



# **Wipro Limited Q2 FY 2024 Earnings Conference Call**

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# Management

## **Thierry Delaporte**

Chief Executive Officer & Managing Director

## **Aparna Iyer**

Chief Financial Officer

## **Amit Choudhary**

Chief Operating Officer

## **Saurabh Govil**

President & CHRO (Human Resources)

## **Stephanie Trautman**

Chief Growth Officer

## **Dipak Kumar Bohra**

Senior Vice President, Corporate Treasurer & Investor Relations

**Moderator:** Ladies and gentlemen, good day and welcome to Wipro Limited Q2 FY24 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 Bohra – Senior Vice President, Corporate Treasurer and Investor Relations. Thank you and over to you, sir.

**Dipak K. Bohra:** A warm welcome to our Q2 FY24 Earnings Call. We will begin the call with the “Business Highlights and Overview” by Thierry Delaporte – our Chief Executive Officer and Managing Director; and a “Financial Overview” by CFO – Aparna Iyer; followed by Amit Choudhary – our Chief Operating Officer. Afterwards, the operator will open the bridge for Q&A 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 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 detail filing with 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 the transcript will be available on our website.

Over to you Thierry.

**Thierry Delaporte:** Thank you, Dipak and good morning or good afternoon, good evening, everyone. Thank you for joining our second quarter earnings call.

I'll begin with an overview of this quarter's results and detail of our sectoral performance, talk about the demand environment and some direction for the coming quarter. Our CFO, Aparna, and our COO Amit will join in with their comments as well.

Q2 was yet another quarter of strong deal booking for us. Total contract value terms, we closed large deals to the tune of \$1.3 billion. This is the highest in the last nine quarters and this represents 79% year-on-year growth and a 6% growth on quarter-on-quarter basis. During the quarter, we booked 14 deals in the greater than \$30 million TCV range versus 10 in the previous quarter. Total bookings from a TCV standpoint stand at \$3.8 billion, which is also a growth of 6% year-on-year. We have added this quarter again one new account in the greater than \$100 million client category in Q2. We now have 22 accounts in that bucket. To remember, back in FY21, we had eleven \$100 million accounts. So, we've doubled the number of accounts in the \$100 million category. With one or so two closes to half a billion dollar deals in two of our large accounts. As has been the case for several quarters now, cash flow has remained strong at 145% of net income in Q2. EBIT or earnings before tax and interest of our IT services segment has increased 6% year-on-year.

All of that gives us confidence that we're winning in the market against a backdrop of economic weakness. The business environment as you all know has been uncertain. Inflation is at high as have interest rates. Clients are continuing to take a much more rigorous look at their investments. They are hyper-focused on efficiency, on optimization of existing investments and faster return on new ones. Lower discretionary spending is a reality today. Conversion of order book has become slower. Transformation programs that are nearing the project term are being replaced by new ones, but at a slower pace. All of this has impacted our top line growth as well. In Q2, revenues declined 2% quarter-on-quarter in constant currency terms. But even though there's some softness in top line growth. We are continuing to hold margins steady. Operating margin for the first half of FY24 was 16.1%. This is 110% basis points higher than our operating margin in the first half of FY22.

Now, let's look at the performance of our four strategic market units. One in our Americas-I market unit revenue grew 1% quarter-on-quarter in constant currency terms in Q2. This revenue growth was led by a strong performance in our healthcare business as well as in the technology products and platforms business. Order bookings in terms of TCV grew 36% year-on-year.

Our Americas-II markets unit, which has higher exposure to consulting clients and to the BFSI sector. Though a higher than usual impact of the macroeconomic slowdown, revenues in Americas-II declined 2.3% quarter-on-quarter in Q2.

Europe which has been our growth engine for the last two quarters for our last two years growing by 39% in FY22 and 12% in FY23, has also seen slowing demand and reprioritization of client spend, weighing on the overall business revenues in this market declined 5% quarter-on-quarter. Having said that, we are seeing strong traction on the order booking side, which in total contract value terms increased 10% in Q2 year-on-year. Given our strong bookings in this market, we are confident of a swift rebound.

