



Wipro Limited

Q3 FY 2023 Earnings

Conference Call

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Management

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Moderator: Ladies and gentlemen, good day and welcome to the Wipro Limited Q3 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dipak Kumar Bohra, Senior Vice President, Corporate Treasurer and Investor Relations. Thank you and over to you, sir.

Dipak Kumar Bohra: Warm welcome to our Q3 FY '23 Earnings Call and wish you all a Happy New Year. We will begin the call with our business highlights and overview by Thierry Delaporte, our Chief Executive Officer and Managing Director; followed by a financial overview by our CFO, Jatin Dalal. Afterwards, the operator will open the bridge for question-and-answers with our management team.

Before Thierry starts, let me draw your attention to the fact that during this call, we may make certain forward-looking statements within the meaning of Private Securities Litigation Reform Act 1995. These statements are based on management's current expectations and are associated with uncertainties and risks, which may cause the actual results to differ materially from those expected. The uncertainties and risk factors are explained in our detailed filings with the SEC. Wipro does not undertake any obligation to update the forward-looking statements to reflect events and circumstances after the date of filing. The conference call will be archived and a transcript will be available on our website.

Thierry Delaporte: Thank you, Dipak. Hello. Good morning, good afternoon, good evening to you all. Thank you for joining our third quarter results. From our entire leadership team, I'd like to wish you, first, a fantastic year ahead. We are optimistic about 2023 to deliver ground-breaking work for our clients and continue on a growth trajectory. We'll talk about some of the opportunities that are ahead of us.

Joining me today is our CFO, Jatin, you know him well; our Chief Growth Officer, Stephanie, our Chief HRO, Saurabh and I'm pleased to introduce you to our new Chief Operating Officer, Amit Choudhary.

Earlier today, we reported our third quarter results as you know, I'm pleased to share that we have delivered; one, another quarter of double-digit revenue growth. Second, record order bookings of over \$4.3 billion, led by large deals signing of over \$1 billion, a margin expansion of 120 basis points, a huge surge in cash conversion and a fourth straight quarter of lower attrition.

The macroeconomic uncertainty, we had discussed last quarter continues. However, Tech spending remains the robust, so our clients, they're looking for value-driven transformation, tighter governance and improved return on investments. Cloud transformation continues to be a priority even as we see a higher focus on returns.

It's against this backdrop that we have delivered our highest ever bookings in total contract value terms. Clearly, the investments we've been making in our clients, our efforts to bring about a shift in our portfolio and proactive deal shaping- are all paying off now.

On a year-on-year basis, our bookings in total contract value terms grew 26% in Q3. We signed 11 large deals with a total contract value of over \$1 billion. This strong booking trajectory translates into a 50% year-on-year growth in our large deal bookings on a year-to-date basis. And by the way, our pipeline of large deals is both strong and diversified.

Looking at the market, three of our four markets grew more than 20% year-on-year in total contract value terms as well. Some interesting insights worth mentioning here.

One, our strong bookings were driven by Wipro's FullStride Cloud Services and Engineering Services. These grew at 25% and 45% year-on-year, respectively.

Second, our large deals include new and existing clients seeking a transformation partner or going through vendor consolidation. Renewals with existing clients are often accompanied by services expansion, taking market share from others and expanding into new areas of our clients' businesses.

The deepening of our relationships with our clients is driven by our innovative solutions, improved delivery execution, higher customer satisfaction scores and finally by strong ecosystem partnerships. In fact, our Customer Satisfaction Score has improved versus the previous such audit by 10 percentage points. The strong order bookings proves that our business strategy is working.

Third, our expertise in business transformation, coupled with decades of experience in delivering cost optimal solutions is the combination our clients are seeking in this market. A good example of this is a recent deal we signed with a U.S. based financial information, analytics and ratings agency. The project involves integration and management of their infrastructure and security estate. As their transformation partner, we will help them improve their future readiness at a lower cost.

Now, let's turn to revenue growth. And first, I'd like to note that over the last 10 quarters, we have grown at a very rapid pace. Our revenues have grown 45% and headcount has grown by 40%. We are now much bigger in size with a breadth of service offerings and deeper client relationships.

