

Wipro Limited
Wipro US Analysts/Investors Interaction Session
NYSE, US
February 8, 2006

Sridhar

Good morning. On behalf of Wipro, I take pleasure in extending a very warm welcome to all of you. We are expecting few more investors who are on the way, they have got stuck in the traffic, so we nevertheless start the proceedings. All of you have the agenda in front of your table, so we will basically follow that same agenda what has been mentioned there. Probably at about 11 o'clock we will have an additional presentation by Tim Matlack, who heads our consulting group and M&A integration for Wipro. For you information this analyst event is being webcast, and also the archive will be available on our website. All the presentations that are being made today will be made available on our website after the event. I will request now the Wipro management team to introduce themselves from right to left, and then we will follow the agenda for today. Sanjay.

Sanjay Joshi

Hello, Sanjay Joshi, I run the consulting group together with my colleague Tim Matlack.

G. K. Prasanna

Hi, my name is G. K. Prasanna, I run the infrastructure services for Wipro globally.

T. K. Kurien

T. K. Kurien, I run Wipro BPO.

Sudip Banerjee

Sudip Banerjee, I run the enterprise solutions division.

Azim Premji

Azim Premji, I am Chairman of Wipro Limited.

Suresh Senapaty

Suresh Senapaty, Chief Financial Officer, Wipro.

Chandrasekar

Chandrasekar, you can call me Sekar, I am based in New Jersey, responsible for the Americas and Europe sales and customers.

Sridhar

Sekar has promised that you will see more of him in the future months in the investor conferences. So with that I request Mr. Azim Premji to give the opening remarks.

Azim Premji

Good morning to all of you all. Thank you for being here. We had this last event last February, so we are now getting into the discipline of at least making it an annual affair. Over the last many years as a company, we have benefited a lot in terms of thoughts, ideas, and discipline in terms of interacting with people such as you who are our investors and one part of important stake holders in our company. We put in a short formal structure around our interaction session with you today, and this is terribly different than what we had had last year in February. Over the next four hours we will be making presentations, but we do want to keep large enough blocks of time available for question and answers. So please be as aggressive as you want in those question and answers.

Before we do that I would like to cover a few industry trends and some broad points in terms of overall outlook because my team tells me that I am expected to do that. India is on a threshold of a very exciting journey and a lot of you all have been visiting India regularly. We just find an awful lot of our customers at the top management level are visiting India now, much more than we had found in the past. Plus, another interesting trend which we find is much more active visits from potential Japanese customers and from potential European customers, much more active than we have seen even may be a year back. That is a good leading indicator of business to come.

India has had stable economy. We have had GDP growth rates of 7-8%. My personal judgment is that we are under-reporting our GDP growth rates, not by design but by default because the services sector and some of the new emerging sectors in manufacturing are still not getting adequate weightage. So in terms of our own internal company planning, we are adding about at least a percentage and a half to government reported figures to assess GDP growth rates. We are talking about India having GDP growth rates of 8-9% in our assessment versus 7-8%.

Infrastructure continues to be a problem. I think you have seen some step up of investments taking place in the road sector and taking place in civil aviation. I think the big areas where we have still not got the kind of intensity which we require very urgently are power and water management, if we were to just identify two important segments. Unfortunately, the quality of our roads, particularly in some of our larger cities unnecessarily gives a setback to our image disproportionate to the intrinsic handicap it really creates for us to work in India.

Our forex reserves are \$140 billion, they are healthy and they are not over growing, neither are they falling below this level. Capital markets, I am sure you all have been watching very carefully, they continue to be bullish, but even at these levels given the growth rates and profits which we are seeing and the growth rates in revenue which we are seeing, they don't seem to be out of line.

Very key contributor towards our growth rate has been our services sector. Our services sector is somewhere between 55-60% of the total economy and is growing more rapidly

than our average GDP, and that is really reflective of an economy which is significantly more mature, which is reflected in the percentage of our services sector. Software services and BPO exports are going to be bullish going forward. NASSCOM and McKenzie have done a joint study, it is a pretty thorough study, and the forecast is that India is on the way to building an export of about \$60 billion going to 2009-2010, which would represent a growth rate for the industry of about 28% a year CAGR.

It is on this background that this interaction session is being held. As you would appreciate, Wipro's approach is firmly saddled on three fundamental bearings, the bearing is our people, the bearing is our processes, and the bearings are service offerings. Our vertical structure and we have been pioneers in that, helps us build domain competence, mine new market opportunities through sub-vertical expansion, providing unique opportunities for people to rejig themselves into the future. Our quality processes help us to stay competitive and ensures that we deliver consistently on our promises, and service line incubation and expansion enables us to establish firmly in new markets and gain new market shares. It is this approach which has enabled us to gain a firm global footprint and to gain the tier-1 leadership status among global vendors of software services, and which has won recently the GM deal. Overall the GM deal is an important strategic deal to us. There has been some confusion in terms of some reporting on it, but let me assure you that the numbers which we are really talking about are in the context of what we communicated.