Finally, in our APNEA business, revenues for the quarter declined 0.5% quarter-over-quarter. Our goal in this region is absolutely to capture the rapidly digitizing market. For that, we are leveraging our global scale and domain expertise to actually continue to move our portfolio towards higher value transformation project. This focus on improving the quality of revenue is now reflecting in our margin performance, which has improved 330 basis points over the last five quarters. Being able to sustain margin despite softer revenue is largely due to our ongoing transformation efforts. This includes several programs around delivery excellence and operational efficiencies. Across the board, we are pivoting our business towards high quality, high potential businesses and reducing our loss-making accounts. We're also working on faster bench deployment. In the last quarter, talent utilization increased to 84.5%, an improvement of 80 basis points quarter-over-quarter.

Third, our segmentation strategy together with the one-way pro approach is helping us seal bigger deals with existing clients and win in a consolidating market. And I'm proud that we are seeing these benefits within three months of moving to the new four global business line operating model. Amit will share more details shortly.

Both on the delivery assurance and efficiencies, these actions are having an immediate positive impact while also setting us up for long-term margin resilience, because profitable and sustainable growth is our top priority.

In Europe, we closed three large consolidation deals in Q2 at a 100% bid to win rate. For example, a global bank has selected Wipro as its partner to deliver multi-year digital transformation initiatives across business units. Wipro will work with the bank to build solutions to enhance its global products and services through responsible use of AI and also hyper automation. This will deliver better customer experience, analytics and drive significant operational efficiency.

Another important point to drive your attention on. Our partnership strategy continues to stay strong. Booking through our partners as a percentage of total bookings have continued to increase quarter-after-quarter, from 25% in FY22 to 44% in FY23, and it was at 53% in Q2.

Increasingly, clients are not just looking to migrate to the cloud, but also run and grow their businesses more efficiently on the cloud. Our full stride cloud services with its full stack cloud offering is setting us apart from competition and letting us tap into opportunities across the cloud journey. For example, multinational healthcare and insurance firms want us to co-create the consumer and digital experience. As a strategic technology partner, we will build AI and automation solutions to drive speed to market, better client experience and reduce their cost. Our high-performance software engineering program will bring them at least 20% more efficiency.

Now, if you look at the bigger picture in this, you will see that our ongoing transformation is driving a substantial improvement in our market position and that's in turn reflected in the types of deals we are winning. Clients now look to us to help them solution and orchestrate their transformation. They trust us with their complex challenges. That's reflecting in the latest customer satisfaction survey as well with our NPS expanding by 840 basis points, which is quite substantial.

I'll take a few minutes now to share an update on Wipro's AI 360 strategy. Since our announcement last quarter, we've trained as many as 180,000 employees in basic Gen AI general principles. We have rolled out personnel-based learning pathways to create a pool of specialized talent with deeper technical expertise. We are working with our alliance partners to further enhance AI learning pathways through our AI and cloud academies. Recently also, we launched a new GenAI Center of Excellence with IIT, Delhi. We're rapidly integrating GenAI into our processes, our solutions and our offerings. Thousands of our employees have or are starting to use GenAI. Let me give you examples, in the HR functions, our teams are seeing significant productivity gains by using GenAI for candidate background verification. Then in marketing, we are using GenAI for content generation and translation tasks that used to take hours earlier, now takes minutes. In sales, we're deploying GenAI for research to improve sales collaboration and to generate responses. Knowledge engineering business. GenAI is helping with software development and lifecycle automation. One of the areas with the biggest productivity gain is in quality engineering and quality assurance testing. GenAI is helping with scenario creation, code generation, synthetic data creation as well as execution at scale. Initial pilots of these GenAI apps have been so successful that we are now rolling them out to our all our employees. On the clients' front, GenAI

is now a part of every client conversation. There's a tremendous interest in exploring new use cases as well as understanding the benefits and implications of this technology. Today, we are seeing a doubling of GenAI active projects than we did just one quarter ago. For now, we're seeing rapid adoption in healthcare, consumer and financial services, but also in hi tech and utilities.

