412,150</u>	<u>1,024 to 2,522</u>	<u>1,091</u>	<u>36 months</u>
Exercisable at end of the period.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>— months</u>

	Nine months ended December 31, 1999 (unaudited)			Weighted-average remaining contractual life
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	
Outstanding at the beginning of the period.....	—	—	—	—
Granted during the period.....	2,546,150	Rs. 1,024 to 1,086	Rs. 1,085	39 months
Outstanding at the end of the period.....	<u>2,546,150</u>	<u>Rs. 1,024 to 1,086</u>	<u>Rs. 1,085</u>	<u>39 months</u>
Exercisable at end of the period.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>— months</u>

	Nine months ended December 31, 2000 (unaudited)			Weighted-average remaining contractual life (months)
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	
Outstanding at the beginning of the period.....	2,412,150	Rs. 1,024 - 2,522	Rs. 1,091	36 months
Granted during the period.....	2,672,000	1,853 - 2,419	1,860	35 months
Forfeited during the period.....	(282,550)	1,086	1,086	32 months
Exercised during the period.....	(72,964)	1,086	1,086	- months
Outstanding at the end of the period.....	<u>4,728,636</u>	<u>1,024 - 2,522</u>	<u>1,543</u>	<u>31 months</u>
Exercisable at end of the period.....	<u>139,996</u>	<u>Rs. 1,024-1,086</u>	<u>Rs. 1,085</u>	<u>— months</u>

In July 2000, the Company established Wipro Employee Stock Option Plan 2000 (the "2000 Plan"). Under the 2000 Plan, the Company is authorized to issue up to 25 million equity shares of common stock to eligible employees. Employees covered by the 2000 Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the 2000 Plan. During the nine months ended December 31, 2000 the Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the 2000 Plan is as follows:

<b>Nine months ended December 31, 2000 (unaudited)</b>			
<b>Shares arising out of options</b>	<b>Range of exercise prices and grant date fair values</b>	<b>Weighted average exercise price and grant date fair values</b>	<b>Weighted-average remaining contractual life (months)</b>
Outstanding at the beginning of the period .....			
Granted during the period .....	3,443,575	Rs. 2,382 - 2,651	2,396
Forfeited during the period .....	(133,850)	2,382	2,382
Outstanding at the end of the period.....	<u>3,309,725</u>	Rs. 2,382 - 2,651	<u>2,396</u>
Exercisable at end of the period.....	<u>                    </u>	<u>                    </u>	<u>                    </u>

In April 2000, the Company established the 2000 Stock Option Plan (the "2000 ADS Plan"). Under the 2000 ADS Plan, the Company is authorized to issue up to 1.5 million equity shares of common stock to eligible employees. Employees covered by the 2000 ADS Plan are granted an option to purchase American Depository Shares (ADS) corresponding to equity shares of the Company subject to the requirements of vesting. The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for the 2000 ADS Plan. During the nine months ended December 31, 2000 the Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying ADS on the grant date.

Stock option activity under the 2000 ADS Plan is as follows:

<b>Nine months ended December 31, 2000 (unaudited)</b>			
<b>Shares arising out of options</b>	<b>Range of exercise prices and grant date fair values</b>	<b>Weighted average exercise price and grant date fair values</b>	<b>Weighted-average remaining contractual life (months)</b>
Outstanding at the beginning of the period .....			
Granted during the period .....	268,250	\$ 41.375	\$ 41.375
Forfeited during the period .....	(4,000)	\$ 41.375	\$ 41.375
Outstanding at the end of the period.....	<u>264,250</u>	<u>\$ 41.375</u>	<u>\$ 41.375</u>
Exercisable at end of the period.....	<u>                    </u>	<u>                    </u>	<u>                    </u>

The Company has adopted the pro forma disclosure provisions of SFAS No. 123. Had compensation cost been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company's net income and basic earnings per share as reported would have been reduced to the pro forma amounts indicated below:

	<u>Year ended</u> <u>March 31,</u>	<u>Nine months ended December 31,</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>
		(unaudited)	(unaudited)
Net income .....			
As reported.....	Rs. 3,551,703	Rs. 2,475,464	Rs. 4,352,057
Adjusted pro forma.....	3,317,287	2,358,913	3,287,994
Earnings per share: Basic .....			
As reported.....	15.59	10.87	19.02
Adjusted pro forma.....	14.56	10.35	14.37
Earnings per share: Diluted.....			
As reported.....	15.54	10.86	18.87
Adjusted pro forma.....	14.51	10.35	14.31

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions.

