Wipro Limited

Q4 FY 2023 Earnings Conference Call

April 27, 2023

Management

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Moderator: Ladies and gentlemen, good day and welcome to the Wipro Limited Q4 FY'23 Earnings Call.

As a reminder, all participant lines will be in the listen-only mode, and 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dipak Kumar Bohra – Senior Vice President, Corporate Treasurer & Investor Relations. Thank you and over to you, sir.

Dipak Kumar Bohra: A warm welcome to our Q4 FY'23 Earnings Call. We will begin the call with the 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 Q&A with our management team. on our latest acquisition,

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 the 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 the events and circumstances after the date of filing. The conference call will be archived, and a transcript will be made available on our website. Thank you. Over to you, Thierry.

Thierry Delaporte: Dipak, thank you. Hello, everyone. Thank you for joining our quarterly earning call.

Joining me from Bangalore today is our CFO, Jatin, our Chief Growth Officer, Stephanie, our Chief Human Resource Officer, Saurabh and our Chief Operating Officer, Amit.

So, on this call, I want to share with you the details of our annual results, as well as our fourth quarter performance. We share highlights for sectors, markets, service offerings, and an overview of the demand environment, and finally, our business outlook for the quarters ahead. Of course, happy to also take on any questions you have for us.

Starting on FY23:

We closed FY23 with the strongest ever bookings recorded in a year. Our bookings in total contract value terms grew over 28% year-on-year. We finished the year with two consecutive quarters of total bookings of over $4.1 billion each.

Our revenues grew 11.5% year-on-year in constant currency terms, putting our full year revenue at $11.2 billion. Our operating margin for the year was 15.7%. The cash conversion was at 115% of net income versus 91% in the previous year.

Our transformation journey continued in FY23. We made several major strategic investments and acquisitions. And we've added new capabilities.

Whether it is our account strategy, the large deal approach, or our sector and market mix, there's a clear and obvious difference between the Wipro pre-2020 and the Wipro of today.

Our top accounts are bigger in size. We have a more diversified pipeline, and we continue to make bold investments in talent to support our future growth.

Now, coming to Wipro's performance in the fourth quarter:

Total bookings for the quarter were US$4.1 billion. In total contract value terms, quarterly bookings grew by 47% year-on-year in the Americas-I strategic market unit and by 33% year-on-year in Europe.

The revenue for the fourth quarter was up by 6.5% year-on-year in constant currency terms. Sequentially, revenue declined by 0.6%. This is mainly due to the uncertainty in the market and the resulting slowdown in discretionary spending. Our operating margin for the quarter was 16.3%, that is 60 basis points higher than the full year margin of 15.7%.

Our IT services profit was highest ever in absolute terms.

Our CEO team under Amit leadership has brought in new rigor to the way we approach operations and then delivery, drive client experience and efficiencies. And we are already seeing the impact. Our utilization rates improved to 81.7% in Q4 from 79.7% in the previous quarter.

Looking at earnings per share:

EPS is expanded for the consecutive quarter; we reported EPS of Rs.5.61 for the quarter.

Now, turning to our sectoral performance:

All four of our strategic market units recorded over 10% revenue growth for the full year in FY23. In Americas-I, revenue grew 6% in Q4 and 13% for the full year in FY23. The growth was led by healthcare and medical devices at 10%, followed by consumer goods and life sciences at 8%.

Americas-II market grew 4% year-on-year in Q4 and 10% for the full year as well.

Energy & Utility revenues grew 8% during the quarter, securities, capital markets and insurance grew 7% during the quarter. But, we are seeing some softness in the banking and Financial Services space, no doubt and in consulting due to the current macro environment. The bookings in terms of total contract value grew 27% in Q4. These are all year-on-year comparison figures of course.

Third market -- our Europe market:

Unit delivered a year-on-year revenue growth of 9% in Q4, 12% for the full year. Growth in Europe was led by sales on Europe and Germany, which grew over 30% and 20% in Q4 respectively.

Finally, revenues for the APMEA market unit grew at 8% year-on-year in Q4, and 10% for the full year. There, Southeast Asia grew above 25% year-on-year and Middle East is growing in double digits as well. For the full year, bookings in TCV terms are looking healthy with 20% year-on-year growth.

We also have ambitious growth plans for India. In fact, you should know that we have significantly improved our quality of revenue in our enterprise segment over the last couple of years. With that, we have decided to merge that segment with our IT services segment starting Q1'24.

