“Wipro Limited Q2 FY2012-13 Earnings Conference Call”

6.15 P.M. IST, November 2, 2012

Moderator Ladies and gentlemen, good day and welcome to the Wipro Limited Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference to Mr. Sridhar Ramasubbu. Thank you. And over to you sir.

Sridhar Ramasubbu: Thanks, Marina. Good day to all of you. This is Sridhar and I am joined by Manoj and Aravind from IR team in Bangalore and on behalf of the entire Wipro team, a very warm welcome to all of you. We are pleased to host Wipro's 2QFY13 earnings call. Hope you have received and seen the press release we issued yesterday late night EST and we will have time for Q&A at the end.

Before we start the call, a short statement on impact of Hurricane Sandy, understand the damage has been unprecedented and many people in the tri-state area are still reeling under property loss, power outage, non-availability of internet, phone connectivity, etc. We at Wipro are with you at this particular juncture and wish we get back to normalcy at the earliest.

The format for today's earnings call is as follows: Azim Premji -- Chairman will give us an overview of Wipro business; T.K. Kurien – CEO, Wipro IT business will share his perspectives on the IT business; Suresh Senapaty – CFO will comment on the IFRS financial results for the quarter ended September 30, 2012. They are joined by BU heads and other senior members of the Wipro management team would be happy to answer your questions. As always, elements of this call and the management's view maybe characterized as forward-looking under the Private Securities Litigation Reform Act 1995 and are based on management's current expectations and are associated with uncertainties and risks, which could cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with Securities and Exchange Commission in the US. We do not undertake any obligations to update forward-looking statements to reflect events or circumstances after the date of filing thereof. This call is scheduled for an hour. The presentation of the 2QFY13 results will be followed by Q&A. The operator will walk you through the Q&A process. The entire earnings call proceedings are being archived and transcript would be made available after the call at our company's website. A replay of today's earning call proceedings will also be available via telephone post the call. During this call I am also available on e-mail and through mobile as well to take any questions and table it to the Wipro team in case you are unable to ask questions for any technical reasons.

Ladies and gentlemen, over to Mr. Azim Premji, Chairman, Wipro.

Azim Premji Good morning to all. Let me start by saying that we have been monitoring the events around Hurricane Sandy. Our hearts go out to all the people affected by this terrible tragedy.

Let me give you a macro view. I had one-on-one interactions with around 40 CEOs as part of the business council meeting in US end of last month. Overall mood in terms of economic growth, employment growth is more muted than one would have seen in June. However, IT demand is still holding out and is reasonably strong if we are able to show value to the customer.

Over the last 60 years, Wipro has built distinct businesses such as the IT business, Consumer Care and Lighting business, Infrastructure Engineering, Medical Diagnostic and Equipment in joint venture with General Electric, each a leader in its industry segment. This remarkable success was enabled by our entrepreneurial culture and strong leadership of our teams which allowed these businesses to pursue their growth strategies in a flexible manner.

The demerger approved by the board is a strategic move aimed at addressing growth aspirations of all our businesses. I am confident that the demerger will enhance value for our stakeholders and provide momentum for growth by giving each one of the businesses greater flexibility to meet the growth ambitions.

Let me talk about Q2 Financial Year '13 of Wipro Corporation. Wipro recorded revenues of Q2 Financial'13 of Rs. 107 billion, a year-on-year growth of 17%. Net income for the quarter at Rs. 16 billion showed a growth of 24%. IT Services delivered sequential growth in line with our guidance. For the IT business T.K. will cover this in some more depth.

Wipro Consumer Care and Lighting has another quarter of robust growth. Santoor continues to be the No. 1 brand in the combined South and West regions of India with a market share of 14%. Aramusk the male toiletry brand has introduced a wide range of deodorants. Yardley UK business got into our fold from 1st August '12 and overall Yardley as a brand grew well across all the markets of India, Middle East and UK. In Institutional business, LED Lighting continues to be our growth driver, supported by two LED brands of Wipro and Clean Ray brand which we acquired last year in the LED space. Office Furniture business grew with increase in market share and we are heading to be No. 2 in market share and leadership within the next 18 months. In the International business growth was driven by Indonesia, Vietnam, China and the Middle East. Our brand Enchanter and Romano continue to lead the growth.