We are now charting out a course for our next journey, building our next strategy and preparing ourselves for the next phase of growth, and growth is an important driver for the company as it goes forward. It is the journey which we wish to share with you and we will do it at an overview level and we will do it at a micro level in some segments of our business and practices of our business in which you have expressed interest in terms of this particular workshop which we are having. Let me put some perspective into this. We have, over the years, built the building blocks and now hope to translate this into more rapid growth. We have consistently grown ahead of the industry growth rate and we endeavor not only to maintain this but improve upon it.

Second, we are also clear that incremental revenue growth will come at decent profitability. Many factors such as currency fluctuations, effect of dilution taking place through acquisitions on operating margins and some non-cash charges could vitiate the operating margin percentage numbers. To ensure that we stay focussed on creating value, we will focus equally, and I reiterate equally, on growth in absolute profits. So in addition to focussing on operating margin, please also focus when you assess us on year to year and quarter to quarter growth in absolute profits.

Third, Wipro will continue to incubate engines that will deliver horizon 2 and horizon 3 growth rates, and our definitions are fairly simple, horizon 1 is year one, horizon 2 is year 2, and horizon 3 is year 3. As a company that is 60 years old, we know the value and importance of planning for the medium term and planning for the long term. We will focus on non-linear growth, that is a major objective of the company. We will focus on growth opportunities that open up new markets and also open up new must-have customers, which competition today is harvesting, and we will be focussing on new geographies such as Canada, such as Middle East, such as France, Germany, etc... But as we have done in the past, we will get the right balance between the long-term and short-term, and finally while our global IT business will continue to deliver solid growth and profitability, we are excited about the prospects in our other businesses. Our Indian

IT business which represents about 17% of our total IT business, India and globally, is an important growth business and is becoming more and more important growth engine and a tremendous presence to learn new expertise which we are able now to transfer into the global market.

Our Consumer Care and Lighting business in which we are again having a take-off stage vis-à-vis domestic demand growing now at above 7-8% a year, and us being in a position, which is catering to specialized segments, we hope to keep our growth rates which we have shown in that business in the past 2-3 years. And a little less known part of our company, our infrastructure engineering business, which is primarily in high pressure hydraulics, catering to the infrastructure industry like dumpers, trollers, tippers, etc., which market is growing in excess of 40% a year and we have leading market share in India in excess of 75%. As we continue to grow in India, these businesses will grow in tandem we believe with our services business.

Let me close by saying that these are exciting times at Wipro. We see great opportunities for great growth both in revenue as well as in profits. We think that we have done our strategy thinking reasonably well. We are always fine tuning it, and we are bouncing it with people who we consider have knowledge which is able to supplement some of the knowledge practice which we have. Size has not diluted our ambitions, neither has it diluted our energy, nor has past success made us become complacent, and most importantly a passion for creating superior sustainable share holder value has not been diminished nor diluted.

Thank you we will just go on with the rest of the schedule now.

Sridhar

Thank you Mr. Premji. We will start with the investor presentation. You have heard me before and I will not come in between sharing our business unit leaders presenting to you. I will cover briefly next 15 minutes on the corporate investor presentation. We have the customary forward-looking statement disclaimer clause. Before I start, I just wanted to lay the foundation. If you look at the past five years, the Indian IT industry, four factors which are very evident. #1 the fundamental value proportion of the Indian offshore industry has not diminished but has grown stronger, and it is this fact which is validated by the entry of global major like Accenture, IBM into India. #2 we are very clearly seeing that every year the Indian IT industry has met, consistently met and exceeded the Nasscom-McKenzie projection. And despite this rapid growth, the Indian offshoring industry revenue is still a small portion of the world demand. The global corporates are willing to look at India and experimenting with other service lines other than application development maintenance. It is in this context I would like to present the emerging market opportunity for India as such. If you look at 2001, India had recorded revenue of 6.2 billion dollars. Today in 2005 we have reached 17.2 billion dollars. Nasscom-McKenzie has projected in the next five years, that is by 2010, this figure will reach 60 billion dollars, a compounded annual growth rate of 28%. If the Indian offshore industry maintains its leadership position, maintains its edge, this number could be added by another 20 billion dollars, which means we are looking at a figure of 80 billion dollar both IT services and IT enabled services put together. BPO is expected to grow at 37% compounded annual growth rate and IT services at about 24% annual growth rate.

We will now see how Wipro is strategically and competitively positioned to realize this huge growth which is projected by Nasscom-McKenzie.

Before we get into the positioning part, a brief history on the company. As you know Wipro was formed in 1945. In these last 60 years, we have delivered consistent, credible, superior financial performance, which is very clearly reflected in the income, in the revenue, a compounded annual growth in the revenue of 21%, net income at 31%, and market cap at 24%. We got into IT in 1980 in India and into the global markets in 1991. Today, over 90% of revenues of Wipro come from IT business, over 96% of net income from IT business. Today's focus for discussion is global IT and in global IT the compounded annual growth rate for the last 10 years about 43%, got over 485 clients spread over 40 countries, around 50,000 people, and listed in New York stock exchange under ticker symbol WIT. We are also part of the TMT index and the Nifty index.