Now, let's look at the performance from a service offering standpoint:

Our iDEAS Global Business Line grew 7% year-on-year in Q4 and 14% for the full year. Most of the service lines show a healthy year-over-year revenue growth, led by cloud transformation which grew 22% year-on-year and Applications & Data grew 18% year-on-year.

Our iCORE Global Business Line grew by 6% year-on-year in Q4 and 8% in the year of fiscal year '23. Digital operations and platform led the growth with 7% year-on-year for the quarter.

Against weakening macro environment, our results underscore the efficiency and the effectiveness of our transformation and growth strategy and how far we've come in just under three years. We are not only winning at higher rate in the market, but the nature of the deals we are winning is changing. Today, we have $1,900 million accounts compared to 11 in fiscal year 2021. We are winning large transformation deals, benefiting from the consolidation in the marketplace and expanding our relationships with existing clients.

As an example, we expanded our long-term relationship with a multinational insurance company through a strategic transformation initiative. The growth-oriented initiative will enhance customer experience, simplify and digitize operations and lower the cost to serve as part of a 10-year partnership.

In another example, Wipro was selected by a leading global professional staffing services provider to help them transform into a shared services product platform operating model. The new operating model will help accelerate the simplification of technology, applications infrastructure and risk management. Here, again, leveraging cloud as a key enabler for business scalability and agility.

In many of these wins, we are bringing “One-Wipro” capabilities together in brand new and innovative ways, including introducing a product platform mindset and combining experience platforms and operations to drive business outcomes.

Further, as market conditions soften, we are deploying advanced technologies to help clients better manage cost and anticipate risks. We're building resiliency here and efficiency for client’s businesses.

For example, we've been selected by a leading North American financial institution as a strategic partner for their data as a service platform to accelerate their cloud migration. We will leverage our data analytics and artificial intelligence accelerators to expedite this journey and bring cost benefits.

Our partnership strategy is yielding good results as we continue to build capabilities jointly with our strategic partners and drive large complex deals. The share of partner bookings as a percentage of our total bookings rose from 25% in FY'22 to 44% in FY'23.

We believe our new organizational model for strategic market units and for global business clients will further improve our market position.

Organizing around our strategy, priority areas, cloud, enterprise technology, engineering, consulting, will give us the agility to adapt to changing market conditions, but also innovate even faster.

Wipro FullStride Cloud is a significant growth driver for us, no doubt now, as a dedicated global business, it will accelerate growth, innovate with partners and clients and deliver on the promise of cloud via differentiated futuristic capabilities.

Our new Enterprise futuring global business line will combine our enterprise technology platforms and enable digital operations and security. By leveraging data and artificial intelligence as well as immersive technologies, this GBL will build a distinctly forward-looking view into our clients operational and technology needs.

Let me now turn to our most important asset -- our people:

In a highly dynamic business and technology environment, building the right skills across organization is more important than ever. Over the past year, we've trained over 50,000 employees in demand-driven skills.

Next-gen Associates, formerly called freshers, continue to be a critical part of our talent strategy. The renaming of this group of colleagues is actually a reflection of their value to our business and of our commitment to their success. We hired over 22,000 next-gen associates in FY23. Here again the highest ever in our history. Our talent transformation efforts are yielding results. In Q4, we were recognized by Top Employers Institute as a 2023 Top Employer in 11 countries, actually even securing a top three ranking in five of those countries. Finally, our attrition rates have been steadily declining throughout FY23; we ended the quarter with 14.1% attrition.

Now looking ahead, the macro environment continues to be challenging. Our clients, our industry, and many sectors are impacted by the prolonged uncertainty in this economic environment. These headwinds are impacting our business and projections as well. For the next quarter, we are giving a sequential guidance of minus three to minus 1% in constant currency. On margins, we expect to be in the similar range that we delivered in recent quarters.

To summarize FY23:

We closed the year with the strongest ever bookings recording in a year. Our revenues grew 11.5% year-on-year in constant currency terms, taking our full year revenue to $11.2 billion. Finally, our IT services operating profit is the highest ever, at US$1.7 billion for the year. By most accounts, we've closed our fiscal year at a significantly improved place than where we began. We are getting stronger operationally, taking a more futuristic approach to our solutions. We have the growth mindset, and the right organizational structure and talent, giving us the resiliency for long term success.