Globally, Wipro Infrastructure Engineering pace of revenue grew on a year-on-year basis despite softness across geos and segments. In Q2. India, we had a decent growth rate. In India, implementation of recently announced reforms will help facilitate a gradual recovery but much depends on the ground action of the Indian government.

In our key markets of Brazil we are poised for high growth trajectory helped by the stimulus, increasing local content from current levels. We are continuing to gain significant traction with all our customers and are seen as a supplier of choice' due to our competitiveness and global presence.

I would now request T.K. to give a brief overview about the IT business, followed by Suresh Senapaty to give the financial highlights.

T.K. Kurien

Good morning, everyone. I appreciate your time this morning. The financial and business results of our second quarter 2012 have been with you for some time and we have delivered revenue in line with our guidance. I am pleased with our execution and the progress that we have made in our stated strategy. As shared earlier, our strategy is built around strengthening our account management capability, enhancing customer and employee engagement and building new intellectual property based technology leadership.

I will just give you an update on each of the focused areas. On enhancing account management capability, business already yielding results, we now have nine customer relationships crossing $100 million revenue mark, one more than last quarter. We have 16 customer relationships over 75 million, two more than last quarter. Our top ten accounts contributed immensely to our revenue growth, registering a growth of 8.2% QoQ. Our investment in momentum verticals is showing results. We see growth in energy, national resources, utilities and financial services. Retail banking posted strong growth while investment banking continues to be a drag. We have also seen growth in Infrastructure and BPO business.

Customers and employees are in the center of whatever we do. In our business customer satisfaction is a key indicator of future business. We are very encouraged by the 16% year-on-year improvement in customer satisfaction scores in our strategic accounts.

On the employee front, we have been working to build a culture of winning, openness and engagement and process simplification. The impact of this initiative is evident. Our annualized quarterly voluntary attrition rate has fallen to 14.4%.

On building technology solutions we believe the role of technology is shifting from being a support function to becoming a platform for business innovation.

At Wipro, we recently created an advanced technology service line, specifically to leverage this opportunity. The integrated Cloud, Mobility and Analytics as service form part of the service line On Analytics, our analytics business continues its winning momentum. We have added 35 customer engagements last quarter.

On Cloud, we had over 21 wins in the quarter across technology and process transformation themes. We also inaugurated our Cloud Command Center which represents the future of managed services in the cloud. The Cloud Command Center provides the ideal platform to provision, configure, monitor and manage clients IT infrastructure across multiple cloud environments.

On Mobility, Wipro’s mobility continues to see a significant growth and we have added 14 new wins in Q2.

Over the last few quarters Wipro has been focused in building intellectual property that is significantly helping customers build differentiation in the front and helping them standardize in their core business. Wipro Digital for example is a platform which digitizes the market to order process. Some other intellectual property components include our Omni channel eCommerce and dealer-distributor management systems.

On the core we have built tool-based application management platforms which integrate delivery across applications and infrastructure. Helix and Fixomatic are some examples of IP that we have built in the infrastructure side of the business to eliminate human intervention, thus increasing productivity. The results are evident in the numbers that you see especially on pricing.

As discussed in the past I believe we are well-positioned to succeed as we drive innovation to address shift caused by technology led disruption. I want to conclude by saying that we are prepared to take advantage of environment in front of us and to help our customers leverage technology better. We remain focus on enabling our clients to do business better. Thank you.

Suresh Senapaty: Good day ladies and gentlemen and good evening to whoever are in India, Asia. Before I delve into our financials, please note that for the convenience of readers our IFRS financial statement have been translated into dollars at the noon buying rate in New York City on September 28, 2012 for cable transfers in Indian rupees as certified by the Federal Reserve Board of New York which was $1 = Rs. 52.92. Accordingly, revenue of our IT Services segment that was $1,541 billion or in rupee terms Rs.84 billion appears in our earnings release as $1,582 million based on the convenience translation.