Dividend yield .....	0.03%
Expected life .....	42 months
Risk free interest rates .....	11.88%
Volatility.....	0.80

## 24. Earnings per share

A reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share is set out below

	<u>As of</u> <u>March 31,</u>	<u>Nine months ended December 31,</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>
		(unaudited)	(unaudited)
Basic earnings per equity share — weighted average number of equity shares outstanding.....	227,843,378	227,819,853	228,761,780
Effect of dilutive equivalent shares-stock options outstanding .....	<u>804,756</u>	<u>212,912</u>	<u>1,932,455</u>
Diluted earnings per equity share — weighted average number of equity shares and equivalent shares outstanding .....	<u>228,648,134</u>	<u>228,032,765</u>	<u>230,694,235</u>

Shares held by the controlled WERT have been reduced from the equity shares outstanding and shares held by employees subject to vesting conditions have been included in outstanding equity shares for computing basic and diluted earnings per share.

## 25. Related Party Transactions

During the year ended March 31, 2000, the Company sold goods and provided services in the nature of administrative and management support for a consideration of Rs. 54,535 to Wipro GE. The Company paid rental charges of Rs. 1,198, Rs 900 and Rs 900 during the year ended March 31, 2000, nine months ended December 31, 1999 and 2000 respectively to Wipro GE for use of office premises.

During the year ended March 31, 2000, the Company provided consultancy services to Wipro Net for a consideration of Rs. 12,186. During the nine months ended December 31, 2000 the Company provided computer and network maintenance support to Wipro Net for Rs. 2,243. During the nine months ended December 31, 2000 the Company provided computer and network maintenance support to WeP for Rs. 1,150.

In April 1999, the Company entered into a cancellable agreement with the principal shareholder for lease of residential premises. Rs. 1,200, Rs 900 and Rs. 900 has been paid to the principal shareholder as lease rentals for the year ended March 31, 2000, nine months ended December 31, 1999 and 2000 respectively.

The Company has the following receivables from related parties, which are reported as "other assets" in the balance sheet.

	<u>As of March 31,</u>	<u>As of December 31,</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>
		(unaudited)	(unaudited)
Wipro GE.....	Rs. —	Rs. 800	Rs. —
Wipro Net .....	12,186	1,276	10,950
Wipro ePeripherals .....			21,730
Security deposit given to Hasham Premji, a firm under common control.....	25,000	25,000	25,000
	<u>Rs. 37,186</u>	<u>Rs. 27,076</u>	<u>Rs. 57,680</u>

## 26. Commitments and Contingencies

*Capital commitments.* As of March 31, 2000, December 31, 1999 and 2000, the Company had committed to spend approximately Rs. 160,084, Rs 287,227 and Rs. 404,211 respectively under agreements to purchase property and equipment. This amount is net of capital advances paid in respect of these purchases.

*Guarantees.* As of March 31, 2000, December 31, 1999 and 2000 performance guarantees provided by banks on behalf of the Company to certain Indian Government and other agencies amount to approximately Rs. 880,557, Rs. 694,854 and Rs. 448,125 respectively as part of the bank line of credit.

*Other commitments.* The Company's Indian operations have been established as a Software Technology Park Unit under a plan formulated by the Government of India. As per the plan, the Company's India operations have export obligations to the extent of 1.5 times the employee costs for the year on an annual basis and 1.5 times (increased to 5 times during fiscal 2000) the amount of foreign exchange released for capital goods imported, over a five year period. The consequence of not meeting this commitment in the future, would be a retroactive levy of import duty on certain computer hardware previously imported duty free. As of nine months ended December 31, 2000, the Company has met all commitments under the plan.

*Contingencies.* The Company is involved in lawsuits, claims, investigations and proceedings, including patent and commercial matters, which arise in the ordinary course of business. There are no such matters pending that Wipro expects to be material in relation to its business.



## 27. Segment Information

The Company has adopted SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information, which establishes standards for reporting information about operating segments and related disclosures about products, geographic information and major customers.

The Company is organized by segments, including Global IT Services, Indian IT Services and Products, Consumer Care and Lighting and other segments. Each of the segments has a Vice Chairman / Chief Executive Officer who reports to the Chairman of the Company. The Chairman of the Company has been identified as the Chief Operating Decision Maker as defined by SFAS No. 131. The Chairman of the Company evaluates the segments based on their revenue growth, operating income and return on capital employed. The accounting policies for the segment are the same as described in the summary of significant accounting policies and practices except that exchange rate fluctuations and interest income by lending to the other segments within the Company is considered as a component of total revenue and operating income for segment data.