With that, let me turn it over to Jatin for his comments. Thank you.

Jatin Dalal: Thank you, Thierry. Thank you all for joining this call.

Let me start with the revenue growth for fiscal '23:

We grew 11.5% in constant currency terms. Our operating profit as Thierry mentioned was highest at $1.7 billion, and that was a growth of 1.2%. year-on-year. In Q4, our net profit was ₹30.7 billion Indian which was 0.7%. sequentially.

We continue to have a very strong cash conversion. For FY23, we converted operating cash flows were at 115% of our net income. We exited the year with a $4.9 billion of cash, gross of debt, and $3.1 billion net of debt. As we exited the year, we had $3.8 billion of FOREX hedges. In Q4, the realization rate was 81.63.

I'll quickly talk about buyback details:

As we have shared in our press release, the buyback quantum is INR12,000 crores including taxes approximately INR14,800 which translates to US$1.8 billion. Buyback price has been set at 445. And this is subject to the shareholder approval that we will duly undertake.

As Thierry mentioned, we have also brought ISRE segment as part of the IT services segment and our guidance for Q1 includes ISRE both in the base for Q4 and the growth that we which we are projecting. The performance of Q4 was excluding ISRE. The guidance was given as such and we have delivered within the guidance range excluding ISRE in Q4.

With that, we are happy to take your questions.

Moderator: We will now begin the question-and-answer session. We have a first question from the line of Sudheer Guntupalli from Kotak Mahindra Asset Management. Please go ahead.

Sudheer Guntupalli: Jatin, firstly, on the guidance of (-3%) to (-1%) in constant currency, so what are the underlying assumptions here between the growth rates of our consulting book of business and the services core business? I know maybe a little difficult to apportion very precisely, but broadly if you can give some indication as to what is the decline we are expecting in consulting and ex of that let's say what is the rate in services?

Jatin Dalal: As you know, we will not be able to break this down between consulting and rest of the business, but I would request Thierry to give a color on overall business.

Thierry Delaporte: Let's look at different elements. First is, what is the performance in bookings? What do we learn when we look at what we've done in Q4, Q3? Two very strong quarter of bookings, among the highest one actually highest on large deals, very strong performance, significant 27% growth year-on-year. So, this is clearly showing that we continue to see opportunity in the business that we win, and that we are growing up our backlog for the quarters to come. Second is, if we look at some sector trends, there are sectors that I've seen a little bit more of headwinds or seen some more macro uncertainties. Banking, insurance, technology are sectors where we have seen a slowdown or cut in discretionary spend over the last weeks. But fundamentally, we remain positive given the volume of business that we are delivering. We are possibly waiting for the uncertainty to clear. But the current guidance we are showing for the quarter reflect really the view. On one side, other sectors where there's growth, those sectors where discretionary spend is being cut, and the performance on bookings. You ask questions about consulting. So, I will say the following. Yes, we have increased the percentage of our revenue coming from the consulting business over the last years. We've done it for strategic reason. The strategic reasoning behind the decisions hasn't changed. And indeed, the acquisitions we have made have absolutely allowed us to have to transform to change the game in our interaction with clients in those fields, whether it is in the security space, in the SAP space, or in Financial Services. And by the way, all these acquisitions in the consulting space have delivered performance that were ahead of the plan, built at the time of the acquisition. Having said that, and I think it's in line with what we've said a quarter ago, we know that those business are early cycle and typically feeling first a reduction in discretionary spend, but also the ones bouncing back the fastest. And that's in line with this prediction. Last, if we are looking at the performance of these businesses compared to the consulting market, I think, those business are holding pretty well as well. So, that's the color I would give you on our guidance for Q1.

Sudheer Guntupalli: There was a question in the last quarter also as to why the strength in deal bookings is not necessarily converting into revenue and forward-looking outlook. Does that also have to do with the fact that, let's say, some of this consulting book of business, which is more discretionary in nature, it's where we are seeing a bigger pain, especially in the current macro backdrop, and then given the geographies that some of these entities are operating.

Thierry Delaporte: What is clear, Sudheer is that we don't have any client’s situation, any one event, any consolation, any loss of client delivery issue or anything that would have played in this projection. So, this is not that. It's really that on one side, you have the intense activity of the sales team driving wins and allowing us to obviously expand our position in those accounts. And on the other side, you have decisions, very short term, often the time from clients to cut discretionary spend, because we know that this is what they're doing in time of uncertainty. And so that's what we're observing. So, on the one hand, we see the consequence of that, indeed, leading to the guidance we show for

Q1, but also give us quite good confidence in our ability to rapidly bounce back in the following months.