Now moving on to the strategic and competitive positioning. One of our approaches to the market is to, we have a verticalized structure and we have two main businesses, one is the technology business and second is the enterprise business. About 37% of our business revenue comes from technology and about 63% comes from enterprise business, and now that is further divided into technology business divided into telecom service business providers and product engineering solutions, and the enterprise business divided into financial solution and enterprise solution.

You have in front of you what are the compounded annual growth rates of these verticals. Why verticalized structure? It gives us three distinct advantages: #1 we are able to provide focussed industry solution. #2 we are able to build domain competency aligned to the industry. #3 we are able to make strategic investments aligned to the industry, and we are able to develop strong customer relationships and mine the market with all these three advantages by having verticalized structure. Now let us look at the service lines. Early on Wipro identified that ADM alone is not going to be the market for software services from India. We already have a technology business where 37% of our business comes from R&D, and we embarked upon launching new service lines, which we think is going to be the future. Right from 2001 till 2005 you are clearly seeing that where we started off with package implementation on SAP, Oracle implementation and remote infrastructure management, basically technology infrastructure services, and 2002 saw us adding new service lines, which is business process outsourcing through acquisition of Spectramind, and in 2003 we added consulting through inorganic means, we acquired two companies one on the American management system, the global energy group of American management system. #2 on security space, Nervewire. So we have a presence in the consulting side, and in 2004 we launched testing.

We got three advantages, #1, today if you look at; almost 40% of our revenues comes from the new services which we launched since 2001. #2, we have shown to the world that traditionally some of these services, which are being done onsite, we could do offshore on a remote basis. The clear-cut example of that is remote infrastructure management and package implementation, which was traditionally done onsite. Today, more than 60% of these two services are being done offshore in the last three-four years, and very clearly we got the leadership position in the BPO space, in technology infrastructure services, as well as in the testing side.

Let us look at some of the projections of Nasscom-McKenzie and how Wipro is competitively positioned to realize the growth benefit. What we have tried here is, it is a

very familiar chart for all of you. What we have tried here is we have projected the Nasscom projections for 2010, which is about 60 billion dollars, and tried to map what is the current revenue structure of Wipro in the last quarter. You will see some difference in terms of your packaged testing systems integration, the package implementation, because the Nasscom-McKenzie report projects, puts it in different buckets as we are seeing here. If you look at the left most pie, which is the customs application development maintenance, 23% of our business, that is where most of the Indian peers play and most of the global majors play there. And our differentiation is on to the right side, which is the R&D business where 37% of our revenues come from there. We have the largest number of R&D personnel in the world. We have about 13000 plus people in that area. We have been termed as largest lab for hire by McKenzie. We are 1200 people who are in VLSI and hardware chip design. We address telecom service provider and product engineering solutions, and we work with the major customers for the telecom OEMs in the space. A very clear-cut leadership position and a niche play for Wipro. A clear-cut differentiator as well.

If you move to business process outsourcing, about 9% of our business we started off in 2002 and we made very rapid progress. Today, from 6 million dollars in 2002 we have got close 42-43 million dollars per quarter revenue there, about 14000 people. We are one of the leaders from India and very clear cut leadership position from there. If you take remote infrastructure management, constituting about 9% of our revenues, we are very clear cut leaders in remote delivery ahead of not only the Indian players, also ahead of the global majors.

In consulting we acquired two companies in 2003 that is the global energy group of American Management System and Nervewire in security space, and we have been able to use these acquisitions for having a good presence in the consulting market. We have developed a good front end for our global IT business. We have been able to generate pure play consulting revenues as well as we have been able to provide a good front end for our global IT business in terms of providing higher value added solutions to the customers.

On package implementation, we are as good if not better of the Indian competition, and testing we have a clear cut leadership position there. So if you look at the overall position, Wipro has a very clear-cut first mover advantage or a leadership position or a niche play in the entire growth area which has been projected by Nasscom-McKenzie for the next five years, and we are very well poised to realize this benefit.

On acquisitions, we have got very clear cut objectives on acquisition. We have to go up the value chain. We have to have a technology footprint, a geo footprint, at the same time we need to balance a strategic cultural and financial fit measurement for acquisition. In this journey we have done five acquisitions in the last five years and each one of them had given us success in different terms and a very strategic in nature for us. If you look at Spectramind, the business process outsourcing, we acquired this company in 2002, worth 2500 people, it added a new service line for us. In terms of performance, from 2500 people we have gone to 14000, from 6 million per quarter revenue we have gone to 43 million dollar per quarter revenue. We have added about 80-90 processes during this journey, and now once we achieved the leadership position we have been able to look at the overall market and now make forays into transaction processing and the transformation is under way and we have made lot of progress on that. So

Spectramind acquisition has helped us add a new service line and augment our revenue base.