Moving on to the quarter performance, our IT Services revenue for the quarter ending 30th September 2012 was $1,535 million on constant currency, a sequential growth of 1.3% within our guidance range of $1,520 million to $1,550 million.

On a vertical perspective we continue to see strong growth in Energy, Natural Resources and Utilities at 8.4% sequential. We also had strong performance in BFSI. From a services line perspective we saw growth coming back in Infrastructure Services at 3.6% and BPO business which saw a sequential growth of 5.7%.

From revenue productivity perspective there was a marked improvement in realization. Offshore realization increased by 1.5% sequential and onsite realization improved by 1.9% sequentially on a reported currency basis. This was driven through productivity improvement. Sequential volume growth in the current quarter was 0.2%. Despite the impact of additional two months of salary increases we continued investment in sales and marketing, utilization dropped and FOREX impact, margin impact was limited to 30 basis points through significant improvement in revenue productivity and other operational parameters.

As we anticipated our IT Products business was sluggish due to push out of decisions on capital spend and declined by 10% on a year-on-year basis. Profitability improved sequentially.

Consumer Care and Lighting business continues to see good momentum with revenue growth of 26% year-on-year and EBIT growth of 29%.

On the exchange front, our realized rate for our IT Services for the quarter was Rs. 54.35 versus the rate of Rs. 54.89 realized for the last quarter. On a QoQ basis, FOREX net of cross currency impact gave us a negative impact of 70 basis points to operating margin. As of period end we have about $1.7 billion of FOREX contract. The effective tax rate for the quarter is 23.9%. This trended higher this quarter because a) we had higher other income in the form of capital gains and lesser dividend income and b) change in the proportion of IT Services provided out of units eligible for tax holiday. We generated free cash flow of Rs. 16 billion in Q2 which was 102% of net income. Operating cash flow was Rs. 19 billion in Q2 which was 117% of net income. The cash flow was benefited by improvement in the receivable days of IT business excluding India and Middle East business by three days. Our net cash balance on the balance sheet was Rs. 84 billion, an increase of 9 billion sequentially. We will be glad to take questions from here.

Moderator Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from Keith Bachman from Bank of Montreal. Please go ahead.

Keith Bachman First question is on the macro backdrop. There has been a number of companies that provide technology such as IBM, EMC, VMware, Teradata, that have all talked about slower demand and it has been over the past where the service companies might see in one or two quarters later than some of the transaction based companies. So I was wondering if you could just revisit what your recent conversations have been, particularly from the US and western European geographies and then I have a follow-up? Thank you.

T.K. Kurien I will give you a little bit of color in terms of what we are seeing at least with CIOs that we tend to deal with. So there are broadly two trends that we see. One is that if you look at run and change, the run part of the budget is under tremendous pressure. Fundamentally, what is happening is that most organizations have taken a view that most of the run business can pretty much be done by anyone and it does not require a very great degree of expertise or much of a differentiated service offering there. So fundamentally that is being driven primarily on price and to some extent incumbency. So that is something that we are seeing on the run side of the business. On the change side of the business what we are seeing is that we are seeing the value is kind of moving very quickly from components of the stack to top of the stack. So let me give an example of what that means. If you look at a typical stack which consist of hardware and database and operating system and applications this is on top and process is below, the stack is slowly moving to the front, to the place where customer interaction is happening. And fundamentally questions are being asked and how technology can be used to enable that process, which means that ownership at some extent of the stack becomes critical for both the customer to get value and for the service provider to get value. That is becoming kind of a more or less secular trend across our customer base. So broadly that is what we are seeing.

On the second piece we see no let up on capital expenditure. But the way the capital expenditure is being incurred is very different from what we have seen in the past. In some cases the CIO himself is not involved in decision. The decision is being taken directly by business heads. And it is easier when it is a cloud based service because then pretty much most folks do it on their own without too much of an interface from the CIO augmentation. On the run side, we are seeing CIO involvement significantly and we are seeing decisions that come up for renewal, we see about 50 to 60% of them going to the incumbent but 40% of them are probably up for grabs and that ultimately becomes the price game.