Moderator: We have a next question from the line of Sandeep Shah from Equirus Securities Private Limited. Please go ahead.

Sandeep Shah: The question is a follow up to what Sudheer has asked. I fail to understand why such a low correlation of a high book-to-bill ratio which we have in December '22 at 1.5x, March '22 at 1.5x. So, is it fair to say that the discretionary portfolio or project-based portfolio in the book has increased so materially that it is not helping us to convert the won deals into better growth either, because Q3 was disappointing, Q4 was disappointing, Q1 guidance is disappointing, while the order book in all these three periods have been really heartening?

Jatin Dalal: I will try and articulate this. There are clearly two engines or two legs to our revenue performance. The first is the new deals and the large deals that we sign every quarter. And as we have shared that growth has been very robust, that growth has been for FY23 across geographies the largest was upwards of 30%, but even the smaller of the three was 27%, across geographies, the growth has been very robust. And the deals that we have won is converting into revenues. But the second leg of our growth is also a lot of discretionary work, which continues to happen in project extension mode from our customers in an ongoing manner. And as we articulated, that is a pause in some of the discretionary work. This discretionary pause is around reprioritization, of where the customers want to spend their money in a changing macroeconomic backdrop, which is I would say, which is quite common in our industry, and that is having an impact for us in Q1, and that's sort of a quarter of adjustment that we see, and that's what it is. I would argue that in fact, the deal wins that we have had in last few quarters, in fact, increases our ability to withstand some of these volatilities which has been coming through the discretionary side. And our focus will remain to continue to push whatever we can do to improve our deal win trajectory. Lastly, if I see the backlog that we are carrying, it is definitely reflective of the success in the deal wins that we have had in the last few quarters.

Sandeep Shah: Jatin, is it fair to say 1Q could be the last quarter or you believe it all depends about how macro shapes up and if macro concerns continues to remain muted post 1Q, this phenomena may continue where pause on discretionary will keep impacting us despite we are firing on the deal TCV numbers?

Jatin Dalal: The fact remains that the macro remains reasonable. As all of us know, it is not in a very adverse scenario, especially in US, you see that the employment rate continues to be good, inflation continues to come down, there is a reasonable growth assumption for 2023 and 2024. The interest rates have potentially peaked, it may go a little more up, but there is certainly not another three percentage points increase that we are seeing on the horizon. So, macro environment remains reasonable. Now, what has happened in previous quarter, is that there have been certain events, which has led to a greater cautiousness in client spending than what it was existing before beginning of Q4. And we have to see how this situation pans out for the next couple of quarters. If there is no more situation of an adverse nature, I think the growth could come back. If there is something else, it could get poor. So, right now, I would say it would be too early to call that Q1 would be the last quarter, like you, we will also watch what happens very closely.

Sandeep Shah: In the opening remarks, Delaporte has said that we would like to continue with current margins in a range going forward. So, is it the commentary for 1Q or for the whole of FY24? And don't you expect that current level of margin is still lower on a YoY basis, so there could be more upside potential on a QoQ basis on margin or that is too optimistic to assume looking at the soft growth in FY24?

Jatin Dalal: So, Sandeep, you are right. It is a revenue volatility which is of importance right now, and given the current revenue volatility, we have said, we will keep it around the ranges that we have seen in the previous few quarters, and that would be our endeavor. But our focus would be to get back to a growth momentum as early as we can.

Moderator: Thank you. We have our next question from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

Mukul Garg: Jatin, I just wanted to briefly understand, you know, has there been any change in thought process in terms of how much cash on book you guys will be holding? The buyback quantum has been quite substantial, and as you guys, if I look at how much cash you will probably be left with including incremental cash which will be generated, it will be bit lower than the employee expenses you guys incur on a quarterly basis, while, you know, this used to be one of the defense maybe few years ago and might not be really valid. But with this kind of a buyback, you know, how the overall thought process is over the next few years in terms of either business investments or inorganic acquisitions?

Jatin Dalal: Mukul, as you rightly called out, we will by the time we complete this buyback, we will still have $1.5 billion of cash net of debt on the balance sheet. Also, as you know, we continue to generate healthy cash flows every quarter, anywhere between Rs. 300 million to $350 million. So, we will continue to generate cash even as we go.