In Q3, we recorded our seventh straight quarter of double-digit revenue growth. We grew 10.4% on a year-on-year basis and 0.6% sequentially in constant currency terms. Our sequential growth was impacted by furloughs as expected and lower discretionary spending by clients. We have continued to turn the tide on margins. The hard-work we've put in to improve our supply chain, into delivery excellence, operations automation has actually resulted in greater efficiencies. All this has contributed to a margin expansion of of 120 basis points quarter-on-quarter. Our operating margin therefore is now at 16.3% versus 15.1% last quarter.

A little later I'll ask Jatin to talk to you in more details about margin, but I do want to mention that this margin expansion is after absorbing the impact of three full months of salary increases that we've offered to our colleagues. It also factors quarterly promotions, as well as the restricted stock units with granted to our senior employees.

Another good news has been on the cash conversation side. We saw robust cash conversion for the third quarter at 143% of net income. I will now share some details on our service offerings and sectors and how we are continuing to increase market share, market-by-market.

Our Americas 1 business grew 11% year-on-year in Q3. The fastest-growing sector in that market was Communication, Media and Information Services which grew at 14% year-on-year.

Americas 2 business which grew 9% year-on-year in Q3, and their manufacturing led the pack with more than 18% year-on-year growth. But besides, Energy and Utilities, Securities, Capital Markets and Insurance also recorded good growth of more than 12% each. Order bookings grew 40% year-on-year.

Our business in Europe also has continued to be a strong growth pillar, double-digit growth for seven quarters in a row. Europe delivered a year-on-year growth of 12% in this quarter. Almost all the markets in Europe grew double digits, led by the Nordics, U.K. and Ireland, Germany and Southern Europe. The order book in total contract value terms grew also at 25% on a year-on-year basis.

Finally, our APMEA, which stands for our Asia-Pac, Middle East and Africa region grew at 7% year-on-year in the third quarter. Regions that did, I must say, particularly well during the quarter were Southeast Asia, but also the Middle East. Our transformation efforts in this region have started yielding results. It's very visible. This quarter, we closed one of our largest deals in this market. The order bookings, they grew 22% and are looking forward the pipeline is strong.

Overall, we've continued to strengthen existing client relationships and I'm pleased to share that our top 10 clients grew 15% year-on-year, which also confirm our strategy around growing large accounts.

Now let's look at the service offerings: iDEAS and iCORE. First, our iDEAS Global Business Line grew 12% year-on-year in Q3. This growth was led by; one, cloud. The Cloud Transformation part, which grew 27% year-on-year Applications and Data, which grew 18% year-on-year, Digital Experience, which grew 16% year-on-year and finally, Engineering Services, which grew 12% year-on-year.

Now looking at the iCORE part of the business. This global business line grew 8% year-on-year in Q3. Cyber Security led the growth at 16% year-on-year, followed by digital operations and platform growing at 9% year-on-year for Q3. From a total contract value standpoint, Cloud Infrastructure, our CIS business line grew over 50% year-on-year.

CIS revenues now are lower as we continue to rotate our existing portfolio and move towards the cloud, which is very in line with our strategy, as you know. At the same time, we are signing long-term deals with clients in this business. We are continuing to evolve our FullStride Cloud Services business, creating new industry offerings, working together with partners, which is in fact, helping expand our market coverage.

FullStride Cloud Services continue to be a high-growth area for us, contributing over one-third of our total revenues today. Our cloud expertise spans the entire spectrum of cloud services, from cloud strategy, migration, modernization to full stack industry solutions and running and optimizing cloud.

Partnerships continue to be a source of growth as well. Bookings with Hyper Growth Partners in Q3 continued to be strong, nearly \$2 billion, that's a 35% year-on-year growth. Bookings through hyperscalers today stand at 44% of Wipro's overall booking in terms of total contract value. Besides cloud, we are expanding capabilities in artificial intelligence, data and engineering, increasingly going to market as, One Wipro. And these investments are getting noticed.

A U.S.-based energy company has selected us to build an end-to-end greenfield fully automated warehouse in Europe. The project will allow the client to manage large sums of chemical storage, while maintaining strict health and security requirements. This win, if we look at it brings together our domain, engineering, digital, cybersecurity and health and safety capabilities. But it also underscores, how our advisory capabilities, technical and engineering expertise are differentiators for us in the market.

Let me now turn to our most important asset, our people. I am pleased to share that attrition continues to drop for the fourth straight quarter. In Q3, attrition dropped to 21% on a trailing 12-month basis. Our quarterly annualized number, which dropped 360 basis points quarter-on-quarter are now at 17.5%. And we are confident that our focused talent strategy will result in continued moderation of attrition in the coming quarters as well, frankly.