Keith Bachman My follow-up question if you could talk more specifically about global media and telecom, growth continues to be fairly weak here for you and for the industry. If you just think broadly about the opportunities in calendar year '13 do you think that industry vertical represents growth for yourself and for the industry?

T.K. Kurien There is still growth on the run side of the business on the communication service provider piece. For us that has been the stress business because we have a large engineering portfolio where we do product development for most of the telecom companies across the world. And that part of the business especially in the old age equipment manufacturers is a little stressed on the engineering side. On the other hand we see opportunities on the enterprise side and we see enough opportunities on the enterprise side on the communication service provider piece. But what is very interesting is the geography that this work is happening is no longer the traditional western markets that all of us focus on. It is going into the emerging markets. And that is where I think the opportunity is as far as communication service providers are concerned.

Moderator Thank you. The next question is from Joseph Foresi from Janney Montgomery Scott. Please go ahead.

Joseph Foresi My first question here is just obviously, we are not looking for guidance, maybe you can give us some color and your thoughts on the pipeline and what you are expecting from 2013? It sounds like some of your remarks earlier may imply that people are more careful with their budgets and there are more people that kind of sign off on CAPEX spend, but maybe if you could just give us some early color on and your thoughts there?

T.K. Kurien In terms of getting color specifically on 2013, whatever I say right now will be very, very premature because what we are seeing is that we are seeing an industry wide trend and it varies by segment, by industry. I think we will have a clearer picture sometime before Thanksgiving. Right now budgets are still pretty much being kind of decided and worked upon. But there are certain segments where we see no particular reduction, there are a long cycle industries where people are clearly kind of going out there and saying it does not matter what it is, we are going to spend the money. The short cycle industry is where I see stress and that again has got a little bit of geographical color to it but I would certainly be able to give you a little more of a, guidance is the wrong word, an impression of which way the budgets would go first week of December.

Joseph Foresi On the demand environment has spending stabilized in capital markets and are you seeing any other issues on a pricing front?

T.K. Kurien On capital markets, now it has become a game of consolidation. This is the way it goes. Consolidation, utility and business process and application coming together and ultimately lower cost. I think that is what is happening. So people are basically moving to models which are more outcome-based and that is becoming a big trend. And frankly, when capital markets under pressure does that, our view is that the other markets will follow within a certain period of time.

Joseph Foresi And then a last question from me is just on organizationally how you feel that Wipro has progressed as far as change that you made and then any thoughts on obviously separating the two businesses and what impact that could have on returning to the industry growth rate?

T.K. Kurien There are two parts of the question that I will answer. The first is what does the separation do to the IT business? I think fundamentally today if you look at it most people saw Wipro as an IT company, yet treated us like a conglomerate. So fundamentally what happened was that whether it would be customers, whether it would be employees, some of them had a little bit of confusion in their minds, as to what really Wipro stood for. I think right now getting more focus around technology. I think it is a big plus for everyone because it brings value to the IT side of the business which really helps us to focus and really differentiate out there and more importantly get a clearer message out into the marketplace. I think for the other businesses too it gives them the freedom to kind of run the business effectively in the way they choose that. On the organizational side, I think we are pretty much tracking to plan. I wish we could get growth back at a much faster pace in some segments of the market but the place where we are today we still believe that organizationally we will feel we are aligned there and we will get there very soon. I think the key for us was when we start up the whole reorganization there were some parts of the market that we invested in and yet other parts of the market that was not invested. That is a very conscious decision. The parts of the market that we invested in, we have been doing fairly well. Where we did not invest in, obviously, the results are showing there. So that is broadly where we are.

Moderator Thank you. The next question is from Jesse Hulsing from Pacific Crest. Please go ahead.

Jesse Hulsing First question, a follow-up on your commentary earlier, TK, on the run versus change part of the business. What is the extent of the pricing aggressiveness that you are seeing from competitors to grab that 40% that you mentioned was up for grabs and any particular changes that make you concerned about the pricing trends in the industry?

T.K. Kurien

If you look at most of the deals that are coming up for renewal, they really come up on the infrastructure side of the business. And Anand Sankaran who runs our infrastructure business can give you a little bit of color and what is happening there especially in terms of pricing.