One example I can share with you here is the following: We are working with the US- based health insurer to deploy a GenAI-based chat bot for their agents. We are developing a solution that is fine-tuned to be more contextual so that agents can provide more personalized assistance to every member. This solution is driving 30% to 40% reduction in operation costs, significant improvements in agent productivity and improving net promoter scores.

Another example, we're working with the European multinational telecom company to unlock value from data. Working with different vendor tools and software kits, we are generating high quality synthetic data which allows the client to not only increase cross-border collaboration, but also mitigate buyers and eliminate distribution limitations that exist in real data. As the technology evolve and GenAI output becomes more accurate, we expect demand for our GenAI services and expertise to increase greatly over the next 6 to 12 months. Frankly, very excited by the opportunity GenAI presents and we are investing in new use cases, solutioning for clients as well as upskilling our employees because we really want to take a leadership position in this space.

On our guidance now, for the next quarter we are guiding for a sequential growth of -3.5% to -1.5% in constant currency terms. We expect margins to stay range bound as we've seen over the last few quarters. As the market starts to turn around on the back of our transformation and efficiency place, we expect to start seeing improvements in the coming quarters.

Despite the global slowdown across businesses, Wipro will continue to invest in its people through training opportunities, leadership development, global exposure to new clients and technologies, and by obviously also rewarding them with merit-based salary increases. Wipro's intellectual capital, our people are our biggest strength. We're continuing to strengthen our foundation, streamline our operations and moving towards a more modern dynamic culture. We have the right strategy and vision to keep us competitive and resilient. With that, I'll turn it over to Aparna for her comments. Thank you.

**Aparna Iyer:**

Thank you, Thierry. Good evening to everyone who's joining us on the call today.

In my update, I will quickly cover some key financial highlights for the quarter. To start with on the revenues, our IT services revenue for Q2 declined 2% quarter-on-quarter in constant currency terms, which is at the lower end of the guided range for the quarter.

We reported yet another quarter of healthy deal booking in total contract value terms. We closed large deals to the tune of USD\$1.3 billion, which is a 79% year-on-year growth. We also booked 14 deals which are greater than \$30 million in TCV. Total bookings from a TCV standpoint stands at US\$3.8 billion, which grew 6% year-on-year.

Turning to margins, our ongoing focus on operational improvement has ensured that the margin remains steady even in a softening revenue environment. Our operating margins for the second quarter were 16.1%, an expansion of 100 basis points year-on-year.

Shifting to a cash flow performance, our operating cash flow for Q2 is at Rs.38.6 billion, which was 145% of our net income. Our free cash flow as a percentage of net income was at 149%. Cash flow has been strong for the first half at 137% of net income. At the end of Q2, we had \$4.1 billion of gross cash and \$2.2 billion of net cash on the balance sheet. Our net income attributable to the shareholders for the quarter was at INR26.5 billion. Our EPS grew 4.1% year-on-year. Our effective tax rate remained flat for Q2 at 24%. On the FOREX front, our realized rate for IT services in Q2 was 82.54. Our DSO for the quarter is at 79 days, which is an improvement of three days year-on-year.

To conclude, our guidance for the next quarter from IT services business segment is expected to be in the range of \$2.617 billion to \$2.672 billion. This translates to a sequential guidance of -3.5% to -1.5% in constant currency terms. Thank you. And over to you, Amit.

**Amit Choudhary:**

Thank you, Aparna. Hello, everyone. I will share some updates on our business transformation and how that's reflecting in our steady margin performance.

Our new four global business line model has allowed us to deliver a "One Wipro" service excellence approach to our clients. It is reflected in our latest customer satisfaction survey with our NPS expanding by 840 basis points. This directly reflects our performance with clients, delivery, program governance and our capabilities, and this is further strengthening our delivery-led sales.

On the delivery excellence side, we have been very focused on consistency, efficiency and productivity for our clients. Automation and GenAI is a cornerstone here, with the corresponding productivity kicking in both on the delivery and functional sites.