Second, we are recognizing and rewarding our talent, promoting a record number of colleagues in FY '23, the highest ever, in fact, with numerically 30% more promotions than in FY '22. Our leadership teams, breadth of experience, high performance standards and strong collaboration continues to fuel our growth and our transformation.

And finally, I'm encouraged to see more diversity in our leadership ranks, which has been a focus for the past several years. And definitely, we have more work to do here, we know that. But one promising change worth sharing with you is that we have more than doubled the number of women senior leaderships roles at Wipro.

As these visible impactful leaders progressed their career, they demonstrate the impact diversity has on our clients, on our business and on our people. We've been strict about maintaining that focus on talent quality, high performance orientation and inclusion in our graduate hiring as well. Year-to-date, we have hired and onboarded more recent graduates than the whole of previous years and actually ever before.

Now as always, I'll close with an outlook for the full year. We expect full year revenue growth to be at 11.5% to 12% in constant currency terms. On margins, our Q3 number is now the new base, and we will look to improve it further. In summary, I'll say that we had an excellent quarter with record bookings, sustained growth and delivery excellence. Our strategy continues to pay-off and we will remain on course.

With that, I will hand it over to Jatin now for his comments.

Jatin Dalal: Thank you very much, Thierry. I will quickly summarize the financial highlights for the quarter. We grew 10.4% year-on-year on constant currency terms. Our margins expanded 120 basis point to 16.3 percentage points. If you see our ETR, it was 22.9% compared to 21.5% last year. So that impacted a little bit net income conversion. But despite that, sequentially, we delivered 14.8% growth in net income and 2.8% on a year-on-year basis.

Cash flow remained strong at 143.5% of operating cash flow as a percentage of our net income. Our cash at the end of the quarter was 4.6 billion gross and 2.7 billion net. This is a volatile year and quarter on forex. We had about \$4 billion of forex hedges and our realized rate for quarter 3 was 82.24. As Thierry mentioned, we have guided for 11.5% to 12% growth in constant currency terms for the FY'22-23 at the exchange rates, which are mentioned in our PR. Thank you very much for joining and we'll be very happy to take your questions from here.

Moderator: Thank you very much, sir. We take the first question from the line of Mukul Garg from Motilal Oswal Financial Services.

Mukul Garg: I have two questions. One of the first ones for Thierry and Stephanie if she's there. I just wanted to better understand, how should we look at the TCv number, the total number, not just a large deal because if you look at the Q3 print, your TCv of 4.3 billion implies a book-to-bill of almost 1.5x.

You have been growing the TCv number quite handsomely over the last few quarters as well. How should we think about the duration of the deal wins, which obviously will convert into revenues and when should that impact start flowing through? And B, the revenue in last four quarters, the incremental revenue has been barely about 80 million, whereas your deal wins continue to grow in 25% to 30% range. So, is there something which is impeding the conversion of these bookings into revenues over last four quarters?

Thierry Delaporte: So, Mukul, its Thierry, I will take your question. And Stephanie if you want to add, of course, feel free. But Mukul, you're right. I think the performance in bookings has been good for several quarters. This quarter has been outstanding. I think we've really done a great job of not only developing our pipeline of deals, but also converting them into deals contracts for us.

We've shown two things during this quarter, two confirmations if you like. One is that we continue to see a lot of opportunities for us in the market, which confirms that this is still a robust market for us. And second, that we continue to win well over competition. We continue to show healthy levels of win rate.

From a type of deal standpoint, I would say, yes. The investment made on large deals now when was that 18 months ago is paying off a little more every quarter. It's the reality. It started with one big deal. And then few quarters later, another one. And then we are gaining in volume, but also in consistency. And you will hear from Stephanie that it's across the realization now. So, this is really reassuring because that we get a lot of comfort from that. And I would add that there's also a promising volume of a large deal in our pipeline.

So, the conversion of bookings to revenue that you are asking. I think this reflects a couple of points. Point one is, there is no doubt that while the market continues to be good and the investment in tech continues to be good. There is a change that I called last quarter, macroeconomic environment, drives a certain volume of uncertainty. And that exists. There are sectors, everybody will not be surprised to hear that the tech sector is a sector that has certainly felt the impact of this change in microeconomic environment.