Anand Sankaran

Before I get to pricing let me just give you a quick overview of what we are seeing in the infrastructure space globally. Over the last quarter and a half we have seen an enhanced momentum in customers wanting to outsource their infrastructure services and the funnel that we see today for infrastructure services is much better than what we had, let us say, a quarter and a half ago.

In terms of pricing, I think there are different kinds of pricing models that are coming up in infrastructure services right now. People are moving away from the traditional T&M based model to infrastructure services where it is end-to-end managed services, it is SLA based, there are rewards and penalties and stuff like that and we are seeing quite a big momentum towards that kind of pricing model. In terms of pricing itself, I would say that a lot of the companies would really vie for this infrastructure services outsourcing and we are seeing that in terms of margins we are not seeing any difference in the infrastructure services vis-à-vis our other service lines. So we have been able to maintain our margins in these large outsourcing deals. And a lot of these deals also throw up opportunities for us to use some of the tools capabilities that we have been developing to drive high levels of productivity. We have been investing heavily on creating our own IPs and on the infrastructure services side we have been working on creating the self heal tools which enable us to drive much higher levels of productivity than what we would have been in the last year or so. And those investments that we have made in the last couple of years are helping us drive productivity and consequently maintain margins but still give a fairly aggressive price point to our customers. So that is what we see in the infrastructure services space from a pricing standpoint and a deal structuring standpoint.

Jesse Hulsing

It sounds like you are maintaining your margins by becoming more efficient on the Wipro side. So, does that imply that rates are under pressure or are rates kind of being maintained but not growing on infrastructure services?

Anand Sankaran

As I said, a lot of the cost takeout that we are able to get in infrastructure services is through the investments that we have made on our own IPs. We have been investing heavily on autonomics and just to give you idea, when you do infrastructure services you cover the spectrum of tasks that come into our command centre over here for resolution, L0, L1, L2, L3 and with the IPs that we have developed we are today able to achieve very high levels of incident closures as high as 70 to 80% on our L0, L1 tasks which really do not require now any human intervention. So we are actually eliminating human being while providing infrastructure services especially on the L0, L1 areas. So that is really giving us much higher levels of productivity. So what we are able to do is to drive productivity to levels which are much higher than what we have seen hitherto in the infrastructure space. So I would say that productivity benefit has helped us retain our margins and also helped us become competitive in the market.

Jesse Hulsing And looking at your large customer growth up and again outperformed broader company growth. TK, is growth in your top ten, is that mostly sole sourced business or are you gaining share at the larger customers versus your competitors?

T.K. Kurien I would say, in our large customer base I would say about 40% of our business is probably sole sourcing.

Jesse Hulsing And I guess a little on the demerger side, do you plan on issuing more shares in the US?

Suresh Senapaty If you look at a scheme that is envisaged for the ADR holders they will get the shares of the new company being formed which is Wipro Enterprises Limited and that will get exchanged with the promoter and for the shares from the promoter kitty in replacement to the Wipro Enterprises Limited and that will be potentially possible for ADR additional listing for which there are certain regulatory approvals that is required and hopefully we will be there but if that does not happen then it gets sold in the local market and money remitted after the withholding tax. Perhaps the preference would be to the first one which will be subject to approval from the regulatory authorities here in India.

Moderator Thank you. The next question is from Moshe Katri from Cowen. Please go ahead.

Moshe Katri You have very strong client wins during the quarter. I think it would be helpful if you could you give us some color in terms of what is driving it. Are you doing things differently, do you feel that your taking share from some of your peer groups and then when should we expect some of those new wins to actually translate into stronger sequential growth more in line with your peer group.