Over the last quarter, on the operational efficiency front, utilization is now up to 84.5%. In fact, utilization has increased by almost 470 basis points in the last four quarters, including utilization of next gen associates. We have taken several actions here from sustained bench reduction efforts, pyramid optimization to onshore, offshore rationalization and rigor around subcontracting costs. Alongside, we are keeping a very close eye on discretionary spends with increased rigor on cost and efficiency management.

Thierry has talked about skill being our biggest currency. On the talent reskilling side, we continue to scale Gen AI talent. Over 180,000 of our employees have taken the first GenAI course, focused upskilling initiatives across skill families are in place now, including several account academies. These are collaborative initiatives with our clients providing a skilling road map for our teams to serve them better. I am pleased with the progress we have made so far and a lot more lies ahead. Now, I'll turn it back over to Dipak.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

**Kumar Rakesh:** My first question was around the large deal TCV. So, over the last four quarters, you have been consistently reporting 1 billion or more of large deal TCV. Over the last two quarters, your revenue from existing customers have reached almost close to 100% about 99.6 or so number which was about 95, 96 sorts of a percent last year. Does that imply that large part of these deals which we are seeing are renewal deals? I understand that you don't disclose those data, but this challenge of high deal win not translating into revenue is not just unique to you, we have seen with other companies as well, but at least their guidance or the commentary do suggest that in the coming quarters they are going to see a much better growth outlook, whereas in contrast, your outlook suggests that the growth is going to further deaccelerate from hereon and it's absolutely in contrast to the deal win TCV, which you're reporting. So is that a reflection that almost the entire part of the large deal TCV which we are seeing here is actually a renewal and not meaningfully new deal TCV.

**Thierry Delaporte:** This is not the case. I think you are certainly reflecting on the fact that indeed bookings in TCV have been very solid over the last quarter, that is true. What we are seeing is we are winning more large deals. There's a good balance between new and renewals. Renewals can include increased scope in the case of consolidation. So, we have different types of those large deals. I think you will recognize also what we've said because the market has not dramatically changed versus the previous last quarter is that while we win large deals that may take a little bit more time to convert into revenue. There's a lower volume of discretionary spend being clocked if you like with our clients, that is the kind of now type of revenue that we are missing. The revenue trend you're seeing is a reflection of those two different realities. On one side, there's a very decent volume of business in the market. We have a strong pipeline and we are winning a nice share of these deals. We are winning more larger than before. Every quarter we improve. I mean, it's quite interesting. We've moved from occasionally a big one to now more systematically I would say win large deals this time to close to half a billion-dollar deal for the same quarter is a sign of that. And yet at the same time, discretionary spend is lower. You know that, like everybody in our industry, we have certain volume of our business that is more discretionary. We might be a little more exposed than some others because of our significant presence in consulting business in particular. And even if we know that it will be the first one to bounce back when the demand is there. So that's what we are saying. And now the last thing is accepting the fact we are guiding for the quarter to come and not beyond that and that's probably why That's how we are guiding to you. But we also believe that should the market remain as it is, we will slowly bounce back.

**Kumar Rakesh:** My second question was around your strategy of exiting from the smaller accounts and we started seeing the effect of that from last year's fourth quarter and since then the revenue for the IT services has come down by about \$90 million. It appears to be that proactively pruning small accounts at a time when the demand environment could be counterproductive and actually could be one of the reasons why our growth could be getting impacted.

**Thierry Delaporte:** First of all, our strategy that we elaborated back in 2020 was to clearly get a lot of large accounts. We had at that time 11 accounts over 100 million, which was clearly lower than most in the industries, companies of similar size. You cannot invest unilaterally across the board. You have to make choices. And that makes a lot more sense to invest into partnership relationship with clients



that will allow you to drive significant growth, there's a potential of significant growth. And that's what we've done. The cost of sales for very small account is higher. It is proven. We know that until a certain point in time you are spending an abnormal amount of time to close very small deals and not so much more time to close bigger deals. So that's a conscious decision to focus on less number of accounts, but be meaningful as a partner in these accounts, be their partner in the transformation and that's what we've done. So, I give you two data points, Kumar Rakesh; one, look at the top accounts of over 100 million. We've doubled the number of these accounts in two years from 11 to 22, as simple as that. Second thing, if you look at what we call our middle account, which are our top 80 accounts, they've actually resisted a lot better than the smaller ones. I think it's just the confirmation that this is the right strategy. We need to continue to focus our attention on those accounts where there will be growth over the next quarters, but also accounts that are shaping our industry and reduce the wasted investments in accounts where we will never go beyond a certain point.