Second is probably the fact that there is a potential slowdown of, or more, I would say, volatility of the discretionary spend from clients. Third, what we are seeing is that there is not necessarily a slowdown of the decision process. If that was the case, maybe we wouldn't have had such a good quarter in terms of bookings. But I think the time it takes to ramp up, to launch and ramp up those programs behind may take a little bit of time. And we have to go with the pace of our clients in this context of uncertainty.

An example of that is typically deals where there has been a consolidation of vendors that we have won. And then there's a period of transition for the business to go from one partner to another. And I think it is a fact of life that we have reflected in our projection. But certainly, the performance in bookings, the volume of deals but also the quality of our pipeline gives us quite a nice level of confidence for the next year as well. Stephanie?

Stephanie Trautman: Yes, Thierry. I would just reinforce your comment in terms of the health of our pipeline, the types of deals that we're winning. It is a mix of new clients. It's a renewal of existing clients who are expanding our scope, we're taking market share and vendor consolidation. And it's also a pivot of our portfolio to the new. And you heard us talk about the growth in FullStride Cloud Services. So very happy with our pipeline, the health of our pipeline for Q4 and even going into next year. So, think our growth will continue, and we'll start to see the revenue converts in future quarters.

Mukul Garg: And I had one quick one for Jatin. I was a little bit confused with the employee cost number which you printed this quarter. If you look at the cost per employee, excluding the subcontracting expenses, this was a quarter where two months of wage hike was flowing through. We also had promotions which took place. But your employee cost per employee in INR terms has been flat and actually declined almost 2% versus last quarter in USD terms. So, what really is leading to this flatness kind of a cost which actually has been managed quite well? What are the drivers which are helping you keeping this under check given that I think last few quarters have been exceptionally tough in terms of overall expenditure of on employees?

Jatin Dalal: So, I think the most foundational reason Mukul, and there are three reasons. I will go through each of the three. The one is the most foundational reason is that we have improved the way we manage our supply chain. We have far more freshers who are part of our pyramid. So, pyramid has continued to improve quarter-on-quarter. Second is the attrition is lower which helps us manage the cost better because to that extent there is the impact of premium, which reduces of lateral hires. So overall, the most foundational reason is that we have managed our cost structure much better.

The third and of course, the other third component is that we have released a lot of efficiency gains from our fixed price projects and those get redeployed for our T&M and other work. And therefore, you don't need your employee cost remains the constant, whether you are able to add revenue. So, these are the most foundational, as I said, the cost structure improvements that we have made.

The second is also that if you look at it from a considered at Wipro limited standpoint, there was a restructuring cost which was sitting in the employee cost line which was not counted towards the segment margins of 15.1% in quarter 2, but it was sitting in consolidated line which is not present now so that shows a downward path on the employee cost so that is the second.

And third is quarter 3 typically the employee cost also has certain amount of accruals related with leave and other provisions, which it takes it up or down. But if you want to model it, you model it based on the first reason that I've shared, which is the more foundational improvement in the cost structure of our employees, and we'll continue to work on that.

The second and third factors, the second factor was one quarter impact, which will not recur, and the third impact is seasonal, which will come back in next December, but won't recur in the future quarters.

Moderator: We'll take our next question, that's from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: First question, any colour on the percentage of renewals in TCV. Is it consistent with the historical last few quarters or anything has changed? And how should one think about timing of ramp-up of the deals that you have signed in the current quarter, would it be like a 1Q phenomenon? Would it be more like a 2Q phenomenon? How should one think about the timing?

Thierry Delaporte: To your questions, I would say, first of all, the Yes. Regarding the balance, I was trying to remember the balance between the new and renewal, what I would say, this is a as expected. There's a healthy balance, I would say. From one standpoint, the deals that we managed to extend them to sometimes widen the scope, increase our presence. That's also, in particular, when we've been able to consolidate some positions, but we've also had a good volume of new deals, and which is quite comforting because we know that we will be able to continue to expand and grow in those new accounts as well. So, this is good balance, I would say, a good balance between the two.

The second question that is about the timing, things will take to ramp up. It's a difficult question. if we are sticking to the rule that we're only guiding for the next quarter. But what I would say is that for sure, we are seeing growth ahead of first quarter. So, this projection for Q4 certainly reflects for the reason that I mentioned before, a little bit the way we are seeing ramp-ups happening, but it can only go up.