T.K. Kurien Here is what we have done. There are two parts to it. If you look at what we laid out as a strategy, we appointed a whole team of what we called 'hunters'. We split up our sales force into hunting and farming. I think what you are seeing right now is early signs of the hunting observations kind of working and that is the specifically the new additions that we had. In those 53 cases, fundamentally what we have done is we have taken away share from incumbents. It is not a greenfield customer. Of course, in those 53, there may be one or two cases, where we have done something completely new with business, but I am just dropping them out of it, primarily it is a share game at that point, in that particular segment. The other thing that we have seen is that we have also started seeing early signs of closure in terms of deals and that the deals that we kind of started contracting at the end of last quarter, we will probably finish contracting this quarter and announce it next quarter. My own sense would be that towards the tail end of Q4, which is Q1 and our Q1 which is calendar Q2 we would probably see growth coming back.

Moshe Katri And then kind of following up on earlier question, you did not really have any growth in roughly about 75%, 80% of your business sequentially. Are you still expecting that to ramp, you said maybe a couple of quarters from now, maybe some color there would be helpful, because again your top five and top ten customers are growing, the rest of the business is just not growing at all?

T.K. Kurien So let me kind of give you a little bit of color on that. When we invested in our business last year, what we did was we pulled out a bunch of accounts that we call Mega/Gama and we substantially increase the investment in those particular accounts. The result is showing today in that particular segment. So, what we have found is that moving from that segment to the next set of customers, we invested in a year later, we invested in June this year. Hopefully, we will not take the same amount of time to get growth in that segment, but I would expect that even if that happens that it is about a year away. So, I would say again Q1 next year would be the time that you would expect to see growth in that middle segment.

Moshe Katri And then a bit about the weakness we have seen in the Healthcare side of the business, I think on the R&D side as well and what is going on in those specific businesses?

T.K. Kurien On the Healthcare side of the business, I would say it is a two-quarter phenomena for us, but it is not something that is secular, that is caused primarily by project ramp down, we do not expect that to continue. On the engineering side of the business, most of our engineering business was the telecom customers and the decline that we have seen in the engineering side has been reflected in the lack of growth in the telecom segment especially on the equipment side of the business. We have also seen some level of degrowth in the Hi-Tech segment where we have been doing, especially on the semi-side that we have been working on, and that in turn reflect into the muted growth that we have seen in Manufacturing.

Moshe Katri And then just in that context, given the new charter for the company, is there room for kind of evaluate or reevaluate, how you look at the R&D business, should it be part of the IT Services operations, shouldn't be, and obviously that has been a core business for a while?

T.K. Kurien If you look at the way we go to market today, the engineering side of the shop is called for directly by the R&D side of the business. So it is a common account framework, but people calling separately because the economic buyer is very different. So that has been the philosophy. I think what you are seeing in that business is two things. Earlier we used to be a staff augmentation shop in some form or shape. People came to us for technology skills. I think we are right now repositioning the business to become a system integrator and that is what you are seeing fundamentally in terms of shifts. I do not know if Sanjay Gupta from the engineering side of the business is on the call, but if he is, he can add some color to it. So, I think Moshe, we will be very happy to give you some color on what we are doing on that business separately.

Moshe Katri And then a final question on margins. Suresh, maybe you can talk a bit about some of the levers that you have in terms of maintaining or potentially protecting your margins down the road given some of the changes you are making in the business?

Jatin Dalal This is Jatin Dalal here. This quarter is a classic quarter where we have had visibility of what we are getting into and how do we execute to remain in a narrow band of our margin trajectory. So we had two large headwinds; one was the two months impact of the salary increase that we gave on 1st of June and we had the foreign exchange, which had been beneficial in earlier quarters was reversing the trend, and we had a negative impact on account of foreign exchange also in the current quarter. We also had investment in form of increased utilization because we continue to hire from the campuses as we are scheduled as well as increased S&M spend that was planned in the beginning of the quarter. We have got the offset through superior execution in our fixed-price projects where we have got overall increase in onsite and offshore realization by 1.9% and 1.5% sequentially. We also executed well on a host of other operating parameters which helped us mitigate most of the headwinds in investments and therefore our margins for the quarter were 20.7%, which was within the 30 basis point range of our Q1 margins. Going forward too, our endeavor would be to plan for our investments and our headwinds and execute in a way that we do not create large volatilities in the margins.

Sridhar Ramasubbu Moshe, I will arrange for the call with Sanjay as we get back on the project engineering service.