With effect from the quarter ended June 30, 2000 the chief operating decision maker evaluates revenue growth and operating income of the segments excluding interest income earned by the segment by lending to other segments within the Company as a component of revenue and operating income of the segment.

Consequently from the quarter ended June 30, 2000, interest income earned by lending to other segments within the Company is not considered as a component of revenue and operating income for segment data. The Company has three reportable segments :

The Global IT Services (Wipro Technologies) segment provides research and development services for hardware and software design to technology and telecommunication companies and software application development services to corporate enterprises.

The Indian IT Services and Products (Wipro Infotech) segment focuses primarily on meeting all the IT and electronic commerce requirements of Indian companies.

The Consumer Care and Lighting segment manufactures, distributes and sells soaps, toiletries, lighting products and hydrogenated cooking oils for the Indian market.

The "Others" segment consists of various business segments that did not meet the requirements individually for a reportable segment as defined in SFAS No. 131.

Information on reportable segments is as follows:

**Year ended March 31, 2000**

	<b>Global IT Services</b>	<b>Indian IT Services and Products</b>	<b>Consumer Care and Lighting</b>	<b>Others (net of eliminations)</b>	<b>Reconciling Items</b>	<b>Entity Total</b>
Revenues .....	Rs. 10,206,078	Rs. 8,181,627	Rs. 3,222,316	Rs. 1,380,583	Rs. —	Rs. 22,990,604
Exchange rate Fluctuations .....	88,946	(13,923)	(2,090)	—	(72,933)	—
Interest income on funding other segments, net .....	<u>163,500</u>	<u>—</u>	<u>43,000</u>	<u>—</u>	<u>(206,500)</u>	<u>—</u>
Total revenues .....	10,458,524	8,167,704	3,263,226	1,380,583	(279,433)	22,990,604
Cost of revenues .....	(6,173,724)	(6,183,092)	(2,251,238)	(1,070,031)	—	(15,678,085)
Selling, general and administrative expenses .....	<u>(1,391,265)</u>	<u>(1,549,302)</u>	<u>(533,023)</u>	<u>(346,564)</u>	<u>—</u>	<u>(3,820,154)</u>
Operating income of segment .....	<u>Rs. 2,893,535</u>	<u>Rs. 435,310</u>	<u>Rs. 478,965</u>	<u>Rs. (36,012)</u>	<u>Rs. (279,433)</u>	<u>Rs. 3,492,365</u>
Total assets of segment .....	Rs. 5,116,501	Rs. 3,788,784	Rs. 1,282,676	Rs. 2,490,392	Rs. —	Rs. 12,678,353
Capital employed .....	2,711,042	1,474,491	678,549	3,569,708	—	8,433,790
Return on capital employed .....	107%	30%	71%	—	—	41%
Accounts receivable .....	2,163,931	1,743,789	133,889	389,751	—	4,431,360

**Nine months ended December 31, 1999 (unaudited)**

	<b>Global IT Services</b>	<b>Indian IT Services and Products</b>	<b>Consumer Care and Lighting</b>	<b>Others (net of eliminations)</b>	<b>Reconciling Items</b>	<b>Entity Total</b>
						Rs. 15,997,129
Revenues .....	Rs. 7,245,077	Rs. 5,603,601	Rs. 2,360,994	Rs. 787,457	Rs. —	—
Exchange rate Fluctuations .....	61,459	(16,963)	(1,760)	—	(42,736)	—
Interest income on funding other segments, net .....	<u>122,150</u>	<u>—</u>	<u>29,629</u>	<u>—</u>	<u>(151,779)</u>	<u>—</u>
Total revenues .....	7,428,686	5,586,638	2,388,863	787,457	(194,515)	15,997,129
Cost of revenues .....	(4,482,461)	(4,231,889)	(1,687,587)	(578,543)	—	10,980,480
Selling, general and administrative expenses .....	<u>(1,049,882)</u>	<u>(1,089,227)</u>	<u>(385,619)</u>	<u>(320,978)</u>	<u>—</u>	<u>2,845,706</u>
Operating income of segment .....	<u>Rs. 1,896,343</u>	<u>Rs. 265,522</u>	<u>Rs. 315,657</u>	<u>Rs. (112,064)</u>	<u>Rs. (194,515)</u>	<u>Rs. 2,170,943</u>
Total assets of segment .....	Rs. 6,259,820	Rs. 3,376,286	Rs. 1,359,741	Rs. 1,316,924	Rs. —	Rs. 12,312,771
Capital employed .....	5,196,202	1,333,146	1,009,123	440,730	—	7,979,201
Return on capital employed .....	49%	27%	42%	—	—	36%
Accounts receivable .....	2,057,266	1,555,118	144,310	317,549	—	4,074,243