Gaurav Rateria: Secondly, we made a very interesting point on percentage of the order book coming through hyperscalers. How should one think about the nature of these deals? Is the contract profitability similar to regular deals, or there are different nuances one has to keep in mind?

Thierry Delaporte: Well, so the first point, Gaurav, remember, back mid-2020 when we started to lay out our strategy, partners was at the centre of it. And the way we grow was connecting and engaging at the strategic level with partner who was insufficient. And so, we've clearly, we organized ourselves to be able to be a lot more relevant with them. And so, we have built these teams globally with local connections under the leadership of our CGO function.

And this is paying off every single quarter ever since. At that time, I remember that the revenue we were getting from our top five or six partners was not exceeding 1/4 of our bookings. And today, as you heard, we are not that far from half of the bookings coming from our hyperscalers only.

So, it gives you a feel for the volume of growth that we've been driving with them. But in a very strategic way, so going to clients together, developing solutions together, literally developing strategy and going after the market as real close partners, and that is now you can ask what type of deal, typically, obviously, hyperscalers are involved in most of our cloud transformation deal. So, the whole strategy that we've developed around FullStride has been paying off as well. And so how you should see it as a relation that is accelerating, that is gaining muscle every day, and we'll continue to drive growth.

The margin profile actually is rather good. As you can imagine, if we are improving our operating margin, so significantly, it's because the margin we are getting from our deals is going in the right direction. I think it's also, we all know that, and it's actually visible in our books that every time we are taking winning a deal that is more where it's more value-based, if you like, we are able to deliver better margins as well.

Gaurav Rateria: Lastly, if I can squeeze one on FullStride, TCV grew 25%. This is in context of what we are hearing in the market that cloud spend is likely to moderate because of the macroeconomic involvement. So, would it be more a phenomenon of market share gain for you, or you fundamentally believe that slowdown in cloud spend may not necessarily have happened as it was feared?

Thierry Delaporte: It's interesting. Your question is a good one, Gaurav. I have a view on that. And let me tell you, what I've observed, and I spend a lot of time with the hyperscalers personally. Is that there was a gap in our, there was a shortage in our ability to deliver there on their demand, just because of the magnitude of the size of this market.

And so, the fact that they are slowing down doesn't necessarily mean much in terms of impact for us. I believe that with the size of these are hyperscalers, even when they are growing a few percentages less, we can still grow more or less at the same speed. I remain very bullish that what, what we're talking about cloud and what is representing today north of one third of our business will continue to gain grow in terms of proportion of our revenue mix, if you like, going forward. So, market may slow down, we may not slow down around cloud.

Gaurav Rateria: All right. Very clear, thanks a lot and all the best.

Thierry Delaporte: Thank you and you too.

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

Nitin Padmanabhan: Good evening and very Happy New Year. I had a couple of questions. First is on Europe. So, I think it's been a little counterintuitive almost everyone has been sort of showing very solid growth out of Europe. And the geographies which we thought were relatively stronger are actually much weaker. If you could give some colour on what exactly are the dynamics at play here? That's the first question, and I had one more after this.

Thierry Delaporte: Nitin, indeed, I am aware of -- and I should not necessarily comment on relative trends versus the competition. I think in the case of Wipro, what is clear is that over the last years, we have completely changed speed, focus attention -- and our impact in Europe is different. There's no doubt.

I think the organization we've put in place with a focus on key strategic markets, the leadership that we've either hired or promoted in these regions the organization that we have reinforced the connections that we have built with our clients, the intimacy, the ability to combine the power of our global network and very strong impactful legal leaders in this market is making a difference. And yes, Wipro is a different competitor in Europe today than it was some years ago.

Is it paying off? I'm assuming, yes, it's clear that, yes, we continue to grow. We continue to see nice deal. We have a nice portfolio of clients in Europe, and we will continue to gain market share in Europe.

Nitin Padmanabhan: Sure. The second one was more of a clarification. So, I think, the deal wins have been sort of pretty -- in the last three quarters have been pretty decent compared to the earlier quarters. And you mentioned that the conversion was low because of the environment. And then if I just look at how we typically grow in the Q1, apart from one of the years where we had large deals and we grew pretty well.