The reason the buyback is at a particular size is to make sure that we align with our payout strategy that we have articulated which is 45% to 50%. We are broadly aligned with that number. Also, the fact that we are doing it at an interval of roughly 2 years and one quarter and that the fact that buyback is lumpy by design and you can't have it at a frequent intervals, we felt this was the right size to go for.

Mukul Garg: So, Jatin, just to again clarify on this, you know, you don't think that the thought process about holding a certain amount of cash on books to either take care of expenses or inorganic investments is something which is valid in this environment, and I am just also trying to understand given that the macro environment is relatively tougher, you know, this also would imply that down the line your ability to kind of go with the similar sort of a cash return to shareholders will also be impeded. So, how should we think about this, the capital allocation from next year onwards?

Jatin Dalal: Our strategy for capital allocation remains what we have articulated which is 45% to 50% of our net income over a block of three years, and we feel we will be comfortable with that. We, of course, have evaluated the cash position at the end of this buyback and the need for us either for expenses or for inorganic opportunity which would come in our way. I think we would be well covered with the capacity that we would have and again, I would just reiterate saying this is lumpy, and I can't have it at a frequent intervals, and hence we have gone for the size that we have gone for.

Mukul Garg: Understood. One question for Thierry. And again, Thierry, on the consulting side, you know, while the business obviously will rebound once the demand picks up, in the meanwhile, is there some portion of that business which is relatively more resilient in nature or do you think if demand environment remains weak, you can see a continued moderation in the consulting revenues over next maybe one or two quarters?

Thierry Delaporte: You know, I think the, we are observing. We are observing the evolution of the consulting business. You know, there is a lot of activity on the consulting side for deals around, you known, transformational deal, cost optimization deals where we are building business case and so on for clients. I think, you know, there is quite a bit of activity. We are seeing also a very significant demand in Somalia. I mention security in SAP, for example, where we have made an acquisition with Rizing a few months ago.

We have a very significant demand and the business continue to be good. In some sectors, you know, in particular banking Financial Services and technology, there is more slowdown coming from reduction of discretionary spends. To your point, we consider that this is temporary, and that it will bounce back rapidly, because in most of my interaction with our clients, you know, it become more noisy than that, you know, they have a lot of programs that they still want to drive. They have been able to postpone or wait a little bit while to better understand the evolution of the macro environment, but, you know, there is also some pressing need from the market and from business, sorry. So, I think it's, you know, we should see a rebound.

Mukul Garg: Thanks for the clarification.

Moderator: Thank you. We have our next question from the line of Surendra Goel from Citigroup. Please go ahead.

Surendra Goel: Good evening, everyone. So, just wanted some insights on how the Jan-Feb-March quarter progress? Did it get burst towards the end of the quarter which prompted you to have an unusually low first quarter guidance? And also any vertical you have that's within the broad comment, any insights would really be appreciated?

Thierry Delaporte: So, on the first question, Surendra, no, I don't think we can say that it gotten any worse in the quarter. You know, we believe that it's the opposite. And so that's for the trend. You know, frankly, clear that it certainly did not get worse towards the end of the quarter. Sector-wise I mentioned, right, this is Financial Services market, this is technology market. Actually, two markets where technology is key, where investments are required, where there is always the demand and where

I would say talent is always in need. So, you know, to balance with the temporary slowdown on discretionary spend again.

Surendra Goel: Sir, yes, these things were stable to getting better than or how do we reconcile the unusually low first quarter guidance? Because again, just to kind of maybe put it in context the two businesses which you have added on the discretionary side, my sense is that they wouldn't be more than 10%, 12% of revenue. Are we saying that those businesses are totally falling 15%, 20% sequentially? Is that what it is? And again, I knew share numbers, but any thoughts would be appreciated.

Jatin Dalal: So, Surendra, there is always the lack of intimation versus revenue reduction in our business. So, while you continue to get intimation through the quarter, but the impact really flows through as quarter comes to an end, and you are seeing it now more profoundly, I would say, than what you saw in quarter four, because it's not that overnight you see a reduction in revenue. You get an intimation about a pause and after 15 or 21 days, two to three weeks is when you see the actual effect of the post.