We talked about the global energy group and the Nervewire acquisitions in 2003, which helped us give us presence in consulting, which helped us understand the consulting business, the rhythm of consulting business, understand the challenges of mergers and acquisitions so that preparing ourselves for larger acquisitions, larger challenges, and it has given us very good front end for our global IT business in terms of selling higher value added solution, which applies to Nervewire in the security space as well. NewLogic and Mpower, our two new acquisitions which we made recently, last quarter. NewLogic is in the technology side, very high on IP's, semi conductor, RFID, and analog signals, has brought about 120 people. This team, the combination team of Wipro and NewLogic has already won the first deal in the first month of its signing the acquisition. Very powerful and very strategic in Europe as well as the combination we are planing to make big strides in US as well. Mpower is in a strategic place, which is in the financial services, 351 people, 31 of them in St. Louise and 320 people in India, Chennai, India. It gives us entry into payment services space; it is a 16 billion dollar market. We not only get an entry into MasterCard, to provide services to MasterCard, it also gives us an entry into the payments services space where Visa, Amex, and Discover are playing there. So each one of our acquisition is well thought through, very strategic, and helping us go up the value chain, help us develop domain competency, and get a firm technology and geo footprint. We call that as string of pearls strategy, and we have given the mandate to our verticals to look at how to achieve our vision and how to achieve our growth targets both in organic and inorganic means, and we are very serious about this our approach on acquisition.

A quick snap shot on quality. Quality is just not getting series of coveted awards, though we got many of them. In 1998, the CMMI level 5 certification, one of the first software services company in the world to get it, where we are certified in level 5. On the people processes, we got PCMM level 5 certification in 2000. We are the first to launch 6-sigma in India. We are the first to get into Lean manufacturing model for software development services and many more like that. As I said, it is not question of getting a series of coveted trophies, but it is way of life for us in Wipro. Every single employee in Wipro corporation has quality as the #1 objective in their appraisal cycle, including the CEO. 33% of CEO's parameter measurement is based on quality. About 15000 people have been trained on quality processes. We have more than 204 people certified black belts and more than 700 people who are certified on project management software. And what does it mean to customers? Last year if you remember the same forum, our chief quality officer presented that customer in the last three years derived 37% benefit on productivity, but we did not get the price increase from them to that extent, and that is the benefit which you get by working with Wipro. Now in terms of getting the specific benefits whether it is productivity improvement or schedule adherence or faith containment. By following Wipro quality process we have shown to our customers that we are able to lower the development cost, we are able to lower the scheduled overrun cost, and we are able to lower the maintenance cost, and there are many more benefits to a quality process.

A quick snap shot of our quarter ended December 31; against guidance of 463 million dollars we delivered revenue of 473.1 million dollar. We saw board-based growth, growth across vertical business lines and service lines, across geography. The key achievements last quarter is, in BPO we made a 4% sequential increase in revenue as well as 350 basis points for a second quarter in succession on the margins. Strong

volume growth, 13% sequential, quarter on quarter growth and volume growth, and we improved upon our offshore revenue proportion to 46.9%. We almost increased 400 basis points, 350-400 basis points in offshore revenues in the last six quarters from about 43 to 46.9. We also made, we talked about the major two acquisitions we made last quarter, NewLogic in Austria. It has given us presence in Austria, Paris, and Germany; they have got development centers there. And also we talked about the Mpower, which gives us a firm footing into the, entry into the payment services space.

We added record 5200 people, out of which 3800 from IT services, about 1400 from BPO. This is after we added record addition ever for Wipro in September quarter.

Because of our strategic and competitive positioning you are seeing that how very well balanced on the vertical distribution and the geographical distribution, and you look at the growth in each service line, business line, and geography. Our differentiated services have grown 89% in testing, 45% in technology infrastructure services, and look at the growth in the financial services, R&D services, and enterprise solution. Both technology business and the enterprise business grew double-digit sequentially. Europe continued to grow double-digit sequentially for the last 10 quarters, more than 50% growth year on year.

485 customers, we have been able to sustain the annual revenue per customer in the last quarter. Here, if you look at our mining strategy. The number of million-dollar customers has gone up from 163 to 210 compared to Q3 of 2004-2005. The number of 20 million dollar customers has gone up from 17 to 26, and we increased the offshore revenue content from 44.1 to 46.9% between Q3 of 2004 and Q3 of 2005-2006.

Wipro's business is just not IT, it is currently triggered by three external phenomena, #1 is outsourcing boom which is seeing us grow rapidly on the global IT business. Second is the large scale investments which has been taken place in India on infrastructure side, which is helping the domestic IT business as well as the hydraulic engineering, infrastructure engineering business in India; and the 250 million strong middle class population, the spend of the 250 million strong middle-class population is helping our FMCG presence in terms of customer care.

For the next quarter, quarter ending March 2006, we have given a guidance of 510 million dollars. We expect the volume growth to sustain, and the pricing to be stable, and we expect to maintain our margin within a narrow band through different productivity improvement strategies, bulge improvement and improving the utilization and moving more work offshore.