Is the understanding correct in terms of the commentary that you think the level of build in terms of the deals won is sort of sufficient enough that despite those headwinds, you'll actually see an improvement next year from a trajectory perspective, on a sequential growth rate if you look at in that way? Or alternatively, maybe the flip side of the question is, do you think the cautiousness by clients and the view on discretionary spends and all of those, do you think that cautiousness should sort of dissipate maybe as we get into the new year in the next fiscal?

Jatin Dalal: So, Nitin, this is Jatin, Thierry and I are smiling because this is one way to talk about Q1 numbers that we don't want to talk about, so we will give it a pass. We understand your question precisely. It's a great question, but we are not at a point in time we would answer that. But directionally, the fact that we are winning large deals, the TCV, the revenue, the backlog is improving, and it will convert into revenue. It's difficult to pinpoint a specific quarter that will get the boost out of it.

Nitin Padmanabhan: Sure, fair enough. Thank you so much and all the best.

Moderator: Thank you. We'll take a next question from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: Thanks for the opportunity. First on the overall deal with it, it looks like that's really strong. So how do you think about the market demand, especially, do you say north of 50 million discloses large deals. So, would we continue to see that momentum even over the next quarter? Or do you think that is making is largely going to be on hold?

Thierry Delaporte: Ravi, your voice came a little muffled, so I hope I understood the question. But I believe you are asking some of our views on the market itself, okay? Am I correct?

Ravi Menon: Yes, Thierry, that's right. I was just asking about the deal pipeline. Do you think the position making could slow and therefore deal wins could get a little softer next quarter?

Thierry Delaporte: When it comes to projecting bookings, you can certainly base your level of confidence on the quality of the pipeline and on your trend of win rate over a certain period of time. If I base my judgment on that, I see that we have another solid quarter of bookings coming ahead of us. Will it be as good as the one this quarter -- that I don't know. I cannot tell sometimes it depends on one deal, and it makes a big difference. So, I think very confident that it will be another solid quarter in terms of bookings.

Let's see how it goes, okay? But a little bit of reflection on the market. again, the softness of the economy, the uncertainty of the macroeconomic environment is a reality. I said it in this room three months ago, Ravi, at the time, we are not necessarily others were saying it. But this hasn't changed. This hasn't changed. In this context, I can only recognize looking at the performance and the activity in the field from our sales teams, that the tech spending remained robust. That's clear.

I take obviously comfort from the fact that we are winning and that we are winning nice type of deals. And if you look at being a little bit more, looking at the type of deals, you probably have noticed that we are talking about total contract value. We also look at the annual contract value.

What's interesting is that the total contract value has been our highest ever. The annual contract value performance has been also our highest ever. And what it says to me is that we have a good volume of large deal, good volume of medium deal and good volume of smaller deal. I think this tax-on, this good pyramid of size of deals also, reflect also the fact that our backlog for the quarters to come is reinforcing and is getting stronger. So, reasons for us to be optimistic for the next year.

Ravi Menon: And next is a question, it's a bit of a revenue and margin question. If the demand is strong, why are we looking at Middle East as a geography, we talked about investing in it. I mean historically, we used to think about the Middle East as a relatively lower billing rate at lower profitable geography. So why not focus on the developed markets if supply is still tight there?

Thierry Delaporte: This, Middle East is a very important market for us. A very important market. In fact, by size, Wipro is one of the big players in the Middle East. So, we are very proud of our business. We continue to invest in this business, such that we've decided to establish the headquarter of the region in Dubai for APMEA region in Dubai. And so, we have invested in innovation lab in capabilities. We

have just decided to launch our Capco business in the Middle East also a few weeks ago. And we are very bullish about our, the outlook of Wipro in the Middle East over the next quarters. It will continue to surprise.

Moderator: Our next question is from the line of Surendra Goel from Citigroup.

Surendra Goel: Thierry, just one question. How should we think about the correlation between TCV and growth? And the reason I asked that question is for the past six quarters, whatever metric you have disclosed ACV or TCV is up greater than 24% year-on-year, while growth in that period has gone from 25% plus Y-o-Y to a guidance of around 8% at the higher end in the coming quarter. So just wanted to understand how we should think about the correlation between TCV...

Jatin Dalal: Surendra. So, I would, I meant it, it didn't have a demand color but more conversion point, so I would take it. The key issue is that we have mentioned in last three quarters that in the first quarter, we said our TCV growth is 32 than 28, and this quarter also has been very robust growth.