**Three Months Ended December 31, 2000 (unaudited)**

	<b>Global IT Services</b>	<b>Indian IT Services and Products</b>	<b>Consumer Care and Lighting</b>	<b>Others (net of eliminations)</b>	<b>Reconciling Items</b>	<b>Entity Total</b>
Revenues .....	Rs. 4,776,839	1,584,623	852,369	279,405	-	7,493,236
Exchange rate Fluctuations .....	<u>77,340</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(77,340)</u>	<u>—</u>
Total revenues .....	4,854,179	1,584,623	852,369	279,405	(77,340)	7,493,236
Cost of revenues .....	(2,465,702)	(1,008,807)	(579,938)	(156,628)	-	(4,211,075)
Selling, general and administrative expenses .....	<u>(751,592)</u>	<u>(403,356)</u>	<u>(163,089)</u>	<u>(56,990)</u>	<u>—</u>	<u>(1,375,027)</u>
Operating income of segment .....	<u>Rs. 1,636,885</u>	<u>172,460</u>	<u>109,342</u>	<u>65,787</u>	<u>(77,340)</u>	<u>1,907,134</u>
Total assets of segment .....	Rs. 8,014,852	Rs. 2,664,822	Rs. 1,275,627	Rs. 11,273,983	Rs. —	Rs. 23,229,284
Capital employed .....	6,460,639	613,511	810,867	10,567,522	—	18,452,539
Return on capital employed .....	101%	112%	54%	—	—	41%
Accounts receivable .....	3,376,942	1,365,285	168,749	471,897	—	5,382,873

**Nine Months Ended December 31, 2000 (unaudited)**

	<b>Global IT Services</b>	<b>Indian IT Services and Products</b>	<b>Consumer Care and Lighting</b>	<b>Others (net of eliminations)</b>	<b>Reconciling Items</b>	<b>Entity Total</b>
Revenues.....	Rs.12,531,400	Rs. 5,733,561	Rs. 2,424,053	Rs. 814,328	Rs. —	Rs. 21,503,342
Exchange rate Fluctuations.....	<u>136,330</u>			<u>—</u>	<u>(136,330)</u>	<u>—</u>
Total revenues.....	12,667,730	5,733,561	2,424,053	814,328	(136,330)	21,503,342
Cost of revenues .....	(6,604,883)	(4,032,284)	(1,679,468)	(557,030)	—	( 12,873,664)
Selling, general and administrative expenses ....	<u>(1,907,930)</u>	<u>(1,285,738)</u>	<u>(479,016)</u>	<u>(242,453)</u>	<u>—</u>	<u>(3,915,137)</u>
Operating income of segment.....	<u>Rs. 4,154,917</u>	<u>Rs. 415,539</u>	<u>Rs. 265,569</u>	<u>Rs. 14,845</u>	<u>Rs. (136,330)</u>	<u>Rs. 4,714,541</u>
Total assets of segment .....	Rs. 8,014,852	Rs. 2,664,822	Rs. 1,275,627	Rs. 11,273,983	Rs. —	Rs. 23,229,284
Capital employed.....	6,460,639	613,511	810,867	10,567,522	—	18,452,539
Return on capital employed.....	86%	90%	44%	—	—	34%
Accounts receivable.....	3,376,942	1,365,285	168,749	471,897	—	5,382,873

The Company has three geographic segments: India, United States, and Rest of the world. Revenues from the geographic segments based on domicile of customer is as follows:

	<b>Year ended</b>	<b>Nine months ended December 31,</b>	
	<b>March 31,</b>	<b>1999</b>	<b>2000</b>
	<b>2000</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
India .....	Rs. 12,407,632	Rs. 8,596,247	Rs. 8,845,859
United States .....	6,522,166	4,531,040	8,083,793
Rest of the world .....	<u>4,060,806</u>	<u>2,869,842</u>	<u>4,573,690</u>
Total .....	<u>Rs. 22,990,604</u>	<u>Rs. 15,997,129</u>	<u>Rs. 21,503,342</u>

## 28. Fair Value of Financial Instruments

The fair value of the Company's current assets and current liabilities approximate their carrying values because of their short-term maturity. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months. The fair value of held to maturity investment securities and long term debt approximates their carrying value as the interest rates reflect prevailing market rates.