In summary, we have the widest range of services, the breadth and depth of our services is very unique. Our diversified vertical structure helps us develop strong customer relationship, mine the global market, as well as build domain competencies in specific, with industry focus. We generate today in excess of 100 million dollars of net income every quarter, out of that 65-70% is free cash flow. Today we have a healthy cash balance of 788 million in our books.

I now request Sanjay Joshi to talk to us on Wipro strategy.

Sanjay Joshi

Thanks you Sridhar. A very good morning to you all again. I will take some few minutes to highlight the board strokes that we are taking over the next 3-4 years. What are the key growth engines for us? What are some of the capacity building programs that we are doing? And Sridhar talked about the spilt by vertical, the spilt by service lines, I will try to paint a broad stroke where Wipro is headed and what is important to us, where the priorities are, so that you can get a sense as you think through our business model and our growth.

As Sridhar talked, we have got a terrific history and a lineage, and our efforts, our programs, what we have done over the 60 years in terms of CAGR's, in terms of profit, in terms of CAGR growth, CAGR profitability. So again, you have got a strong track record to live up to and I think we are very well positioned to take advantage of that.

And again, just to put this in context, just as Sridhar talked, I just want to spend a minute on this. In the overall scheme of things, the outsourcing boom is still in the single digit in terms of the size of the market. Even by the strong estimate of 80 billion, the worldwide IT market, depending upon the estimates that you see, is close to 800 though. So this is less than 10% of the total market that is being addressed in the offshore centric market, and the point is whether you take another 6% growth in the overall market versus the 34-35% growth in the IT market, significant differences in the growth rates in the offshore outsourcing market versus the classical IT growth market. The bottom line, the wave that we are riding, we are fundamentally well positioned to ride that wave. That I think sets the context in terms of this is not a fad, this is not a one-time thing, the trajectory for offshore growth is very likely to continue, and the numbers clearly, we have been riding the wave pretty well in terms of any parameters that you take a look at. Growth in clients, we are close to about 500 clients. Global development centers, we have got 40 including about close to 20 which are in onsite centers, which are in near shore centers. So the roll out of a global footprint is very much in progress. A very very diversified talent base. We have got about north of 30 nationalities as part of Wipro. So in terms of any parameter that you take a look at it, the upward trajectory continues, and I think we are very well positioned to repeat similar performance over the coming years.

In terms of the basic things that we want to drive, the themes I should say that is important to us, and as Mr. Premji introduced at the start of his remarks, higher profitable growth continues to be very much a theme that I think we will be able to execute, and to be able to execute that, our march towards becoming a truly global organization is very much part of that game plan. Global in terms of footprint, global in terms of talent, global in terms of serving large accounts, global in terms of the brand building exercise, very much part of the theme. And then being a services organization, it is hard to achieve one and two without getting a sense of the talent base, and for us as you think about we are about 50,000 people today, how do we grow to the next 25,000, next 30000 people as we have our strong ambitions. So the people part of the program is the big big part of the exercise that we are cognizant about and are taking very explicit steps to address that.

So what does this boil down to? What is Wipro doing to help address the three things that we talked about? So first, we are going to break into two components, the growth engine, how and where will we follow the dollar? Where is the money?

And two, what underlying capabilities we have to build to tackle that growth?

So four engines of growth, we have got a strong organic component in growing our existing businesses, both in the IT and the BPO side. We have got a strong focus in growing our India and Middle East business, and I will spend a second on why we have culled this out. And third, a little bit more focus and little bit more concentration or effort if you will in terms of game changing initiatives or larger programs that we want to focus more going forward relative to what we have done in the past. And as Sridhar mentioned, acquisitions will continue to be part of our growth levers.

In addition to these four engines of growth, there is a set of building blocks, enablers as we call it, that we will focus on to enable those. We talked about right off the bat, the people part, the capabilities and leadership. Two, new delivery paradigms, it has multiple components in terms of our footprint, in terms of how we do global delivery, because in some sense as you all have been following the industry, we are at the cusp of the next wave of outsourcing. So what does it take to do those, and if we do not change the nature of business with new delivery paradigms, who better else is positioned to do that. This is our intellectual property, how we do global delivery, so we are going to advance that.

Met strong performance management in terms of people, processes, etc.

Innovation, big bit thing for us. It has worked out very well for us. Some of the businesses that you are seeing higher growth today have come out of our growth initiatives, and we will continue to invest and spend time and effort in building our innovation engines. We talked about consulting, it is not if, but it is not how, but what is the model of consulting. We do not want to replicate the consulting model as it exists today. We just like to innovate it on the global delivery. We are driving innovation in consulting as we and the clients in particular expect us to do more for them in terms of problem solving, and clearly last but certainly not the least, a big big part of our go forward plan which help in build our brand. And our spends about each of these are kind of, a little bit more skewed on each one of these.

On the organic growth, a big part of it is clearly helping drive out large account strategy, very very important, the good old 80:20 applies, 80% of revenues coming from the top 100 odd accounts, give and take a little bit, but how do we drive more penetration into our large accounts. Similarly, give the large annuity business that we are in, how do we identify kind of new must have accounts if you will in newer verticals, for example, in medical electronics, how do we drive new set of accounts in under penetrated verticals like pharmaceuticals. So that is a large part of where we are going to be little bit more focussed in driving the penetration into the must have account.