**Kumar Rakesh:** The rationale behind the strategy is very well appreciated. My question was more around the timing of that strategy to bring into effect in full effect. Can that also be contributing or pulling down our revenue?

**Thierry Delaporte:** So, let me address this point also. What have we done in terms of growth strategy over the last three years, in the first two years has been a period of significant growth, there was significant growth in this market. We've gone all in, and we have really got a good share of the growth. If you look at the growth during that time, company has changed in scale, right. Over 40% increase in size in 10 quarters, market has changed. I think you will recognize that with me the market is different. There's more macro instability, uncertainty, cautiousness, everything. So, you know this is not a growth market right now. Let's face it, right. And so I think we recognized that this is not necessarily a market where anybody will shine in terms of growth. For us, what's key is to continue our focus on our transformation; continue to be more relevant, continue to drive our investment priorities around AI, around cloud, around security; continue to upgrade our talent; continue to be more nimble, more efficient and that's how we are, you will recognize that's how we continue to maintain and actually deliver the level of margins we are at in Q2. And so that's we are ready for when the market will bounce back to go back into growth mode.

**Moderator:** Thank you. We have our next question from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

**Gaurav Rateria:** So, my first question is regarding initiatives taken by us to broaden our funnel to include mega deals which are like \$500 million plus kind of a TCV in pipeline and pursue the same. And related questions are also around the nature of bookings that we have had. Are they more on the cost side or more on the transformation side? Have we made any tweaks in strategy to pivot to the changed market conditions when deals are coming more towards the cost optimization side? Thank you.

**Thierry Delaporte:** Good question. Go off. So, I'll take a shot at those two upon. I feel free to jump in or I mean if you feel like it. So, on the first point, which is the focus on the larger deals, I think it was clear that back

a few years ago, we were not getting our fair share of larger deals and you know, large deals are giving you a certain level of resilience and also a certain level of impact with the client and that is completely in the center of our strategy to develop as I said. Before to develop, you know strategic relation and meaningful relation with our clients. So, to do so, with our CGO, Stephanie, we've started to build our larger team, right, it started with bringing talent, people that have been that are big dealers that have been building larger teams in the past. We've also obviously refocused our account executives and our leaders to be ready to go for larger deals. It has positioned us to engage at a different level with our clients. Let's pay more attention to their priorities and challenges and be proactive in bringing back to them solutions that would address the challenges. And we've started to win larger deals. It started with one big one and then another big one, but it was more erratic at the beginning and then we started to win more of these large deals and larger ones in size. And I think it's becoming the machine now inside Wipro, where you know as part of our deals, we have a significant volume of large deals every quarter and I think we expect this to continue over the next quarters, so that form the large deals. On the cost actions you ask or have, if I understood well your question was how did you balance focus on?

**Aparna Iyer:**

He wants to understand whether the pipeline, the deals that you are winning....

**Thierry Delaporte:**

So, yes, that is, I would grab on the pipeline, I would say there is certainly an evolution of the type of deals that we are seeing and the attention to cost takeout, cost optimization, margin productivity and so on is certainly a lot bigger than it was some quarters ago. There is no doubt.

**Moderator:**

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

**Dipesh Mehta:**

Couple of questions. First, about sales and marketing increase. This quarter, it is showing some spike percentage of revenue. There is a good uptake Q-o-Q, Y-o-Y. If you can help us understand what drives these significant of expression in sales and marketing. The related question is if I look number of new clients which we had every quarter, it is showing moderation for last few quarters. So, these two numbers are not matching with directionally, if you can provide some sense. Second question is about if I look reconciliation item, earlier we indicated some correction is driving that item. Now this quarter again it is increased. So, 2.2 billion loss in the line item. How we should understand this line item and how would you expect it to trend in the coming quarter? Thank you.