The conversion has two components. It has a future timing component, when does it convert? And second is clearly the immediate component, which is it converts into next quarter or in two-quarter phenomena, et cetera, you have to appreciate the fact that we have won a very large component of TCV and something that we also covered in Thierry's speech is that a large component of that is in Cloud and Infrastructure Services, which are typically long-ended contracts over four to five years.

So, we can give you comfort that as we enter every quarter, we are entering with a superior backlog than what we are carrying in the previous quarter and the uncertainty around discretionary spend or the conversion of large deal continues to pay out in the immediate quarter. So, you are not seeing this correlation in an immediate 3-quarter period that of '22, '23 that you have seen the results of -- but as we model it for future, we feel very comfortable that we are moving in the right direction of securing a better book to carry as we enter '23,'24.

Surendra Goel: Jatin, the ACV that you were disclosing in Q2, Q3 and Q4 of last year was all in excess of 24% also? So, this question was more around like -- I'm sure deals would have been gone, then should have converted by now. So just wanted to understand it better if you want to kind of take it offline that's fine.

Jatin Dalal: Yes. And we take your point, Surendra, we can -- even in next quarterly commentary, we can cover this point specifically, but we feel comfortable that the bookings in the current environment is the only way to continue to grow, because uncertainty will always mean that in our business, there is always -- there is certain amount of projects coming to an end and only way to continue to grow is to add more on the top. So, we feel comfortable, but we can cover it as we go forward.

Surendra Goel: And just one clarification. On your comments on the margin walk. You mentioned like something in the employee cost, which kind of moved away from the cost of employees -- per employee cost for IT services. Could you just kind of elaborate on that? And could you also quantify it for us?

- Jatin Dalal:** Yes. So, Surendra it is quite straightforward, when you see our employee cost numbers, you see it on a consolidated basis for entire Wipro Limited. As you know that we had a restructuring cost, which was sitting in the company book. So, it was sitting in quarter 2 employee cost. But when we publish our segment results and IT services, it was sitting in not in IT Services segment, it was sitting elsewhere. And clearly, that restructuring cost has not recurred in quarter 3 and that has reduced from quarter 2 to quarter 3, that much cost in the employee cost line when you look at consolidated Wipro Limited books.
- Surendra Goel:** Could you quantify that, Jatin, that's for a convenience.
- Jatin Dalal:** Yes, I can quantify it, but you can also see it in last quarter's numbers or Dipak, or Abhishek will give you shortly.
- Surendra Goel:** No, that's very helpful, Jatin. Thank you so much.
- Jatin Dalal:** About INR 130 crores, yes.
- Surendra Goel:** Thank you, Jatin.
- Moderator:** Thank you. Our next question is from the line of Manik Taneja from Axis Capital. Please go ahead.
- Manik Taneja:** Well, thank you for the opportunity. I actually just wanted to get your sense around the margin improvement trajectory, given the fact that over the course of last 18, 24 months apart from acquisitions you've invested in terms of engine especially when it came to freshers. And now you're getting much more moderated...
- Moderator:** I am sorry to interrupt. Mr. Taneja, it looks like there's an audio breaks from your connection. If you are on a handsfree mode, please switch to handset and speak, and you might have to repeat the question, sir.
- Manik Taneja:** Sure, thank you. I am on handset only and I'll repeat that question. So, the question was on margins. Over the course of last 18, 24 months we see transition in our margins because of the investments that we made around are -- around our delivery in terms of -- especially in terms of freshers, as well as some of the acquisitions that we made. So now given the fact that growth actually slowing down and hiring essentially is coming off, is there a timeline that you can -- you would want to essentially suggest as to us getting back to 18%, 19% EBIT margins?
- Jatin Dalal:** Okay. So Manik, thanks for your question. And as you can see, we have made a substantive move on margin in quarter 3. Certainly, we will protect this base and make an incremental effort for future. But right now, I don't think we should go ahead and quantify the quarter or year in which we'll reach a particular threshold.
- Our effort clearly as we articulated in past also, is that we will -- these are not the margin we are satisfied with, from a medium-term standpoint, and our trajectory for our goal for medium term is higher and we'll continue to make an effort. But please be mindful that in quarter 3, we have made

significant movements, and we'll have to sustain that and on that build it incrementally in next quarters.

Moderator: Thank you. Our next question is from the line of Abhishek Shindadkar from InCred Capital. Please go ahead.