We talked about the high growth businesses. What testing was to, you know, today for us, which we started couple of years ago, what is the next testing business for us? So there are areas like security consulting, areas like the mortgage processing in BPO where we gonna spend and focus to drive disproportionate growth in those businesses. There are geographies and verticals that we are clearly under penetrated today, continental Europe, France, and Germany, and even here in the Northern American market, Canada, these are, given the size of the market and our position, there is a lot of opportunity for growth in these markets, and my colleague TK will expand a lot on the BPO part, that remains certainly growth engine for us.

Second engine, at the Wipro level, India and Middle East, and part of the reason as I said we have culled this out because of the strong growth in the domestic India market itself. It is a booming market, and there we have almost a pole position because we cover the entire gamut of services from hardware to software to services to solutions, and we want to particularly focus and ride the domestic India growth, the middle east growth that is driving because of the overall growth in economy, and we are extremely well positioned. There we are essentially the IBM of India given the broad breadth of services that we have, and there some of the things I would just highlight on this page, the total outsourcing services, TOS, that you see on the right hand side. In India, and increasingly, we will target in the markets here as well, we are able to do large scale total outsourcing deals where we take the assets of the people as well as the larger application that go along with it given the breadth of the portfolio that we have in India, so those kind of things will help us continue to be at literally #1 position in the India and Middle East market.

To talk a little bit about things that we have not done as much in the past that will be a focus for us in the coming years. Large deals, they require a certain different mind set and if we are to grow in line with our aspirations the chunkiness of large deals is very important. We will be focusing and developing a dedicated team to focus on the large deals and go, there are number of deals in the works, but that is what we will focus on.

Incubating new service lines. As I mentioned earlier, given how we are re-tooling our BPO, the notion of IT plus BPO plus consulting together I think if you go to market with those kinds of offering, we can participate in a segment of the market that we have not participated thus far. So that opens up yet another set of market that today Accenture and IBM are disproportionately represented, but I think we can at least get our fair share into that over the next couple of years.

The third is alliances. Again, if you just do a relative benchmark, relative to some of our peers who get as much as 8-10% of their revenues out of alliances, again we are under-represented and represents a significant growth opportunity for us to go after the alliance market and work with our partners to get again a segment of the deals that we have not currently participated. So again as things, now that our inorganic, kind of, our organic growth engine is kind of on a good momentum, we want to take advantage of these new levels of growth as well to further accelerate our growth. I won't spend much time on acquisitions, but acquisitions as I said earlier are both to complement our geographical footprint as well as to complement our service offerings will certainly be factored in and have a rigorous method and approaches to target a set of acquisitions over the coming years. And one thing on the acquisitions part is the point around M&A integration. Amongst the Indian players we feel we have sort of gone a little ahead in terms of identifying what it takes to integrate an onsite acquisition. It is the skill and a capability that we have owned over the years, and for example the deal that we did at Mpower and NewLogic, we have got a dedicated integration team trying to smoothen out and integrate the offerings at very very at a rapid pace, relative to what we did in the past. Again, just like what Cisco did in the go-go days, it was acquisitions and the ability to integrate those acquisitions is equally important, and we are trying to learn some of those best practices ourselves.

Shifting the gears a bit and talking about the growth engines to the enablers, to the capabilities and the leadership that we need to sort of bring in, and in the interest of time I will not go through each one of them, but at least try to highlight some of the more

important ones. Clearly when you are 50,000 people and are growing at north of 30%, the ability to scale leadership at multiple levels has to be almost an art and a sign, and that is what we are trying to institute processes to scale and drive leadership at a granular level if you will.

I would like to highlight the point on action 3, new roles. As we grow, certain sets of roles are more in demand by client, and in light of the complexity of the engagement that we are doing. For example, program management, large program management is a bit part we are investing in. We are partnering with third parties to help groom large, large number of program managers in the coming years.

Five and six, I think are very important to retain as we grow a large part of our growth has been because of the consistencies of value system, and as we grow at a clip that we are growing, it is important that we maintain touch with that.

Enabler #2, new delivery paradigms. Two big components of our delivery, as I mentioned earlier, we have innovated so much in terms of the global delivery platform, we got to take it to the next level, and one of the things we are doing as part of our delivery platform is lot of standardization, if you will instead of building very specific custom by custom delivery platforms, we are going to build a set of co-delivery platforms in terms of infrastructure, in terms of technology, then have much less degree of customization at a custom by custom level, yet maintaining the data and the intellectual property protection that the clients expect of us. The big benefit, and we can spend some time in the Q&A, sort of, how do we build a factory model, if you will, both to scale, reduce cost, yet not compromising on the customer service. So how do we re-architect our global delivery platform, particularly as we move to action #2, the true global delivery platform. India, given our ability to scale, will remain certainly a large chunk of our delivery but we will and we are growing in other parts of the world in terms of Eastern Europe, in terms of other parts of Asia, and TK will give you some more details on our east European plans as well. So the globalization of our offshore centers and the delivery platforms will continue. It is almost a necessity in light of the engagements that we are serving and in terms of expectations that clients have of us.