**Aparna Iyer:**

So, Dipesh, to your point on sales and marketing expenses being high, it's specifically in reference to one of the line items on depreciation amortization where we have taken an accelerated amortization pertaining to one of our customer intangibles and that is why it's a one-off and it should normalize over a period of time. The second piece that you said on the number of accounts being moderated, you know Thierry just answered that it is a part of the strategy, we are focusing on increasing and expanding our top client relationships and it is in line with what we are pursuing as a strategy overall. To your third question that you had asked on the reconciling items, last quarter that is in Q1 of this fiscal, we had announced that knowing to a turn in the macroeconomic environment and for us in line with all the transformation that we are pursuing, we wanted to be more agile and we had announced a restructuring program under which we had taken in

restructuring expenses both in Q1 and we've indicated that there would be a spill over into Q2, which has been now booked in the reconciling items. This is towards the employee severance costs and is one-off in nature and that is how you should model it.

**Dipesh Mehta:** So, is it now over from Q3 onwards this line item will not be there, or you expect it to recur?

**Aparna Iyer:** So, we're not calling out for any particular guidance on this. We had said that it was one-off in nature. We will need to take into account what is shifting and what's changing in our business. If there is more update, we will share it with you in the next quarter.

**Moderator:** Thank you. We have our next question from the line of Abhishek Kumar from JM Financial. Please go ahead.

**Abhishek Kumar:** Thierry, you mentioned that you expect in next couple of quarters things to look up. I was just wondering what is driving your confidence. Are we seeing that the runoff of discretionary projects that we have witnessed over the last couple of quarters, is that coming to an end or you expect general demand to improve further?

**Thierry Delaporte:** Abhishek, thanks for your question. I'll try to address it by staying within our policy in terms of guidance. So, one is certainly the guidance for Q3 includes a certain volume of our furloughs, let's be clear, bigger than it was the previous year, right. It's a fact which we don't necessarily expect to repeat for sure. Second is the fact that quarter after quarter with our level of TCV, we continue to build the backlog of deals. So, there's a bigger proportion of our revenue that gets covered by contract if you like for the quarters to come. So, we are staying certainly cautious and as you know, we are not guiding beyond this quarter, but it feels that we can reasonably expect a rebound to come after.

**Abhishek Kumar:** Sure, that's helpful. Just one follow-up maybe. So, on order backlog you mentioned, so while you know we are winning deals, so inflow is good, at the same time there is depletion of current book of business. So, I know we don't give that number, but any color in terms of how the order backlog has improved over the past few quarters, given these two movements in different directions. Thank you.

**Thierry Delaporte:** Well, you know Abhishek, one, the type of deals includes a bigger proportion of larger deals than before, which will trigger a bigger stickiness in these accounts going forward, no doubt. Second, the very nature of those larger deals tends to be more strategic. So, the type of deals looking at our portfolio, we've done a lot of work over the last quarters to continue the rotation of our portfolio, market synergy based around data, around security, around cloud and engineering and this is what's happening. So, I would say the nature of these deals has certainly continued to evolve. There's a greater attention to cost rationalization. Therefore, producing business case, delivering outcomes, those are typically what we are seeing in the deals that we are closing, and I would say also we are seeing good volume of deals of clients working on the consolidation of their providers where we are seeing opportunities to expand our position in these accounts.

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

**Girish Pai:** Thierry, how would you characterize the mood of clients, would you say they seem more optimistic or pessimistic today compared to say when you interact with them three months back or six months back? That's question number one.

**Thierry Delaporte:** If I understood well, Girish, you asked me to characterize the mood of the market of the clients?

**Girish Pai:** Mood of the clients, right?

**Thierry Delaporte:** So, it's an interesting question, Girish. It is every day I speak to clients, right. So, for sure, I try to gauge their mood and their priorities and so on. What do I see? First of all, technology is in lot of their priorities. They are very mature about technology. They have a lot of ambition about how technology will transform their business. They're very curious about how AI and GenAI is either impacting or transforming or helping them be more efficient in their industry, and a lot of those discussions are around that. There is a certain level of cautiousness to engage in a new program. There is a certain level of cautiousness to spend as much as what they used to spend in the previous quarter or in the previous years. So, they are like you and me. So, they are reading the newspaper every day. They see the news on the American economy, European economy, the war, here and there, and the fact that all of this is creating a certain level of instability and anxiety. A lot of people are starting to project themselves and say, okay, it's going to be time to resume some of those programs because the business will obviously suffer from less attention to technology. So, that's the mood, I would say is in a way cautious and anxious, but at the same time very aware of the fact that it's going to be time to resume those investments sooner than later. Over to you.