Abhishek Shindadkar: Hi, thanks for the opportunity and happy new year. Thierry, in the preparatory remarks, you mentioned about modest slowdown in the discretionary spend, was this comment related to Capco by any chance? And given the fact that you have a solid U.K. European presence. One of your competitors had highlighted that H1 could see some of the deals delayed, these could convert in the first half. Anything that you would like to comment on the same? Thank you for taking my question.

Thierry Delaporte: When I was referring about to discretionary spend, Abhishek, I was not referring to any units specifically. It's a reality that applies to all kind of discretionary spend. As you mentioned, Capco, let me tell you one thing. The acquisition of Capco that we've done -- when was that now, 18 months ago, was an extremely strategic acquisition. The purpose of this acquisition was to change -- game changers for us in the BFSI market, be able to suddenly completely transform the type of conversation that we're having with clients in order to be able to really engage with them at strategic level and drive larger program.

This is exactly what has happened. The performance of Capco quarter-after-quarter over the last 18 months has been very good, actually higher than what we had anticipated or expected at the time of the acquisition and that the nature of the strategic -- the strategic nature of the acquisition is a reality on the ground every day. So that's -- I just wanted to be clear about this -- the Capco since you mentioned it.

As for discretionary spend, I think it's -- the type of deals that the clients feel they can stop at any moment in time. And this happened with every kind of clients across sectors.

Moderator: Thank you. We'll take the next question from the line of Dipesh Mehta from Emkay Global.

Dipesh Mehta: Thanks for the opportunity. Just on the deal related question. So, if I look now press release contain note four, which include we report only gross deal intake and any subsequent cancellation, termination and reduction is not the part of the number. So, do we see any different trend, let's say, over the last few quarters, particularly on the termination and reduction side, which could have implication about revenue growth trajectory compared to the deal intake trajectory? Second question is about the growth trend or demand trend. If you can provide some sense about communication, BFSI and consumer? Thank you.

Thierry Delaporte: Okay. Dipesh, thanks all your questions. So, the first one, if I understand, well, is about, has there been more cancellation or termination? Is it what -- that's what I understood, right? The answer is we have not -- let's be very clear. We have not lost one single -- it's not like we -- there was a question earlier in another form about is it structural. It's not -- we have not lost a client.

We have not lost a -- there hasn't been a big termination or anything. So, it's not like there's been a particular loss. That's the nature of the discretionary spend or the nature of a slightly slower ramp-up that is more explaining the revenue profile.

Jatin Dalal: Dipesh, if you are okay, I wanted to also clarify the earlier question by Surendra so that we conclude this call answering every question. Surendra's question was for clarification, I will mention that Q2, Q3, Q4 Wipro's ACV growth was quite high, and that was -- I'm repeating 31%, 22% and 33%. And if I take the average of the three, it comes to around 28% growth in ACV and that -- if you see our '21, '22 growth in revenues was also 28% plus.

So, our ACV growth did reflect in our revenue growth. Both numbers included Capco, so they are apple-to-apple. And therefore, we continue to see a strong correlation of our booking business with revenue. And if there are any other questions on this line, IR team will be very happy to take it after the call.

Dipesh Mehta: Sorry, the second question, if you can answer.

Jatin Dalal: Sorry, Dipesh. Can you ask me again?

Dipesh Mehta: So, the second question was about the demand trend, what we are seeing in communication, BFSI and consumer verticals? Thank you.

Thierry Delaporte: Communication, no particular slowdown in communication, the market continued to be good. BFSI, we know by reading like you that there are some slowdowns. We haven't seen it so far. The performance in BFSI continues to be good. I think it's probably -- let's see, but I think it's our ability to really connect at the more strategic level with our clients, which is getting us to place that are less exposed to cyclicity, if you like, of volatility. The third sector was...

Dipesh Mehta: Consumer?

Thierry Delaporte: Consumer is -- okay. So, the consumer actually is sensing. If you look at our performance, it's solid as well. I suspect, however, that it may be a sector between consumer and retail, in particular, in America, which could get a little bit exposed in the foreseeable future to follow.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference back to Mr. Dipak Kumar Bohra for closing comments.

Dipak Kumar Bohra: So, thank you all for joining the call. In case we could not take any questions due to time constraints, please feel free to reach out to the Investor Relations team. Have a nice day. Thank you.

Moderator: Thank you, members of the management. On behalf of Wipro Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.



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