Pardon me, I maybe going a little fast but just wanted to get the highlights with you all and then we can spend more time during the Q&A.

On the performance management, there are different features of growth for the company. We are re-designing some of the variable compensation programs for the people. Re-designing some of the matrix, i.e., capability matrix in addition to just upon stated numbers matrix that we are instituting, and then whole set of what you see in action #2, whole set of processes and dashboards at granular level, at geography, at service line, at sub vertical levels to manage this large set of priorities that we will focus on.

Innovation, let me spend a minute on innovation. If one thing that we take it very seriously is not to take anything for granted in terms of where the global delivery model is going and there is lot of effort and investment in driving the next set innovation engines both in terms of how we deliver as well as in terms of capabilities. Some of the examples that have already given us fruits of innovation is for example we developed the BPM, business process management tool in terms of how we are doing building strong IP's in the embedded engineering space. So it is a very important part and the

importance becomes all the more relevant because at the end of the day we have to figure out how we can drive non-linear growth. How do we grow faster relatively to the people that you add to it. And at the clip that we are growing, introducing elements of non-linearity is a very critical component of how we scale and how fast we scale. So innovation remains a big priority for us.

In the similar vein, consulting, and I will kind of highlight two or three points and what is working very well for us and what we are committed to do going forward. One, consulting as a business, it is important that we have the discipline to drive a profitable consulting business. At the same time, how can consulting enable the larger organization, and that is where I think there is tremendous leverage value, consulting is helping us win large deals, consulting is helping us penetrate new accounts because once you penetrate a new account with a consulting offering, more often than not you are at a much senior level, you have much more positioned the brand at a different level and the classical IT portions can come with it. So a very important part in terms of how we position consulting and equally importantly we have taken a very conscious choice to not make consulting as a standalone entity but make it very much part of the classic Wipro. So big I would say choices that we have made not to keep it separate unlike some of our peers.

Important one as I said, brand, certainly a very important component of taking Wipro to the next level, both in terms of the type of stake holders we serve as well as some of the things that we do in terms of focussing on thought leadership, focussing on as an employer of choice for the employer. So, again, you will see lot more effort, initiatives, mind share in helping us get the top of mind share of clients by investing in our brand.

So in summary I would like to just point out that we are on a journey that in some aspects we will accelerate a lot more. Our profile will shift from an India mindset player to really a global services player in terms of our footprint, in terms of the employee base, in terms of the deals that we won. We have already started the seeing the shift in our businesses from just application outsourcing we have got a much broader legs to ride our growth curve on and that has certainly been helpful to us and we will continue to invest in that. Predominantly an implementation start, but more life cycle execution, both in the engineering side, we have seen a lot more for the front end design part as well as on the services side starting with consulting and then following on to implementation. So that is important for us. The competitive sets is already very much in play, run into a lot more global incumbents than we used to do two years ago. So that is the reality as we speak. As I said the global footprint in terms of geo presence you will see our footprint in Asian countries other than India certainly a geographical presence, more presence in Europe onsite centers, and overall growth, inorganic component through acquisitions, through alliances is now much more structurally baked into our mindset versus a one-off so we are that much more confident about have a strong growth engine as we apply to the different engines and enablers.

Thank you, and Sridhar few questions or should be just go to GKP?

Thank you again.

Sridhar

Thank you Sanjay. I now invite G. K. Prasanna, who is our senior vice president for, who heads the technology infrastructure services to give his presentation.

G. K. Prasanna

Thank you Sridhar, and very good morning to all of you. Over the next 15-20 mins I would like to take you through the new kid on the block, the infrastructure services, not very well known yet about what we do here and what is substantial for India, and why is this a very exciting space for Wipro and for India?

About us, this is a dedicated business unit. We are about 8.5 to 9% of overall global IT revenues for Wipro Technologies as of now. We have over 170 customers in this particular space, so already a lot of people have taken to global delivery model and offshore delivery model in infrastructure services, and Wipro is a very clear leader in this particular space. There have been many studies in recent times, the one that we have depicted here is a report by AMR but the other report from Gartner and Giga and Meta and many others in the recent times, all of them invariably position Wipro as a very, very clear leader in this space. What is interesting to us is that not only when the study is about offshoring but even when it talks about gaining market share in geographies such as Europe, you would find Wipro being mentioned fairly prominently, in fact the only player from India being mentioned in such studies for remote infrastructure management. We have over 3000 people today who are in the infrastructure structure services space and we have more experience than anybody else. We have been doing this for over two decades of managing our customers' data centers, networks, IT security, their databases, and their application support. We invest in process rigor. Wipro has been again pioneer everywhere in terms of the process related certifications. We were the first in the world to get the British Standard 15000 certification. This is the only third party certification for ITIL compliance. You will find many claims of ITIL compliance, but the only one which is a third party certification for this is British Standard 15000. This got replaced by ISO 20K in December 2005. We expect again to be the first in the world to be certified for ISO 20K.