Surendra Goel: And Jatin, since I have you, could you just share some color on what percentage of your portfolio in the fourth quarter would be consulting oriented that you would have added in the last couple of years? And the reason I ask that is that part of the portfolio would obviously have seen some pressure over the past few quarters. Again, broad thoughts. I know you won't share a number, but any broad thoughts?

Thierry Delaporte: You know, Surendra, I don't think you should draw any conclusion that, you know, the discretionary spend are coming from consulting only. I don't think it's the case at all. Again, as I was saying, there are some areas of consulting where we are growing really well. There is demand in Kenya. I can tell you this, there is a real nice growth in the security space, for example. So, there is nice growth in consulting SAP business we acquired and so on. So, this is not and even in Financial Services, we have areas where we are growing well, and so there is discretionary spend also across the organization. It's the reality.

Moderator: Thank you. We have our next question from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: Thank you for the opportunity. My question was an extension to what Suren just asked. Unlike for the peers, we have seen some weakness in our revenue growth from Europe. So, is that largely a function of the consulting fees or is it something else as well?

Thierry Delaporte: No. So, Manik, the answer is no. In fact, first, our Europe business is actually holding pretty well. Okay. So, we have done a solid quarter. You know, there is good business going on. Again, I would be a little more cautious on the BFSI side, but you know most of the sectors are holding well. If we look at the deals we have closed in Q4, a very solid performance from our European business as well. So, no, don't draw any conclusion between consulting business and performance in growth.

Moderator: Thank you. We have our next question from the line of Girish Pai from Nirmal Bang Institutional Equities. Please go ahead.

Girish Pai: Thanks for the opportunity. Now, Jatin, today, if you look out into the rest of FY '24, do you see growth picking up in the second half?

Jatin Dalal: So, Girish, thanks for the question. One certainly hopes that the growth picks up in the second half, but you know we don't guide for the full year and the environment continues to remain uncertain. So, we are not calling out that specifically, but I spoke about this. The macros are reasonable and current cautiousness are led by events, and it all depends how the next few months ago.

Thierry Delaporte: Yes. Agreed. Girish, my view on that sharing, I mean, my perspective on this, obviously, in line with what Jatin says is, again, look at the performance in booking. This is real start. This is real deals that we have won. And it's third quarter where we are performing well. We have also very good outlook in bookings for this quarter. So, you know, we are positive. You know, just assuming that the cutting discretionary spend will slow down, growth will be back. Stephanie, hold on Girish, since we have also our Chief Growth Officer Stephanie with us, she works on what you are seeing in the market.

Stephanie Trautman: Thierry, after two very strong quarters of bookings, if we look into this fiscal year, we continue to have a very robust pipeline. We still have a lot of very large deals in the pipeline. So, I am still very bullish that our growth strategy will continue to work, and once our clients starts spending more in discretionary spend, we will see that growth also.

Girish Pai: On the discretionary you kept referring to discretionary spend being put off, and outside of consulting, what constitutes discretionary spend, if you can give examples say in BFSI or some of the sectors?

Jatin Dalal: So, Girish, I would give some example. Certainly, on our application side, some of the feature developments or extension of digital work that the customer has already carried out and would rather wait for the next steps to perform, then pursue it as if there was no change in environment those extension would have gone through. We are seeing a pause on that. It's not customer is not wanting to pursue it. It's just a pause before they decide where they want to spend their budget for '23.

Girish Pai: Lastly, salary increases, should the quantum be the same and the timing be the same as you did in FY '23?

Jatin Dalal: Girish, we gave our last salary increase in September of, in Q2. So, we will be looking at a salary increase in Q2, and it's too early for us to comment on the actual increase. We will keep you posted.

Moderator: Thank you. We have our next question from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Couple of questions. First, about the divergence between deal intake and revenue. I think earlier participant also tried to get sense. Whether we are seeing any material delay in project start or subsequently restructuring in deal sizes? And whether we do, let's say, any restructuring or deal cancelation happen, when we report next quarter deal intake, whether we net it off or we don't net it off?

The second question is about EBIT margin related outlook. Now if I look your utilization also makes a 10% swing in the last few quarters. Utilization is also seeing improvement. So, how one should look your EBIT margin outlook? And how one should build optimal level of utilization also?

Jatin Dalal: So, I would respond to the first question, and I request Amit our Chief Operating Officer to speak on the utilization. We do have a process whereby we systematically look at when if a fixed price project has got restructured or has got extended early so that we reduce the booking which was earlier covered or shown as booked before we book the new bookings through that. So, there is an adjustment that we make for our fixed price projects.