**Girish Pai:** Regarding your remarks that you made, a lot of comments on Generative AI. In your operations, to what extent are you using Generative AI today and where are you on that journey and where do you think maybe like 12 months down the road and what are the kind of productivity gains you had and connected with that are the clients you mentioned that a lot of the conversations around Generative AI, are they actually asking for? Regarding generative AI if you can give some more explanation?

**Subha Tatavarti:** This is Subha Tatavarti. I'm the CTO. We heard parts of your question and I want to kind of address some parts of it. One was around what is our strategy. We believe that Generative AI will fundamentally change many businesses and also the way we live. So, we have been very, very aggressive and in the last six months we have adopted Generative AI to streamline our technology business processes as well as people. And this is very, very early, but early signs are indicative of productivity gains and in many areas, we talked a little bit about in the HR space, specifically around background checks, a lot of work we do is around employee hiring, retention training and managing. So, a lot of our work is now being streamlined, at least in early parts of our work with Generative AI in this space are very positive and encouraging in terms of productivity gains. Similarly on the quality assurance and testing practice, this has been quite interesting because in the last 2 to 3 months, the kind of highlights we've ran are indicative that we can significantly

reduce the amount of time or the number of hours it would take for us to be able to perform functional testing or perform specifically around data generation environment setup. So, the early tests and early pilots are very encouraging, and we hope to continue to give you updates on this and the rollout as well as how we'll take our learnings from internal adoption to our customers shortly.

**Moderator:** Thank you. We have our next question from the line of Sandeep Shah from Equirus Securities. Please go ahead.

**Sandeep Shah:** If I just look at the third quarter guidance and look at the first 9 months of this financial year, it's likely to be a 4% decline on a Y-o-Y basis in constant currency terms, which would be one of the lowest in the industry and this would be a second period in a row where our growth on organic basis would be actually lower than the industry. So, Thierry, my question is do we need to introspect our growth strategy, our offerings, do you believe is there any gap in the offerings or is it we have to actually check and introspect our go-to-market model because deal wins are one indicator which everybody is winning but our growth rates have been lagging quarter after quarter and period after period starting from FY22 on organic business?

**Thierry Delaporte:** So, Sandeep, we are very clearly at Wipro on the way we want to progress, we have our own journey. We are to define our own strategy and we have our own ambition and our own focus. Over the quarters, there have been quarters where we've grown a little more, some of them we've grown less and that's a reality. What matters is to look at the progression over the certain period of time and look at what we've done over the last years, and I think you'll have a response in terms of our growth strategy. The growth that this organization, this leadership team has been able to drive over the last 3 years is actually a pretty decent level of growth. We always want more growth, trust me, Sandeep, but at the same time we are focusing on our transformation as much as we are focusing on the day-to-day performance and that's incredibly important. You need to reflect and understand that. The way we have redefined our ambition, the way we have invested in our organization, in talent, in capabilities, in solutions, the way we've invested in our systems, the way we have invested in consulting capability is to reposition ourselves in our operating model, in our own efficiency, all of that is to be taken into account and you cannot take only one element of the performance in isolation of the rest. That's how we are looking at our progression. We are happy with where we are for sure. We're always trying to do more, and we are always ambitious to do more, but we are looking ahead of us, quite confident at our opportunity to get back into growth as the market gets a little better frankly.

**Sandeep Shah:** And just a related question, when you expect a pickup in the growth and rebound in the growth, is it fair to assume that fourth quarter onwards the guidance may not indicate any kind of a Q-on-Q dip? Are you indicating a rebound from 4Q or maybe 1Q of the next financial year?