Moderator: Thank you, the next question is from Swami Shanmugasundaram from Morningstar. Please go ahead.

S Shanmugasundaram My first question is around growth. You guys have done a tremendous job in terms of say, client mining or in terms of employee attrition, but at the end of the day if I look at the growth, the growth kind of lags behind what NASSCOM has been saying and what some of your competitors have delivered over the last few quarters. So what kind of timeframe are we looking at for you to catch up or say to accelerate the pace of growth from here and what are you guys doing to achieve that?

T.K. Kurien If you look at the entire market and if you look at the two levers of growth for most companies, Swami, it has been around Infrastructure and around BPO. Those are the two areas where growth has been pretty strong. I will ask Anand Sankaran who runs our Infrastructure business to give you a little bit of color on what will happen with growth on the infrastructure side of the business.

Anand Sankaran: Swami, on the Infrastructure side of the business we had a sequential growth this quarter of 3.6%. The good news is that as I mentioned earlier, as a response to a question that came up, that the funnel we are seeing for Infrastructure services is quite robust. So we believe that there is a lot of opportunity in the market and we are very strong in the Infrastructure Services space;

we are Number One in the Infrastructure Services space with respect to our Indian peers and we have been driving across areas in the Infrastructure Services space and really investing in trying to see how we can create levers of productivity and I just spoke about some of the tools that we have been investing on. So we believe that the funnel is robust, there are deals in the market, we have positioned quite strongly with our capabilities in the market. I am reasonably bullish about the next two quarters.

S Shanmugasundaram I think Anand, the follow-up to that, if I look at all the readings about cloud and everything, if generally cloud picks up, then probably infrastructure would be the first service to get hit, right, that is what because you are looking at companies moving away to cloud, rather than having their own data centers and network centers, right. If that is going to be the case, do you not think may be in the near term, you may see some growth, but over the long term, if Infrastructure as a market comes down, what are the plans to counter that?

Anand Sankaran I think that is one of our differentiators. We see that as a differentiator because in our data center services, as in our Infocrossing business, which is the data centers that we have in the US, as a part of that we have a fairly strong offering on Infrastructure as a service, so we call it iStructure, which is Infrastructure as a service for customers of ours in the US and we are seeing reasonably strong momentum in that space. We would see that as a differentiator for ourselves because we have an offering today through the investments that we have made in cloud and offer infrastructure service through our data centers that we have in the US, and that is a big differentiator for us. So today we are seeing customers of ours who are looking at a mix of public cloud, private cloud as well as on-premise bare metal kind of solutions and we are today able to offer that quite seamlessly across the capabilities that we have in Infocrossing and our global capabilities in our Infrastructure Services business. So you are right, there are customers of ours who are looking at cloud and we believe that we are uniquely positioned in that area because we offer a combination of both public as well as on-premise services.

S Shanmugasundaram My next question is related to your employee utilization rates. What we are we looking at over the long range? You guys have operated at 80 plus and now it is 77. So what do you think would be the average at least in terms over the long-term?

Jatin Dalal If you really see over the last six quarters, our utilization excluding trainees has been in a range of 77.5 to 78.5 kind of number barring one quarter when we were actually closer to 80 and we feel comfortable operating in this range. The larger variation that you will see would be in the utilization that is including trainees and as we intake freshers from the campus there might be larger volatility there, but excluding trainees you will see it in a narrow band.

S. Shanmugasundaram: My last question is related to your ADM business. If I look at the growth it has declined YoY as well as sequential. So would you mind talking about what you guys are seeing there and when you think that trend would kind of reverse?

T.K. Kurien All the ADM business, most of the de-growth has been primarily in our telecom business, in our equipment provider business where a lot of the ADM work that we are doing today is on the engineering side. That is where the major drop we have seen and the rest of the business if you look at it fundamentally what our endeavor has been in some of the new deals that we are kind of right now going after we have primarily integrated deals which include Infrastructure and ADM put together.