Amit Choudhary: On the utilization, what I would like to add is as for our strategy, we want to continue to stress on internal buildup talent as opposed to buy up talent, and as a result we had higher talent including the next gen associates, and the focus in the current quarter and the future quarters will be to make sure that whenever the demand comes in, we first give priority to internal fulfillment, and while we have already seen some improvement on utilization, we will keep pushing it more aggressively to get much more out of it and staff projects from inside.

Dipesh Mehta: So, broadly, I just wanted what would be the optimal target range which, lets' say, company trying to achieve from utilization perspective and also whether you still believe it is further scope for expansion?

Amit Choudhary: Yes, there is further scope for improvement.

Thierry Delaporte: Yes. It's always dangerous to set a precise target for utilization because, Dipesh, if you remember, for example, what we need about three, four quarters ago, you should remember we had a quarter where we had a lower operating margin, and the reason we did that is it was a conscious choice because we knew it was an investment for the following quarters. We wanted to develop capacity and then including a significant boost of our Next Generation Associates program, which we have done.

And so, typically, when you do so, your utilization is going down on quarter one, and then you are building back up. As we stand right now, for sure, you know, we are improving utilization as you can see versus the previous quarter. There is still room for a higher utilization, and so we continue, but we are also making sure that it's not restraining our ability to grow when required.

Moderator: Thank you. We will take our last question from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: Thank you for taking my question. So, first question is for Thierry. On discretionary spend, the projects that are on pause, what gives the confidence that it would not eventually translate into budget cuts but will eventually come back? So, if you could highlight nature of some of these projects which gives you confidence that it will eventually come back?

Thierry Delaporte: Yes, that's a good point. That's a good point. So, couple of points. One is I think what I have always try to do with Jatin when we are looking at the projection is we really try to keep a very fair look at the macro environment. And you know, if you remember back in October, we started to talk about a certain level of volatility that we could feel in the market. And I think let's be clear, Gaurav, everyone not, everyone in our industry has felt it. It's the reality, right? Look to every growth trajectory. You know, there has been a change in the market environment that probably started somewhere in Q3 for us and then materialize in Q4.

Second is as always what do we see in our pipeline and in our deals? One is the pipeline reducing. Yes or no? second, we are winning more or less and what kind of deals? And from that standpoint, we get a lot of comfort, right? We are feeling rather good because frankly, we have won nice deals, large deals. And you know, we feel that although until it's signed, it's not won, but we feel good about what we are seeing in our pipeline for Q1.

And finally, indeed, the fact that sometimes discretionary spend may happen more or less unexpectedly, if you like, and you know because we have a very close connection with our client, we completely understand the need. They have to do that in some cases. We feel that, you know, the level of uncertainty that we have felt is we don't see it as deteriorating in any way ahead of us.

And so, the perspective is more into a resort of some of these programs, if you like, or reacceleration. Again, we are in March, in April, sorry. In speaking with our clients, they have priorities to deliver. They have targets to deliver. And they are very conscious of the fact that they need talent in order to drive those actions. And so that's how we are reading it, Gaurav.

Gaurav Rateria: Thanks for the detailed answer. The second question is for Jatin. So, last year, our ability to get the margins back to 17% range got impacted due to supply side challenges and our investments in building the pressure capacity. So, with some of these things already behind us and attrition issues coming down, we have kind of covered quite a bit of a journey in our fresher induction program. Do you think that margins going back to 17% is a reasonable target to assume? And will it be more like a fiscal '24 phenomena? Will it be more like a little bit more medium-term target?

Jatin Dalal: So, Gaurav, as you know we don't guide on margins for the year or definitely in a range, but we give an indication. You know, the current challenge we have is, you are right. It is not on the supply side. I think we have done very well in quarter four in terms of improving utilization, improving the way we induct our next generation associates into our projects. The challenge in quarter one is around the volatility and revenue that we will have to mitigate as we work through the margins. And therefore, we are saying we will around the range that we have delivered in previous quarters, previous two quarters, but right now our focus would be to get to a revenue stability and then we could work through the margin trend.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference back to Mr. Dipak Kumar Bohra for closing comments. Over to you, sir.

Dipak Kumar Bohra: Thanks. Thank you all for joining the call. If you need any further clarification information, please feel free to reach out to the Investor Relations team. Have a nice day. Thank you.

Moderator: 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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