**Thierry Delaporte:** No, Sandeep, no, you will not get anything more from me. You know, we are not guiding beyond the current quarter.

- Sandeep Shah:** And a question to CFO, Aparna, just in terms of margins, wage hikes are effective from 1st of December and Q3 looks like from the guidance is likely to be a soft quarter. So, in that scenario, still a flattish or a narrow band movement on the margin is still feasible or there could be some seasonal impact on the margin because of the slower growth and the wage hikes effective December?
- Aparna Iyer:** Hi Sandeep, yes, you've already highlighted the headwinds that we are starting quarter three with. There will be pressure on margins. We've done very well on remaining resilient in the first half. The efficiency measures have only intensified. It will be a challenging task, that's why we've said that our endeavor will be to be range bound in terms of what we've delivered over the last few quarters, but I agree with you that there are more headwinds as we start the quarter.
- Moderator:** Thank you. We have our next question from the line of Ravi Menon from Macquarie. Please go ahead.
- Ravi Menon:** Thierry, you mentioned about your win rates in the last years in Europe being 100%. Could you comment a bit on how that changed in the US over the last few years?
- Thierry Delaporte:** You specifically to Europe, Ravi, correct?
- Ravi Menon:** Specifically, to US, Thierry.
- Thierry Delaporte:** So, I would say, well, we do not have a 100% score in your US, it doesn't mean it's a bad score. I think we've done very well in the US as well. We just highlighted the 100% score in Europe because we consider that this is quite a performance, but the performance, the win rate is actually improving and strong in the US, like it is in Europe or actually in Asia PAC, Ravi.
- Ravi Menon:** So, overall, you would say that you've seen win rates improved and your pipeline as well and that's why we're seeing the deal TCV, right overall....
- Thierry Delaporte:** What we are seeing is that we are getting better at qualifying the deals that we see in the pipeline to reduce the lost investments, if you like. And so, it is definitely delivering results. There's no doubt that when we have gone through the qualification process and feel that this is a deal that we can win, then the entire mobilization of the team is here to drive it till the finish line.
- Ravi Menon:** Thank you. One last follow-up on Europe. We saw a surprising decline here, any specific industry or country that was responsible largely for this?
- Thierry Delaporte:** Yes, you're right. It is a surprising decline for Europe. I can imagine for you given the way we held pretty strongly the previous quarter, I think I'm looking at Aparna just, but to me this is financial services primarily and manufacturing, so two sectors, no, I mean we haven't lost any account or it's not like we've had a drama but certainly some significant slowdown noticed in some of our large accounting in financial services and manufacturing in Europe. Having said that, that's what Ravi, if I can just add one element. Pipeline continues to be strong in Europe. The leadership team in Europe is pretty bullish. So, it gives confidence that Europe will bounce back rapidly.

**Moderator:** Thank you. We have our next question from the line of Apurva Prasad from HDFC Securities. Please go ahead.

**Apurva Prasad:** Thierry, it would be interesting to know your thoughts in BFSI vertical in terms of how you see the impact of potential Basel III Endgame proposals on US banks and the resultant impact on tax spend. And a related piece could be on some large banking customers who are carrying out the org structure change in terms of delayering their personnel. So, do you see this as an opportunity for incumbents such as Wipro or should that be more continued pressure?

**Thierry Delaporte:** Apurva, your questions are specific to the financial services sector. I think certainly the financial services sector has been significantly slower this year. I think we are seeing it across the board. It actually started in America, then it moved to Europe. We are seeing places in particular type of Tier 2, maybe banks in America where the growth is coming back. So, I would say these are definitely places in the banks where, when I was referring earlier discussions, I've had with clients telling me we have a lot of programs that are in the waiting room ready to be launched and start, certainly in the banks it's a reality. Banks are definitely focusing on cost takeout and productivity exercise. There's a lot of consolidation activities going on, which we see it as an opportunity for us, no doubt, absolutely no doubt. So, that's what we are doing.

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

**Dipak Bohra:** 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 Investor Relations team. Have a nice evening. Thank you so much.

**Moderator:** Thank you. 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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