Jatin Dalal: And also if you see it is relative share of the service line and that is how we should look at it as against this quarter degrowth is really (-0.2%) which is more or less flattish versus last quarter and if I see YOY that number is (-2%), which is also not a sheer displacement of existing volumes, but really the other service lines growing faster for the sheer fact that the new service lines will continue to have a higher growth rate.

Moderator: Thank you. The next question is from Trip Chowdhry from Global Equities Research. Please go ahead.

Trip Chowdhry: First, regarding the Cloud Command Center and other offerings you have in the Infrastructure as a service. Are these priced by time and materials or they have a real utility pricing next to it?

Anand Sankaran: No, it is purely on utility. This is Anand Sankaran here. It is not at all on time and material. It is difficult to price the cloud service on T&M.

T.K. Kurien And especially if it is going to have some intellectual component behind it.

Trip Chowdhry Second question I have is regarding the catastrophe related to Sandy. I was wondering do you see because of that there could be a certain surge of certain kind of services or may be certain kind of services may see some downfall. Any thoughts about how would the various IT managers and CIO thinking about the recovery on the IT front of it. That is all.

T.K. Kurien We ourselves are affected by that and the CIO observation report, Bhanu can give you a little bit color on what he feels from his side because from a customer perspective we really have not evaluated what it means for the business.

BM Bhanumurthy From within the internal organization in terms of the services that we provide for our customers obviously, whenever you see such incidents you have to look at the disaster recovery plans that you have and when you can invoke the disaster recovery measures and so on. So for our customers for this event we have not seen any disruptions from our services. In fact we monitored all our services. We have been able to provide critical services for our customers. But at a broad level in terms of such events causing disruptions obviously a lot more planning is required in terms of infrastructure, in terms of the tools and techniques that you can have on ensuring connectivity for people and ensuring connectivity to systems. So keeping the systems up, monitoring them closely that is better and as you talked about some of the examples already we have invested heavily in terms of monitoring tools and tools that can do self-healing and applications that can detect errors by themselves. So there is a lot of IP that is going on in that area to ensure continuity of service to our customers.

T.K. Kurien So I think Trip the conundrum is that we are not very sure whether people will actually pay for a catastrophe or will take insurance and fundamentally you cannot plan for a catastrophe of a size of Sandy.

Moderator: Thank you. The next question is from Shashi Bhushan from Prabhudas Lilladher. Please go ahead.

Shashi Bhushan You talked about, in the morning conference call, about some 87 clients who are not doing good business with us and we have started to de focus on them. I have three questions linked to it. Now first were those clients Fortune 500 or Global 2000 clients who are not doing business with us or doing business with other IT vendors or were those clients who are small that they do not have a capacity to spend even in economic uptrend?

T.K. Kurien The answer to the first question is no. They were not fortune 500 customers. Number two, they were basically customers in the 3 billion to 6 billion range who frankly had a dominant provider sitting there and we were playing a peripheral role.

Shashi Bhushan: Second, were these clients with us for more than one to two year or these were some recent logos and I meant majority of them?

T.K. Kurien Some of them have been with us for many years, but what happens is the kind of engagement that we had they were primarily staff augmentation engagements. So it is very difficult for us to go out there and kind of do something different to actually scale that.

Shashi Bhushan: Thirdly, we have added nearly 53 clients in the quarter. The strongest since Q4FY11. Now how are the qualities of these clients? Would these clients additions are linked to our stated objective of adding must have account or do we see these clients having higher propensity to do business with us in good times?

T.K. Kurien Excellent question. So let me just give you a sense of how the hunting organization works. The hunting organization is not an organization that just goes and hunts at every opportunity. There is a set of targeted accounts and that is what they are kind of chasing right now. So that extent its accounts that we want and not specifically accounts that we do not want.

Jatin Dalal However, just to supplement I think when you look at the India geography it tends to be little more reactive and except to that extent I think what TK talked about from a global perspective was good but in India sometimes you do chase a deal and it could be of that region.

Sridhar Ramasubbu Thank you so much for your participation. The IR team in India and US are available for any off line queries. Thanks once again.

Moderator: Thank you very much. On behalf of Wipro that concludes this conference call. Thank you for joining us. You may now disconnect your lines.