We have very strong alliances with principals, again an area where we are distinct from rest of the competition. It is not too difficult to hire 100 engineers in India, but to be able to claim that you are Microsoft premium support partner or that you are a Cisco gold partner or that you are Sun SST or you are a HP global system integrator is not easy. We have invested in these over the last 20 years and that is a very clear differentiator for Wipro.

On Q3, this is the October-November-December 2005 quarter for Wipro. We had an excellent quarter coming on top of an outstanding quarter last year same time, it was a very, very strong quarter for infrastructure services last year, and on top of that we had a 45% growth and we had a 16.3% sequential growth over Q2 of this year. We launched the global command center; I will take some more time towards the end of my presentation again on this, but we launched it in this particular quarter. This is again a proof of our investment, a sign of applying thought for our customers and this has again already helped us, in terms of customers who have chosen us because of this platform. In the last quarter, we won a full spectrum IT services contract from insurance major in UK, already a big customer for Wipro. We also have won a large three-year contract for production operations work from financial services organization in USA; both of them very tightly linked to this investment that we have already made, in terms of our global

command center. Already it has been said so I will not go through this again, but we launched our global outsourcing business, the total outsourcing business this quarter for our international customers. We have calibrated this, we have carefully invested in this, built the capabilities that we need in a geography that we already are strong. Wipro is a clear leader in India, so we tried this out there, we built the competencies, we got the model right, we got the financial structuring that we need to be able to participate in such deals, we got the alliances right, and now we launched it in our global market for our global customers. We had 18 new customers that we added in Q3 and our head count now as I mentioned in the first slide is approximately about 3000 people, and all these members, I would like to draw your attention to this, these are all for our global customers. There has been some amount of mixing up of this in the industry analysts' reports, so anything that I mention here are for our customers in America, Europe, and Japan, so I am not including any of India or Middle East or Australia or anything else in this. We added about 470 odd people in Q3 in terms of head count.

What does this represent in terms of opportunities? This is a very, very large market. You have seen the NASSCOM McKenzie report, which is saying that this would be between \$7 to \$8 trillion in 2009-2010, but even now it is a very, very large market. Right now, it is about \$70-85 billion opportunity for India and that's the market in which we have pioneered this whole business, we have created this whole category of offshore infrastructure management, and this is not uniform; it is not one chunk, although we call it broadly infrastructure services, you need different capabilities and customers sometime choose an out task in a particular area, and each of these is a very large market on its own. The reason why I brought it out is that it is not only that it's a large market but Wipro has the breadth of services in this market right across from the end user computing Wintel world to mainframe management, especially in the remote management of all these categories, Wipro is a very, very strong player. So not only are we participating in a market which is already very large, we have built capabilities across this entire spectrum to be able to address this effectively for our customers. And these are growing at different pace and they are also different levels of maturity in terms of what is already popular and what has just started and growing. Again as I said, Wipro has been instrumental in creating most of these opportunities for India. What started off with just onsite staff augmentation and many today are still stuck there in terms of entire growth coming from people being added to customer-managed projects. We can see already that certain areas are particularly strong. The entire end user computing space, mail management, service desk, database administration, these are already strong cases. There is a strong business case. There are good case studies. Customers know that this can be done and done well, and in all these areas this is significantly more than just cost arbitrage, this is about doing this better than what is being done today. We can see the beginning, in many of other areas we have taken over from one of our major competitors entire AS400 based SAP application, we have re-hosted this, this is an Europe example. So, there are examples already of mid range to AS400 to mainframe related work moving into an onsite-offshore model. We are at the beginning right now what Middle Ware and mainframe, again not very well known but Wipro already has an annual run rate of over \$18 million in the area of mainframe. This is particularly difficult because the skill pool is difficult to get and the pace of growth is usually determined by our ability to grow people, finding new people and training them to be able to do that. As many of you know, this is an area of particular challenge, not just for India but for the world at large. A large number of people are going to retire in mainframe management and we are particularly excited that again we created this category and we are going to accelerate growth in this area.

Let me take a minute to take you through what we call as our next generation managed services. This is what we launched in this quarter. I would focus not so much in terms of features which are mentioned on this slide out here, but in terms of what benefit these things constitute for our customers. In terms of an ability to take any tool, whatever customer currently has and integrate that with your process is of particular importance to our customers, and in fact in one of the cases that I mentioned right at the beginning, the customer's challenge was that they made a new acquisition and how do you bring that new acquisition inside the existing infrastructure organization of the customer was their challenge, and they chose us because of this platform that we have. This one is completely tool agnostic. We can bring in whatever tool that the customer is using onto our platform. What does it mean for customers? It means that we completely protect their existing investment and we can rapidly integrate that into a production hardened BS15000 certified process, and this is unique in terms of our ability to do that.

Secondly, we have also virtualized the environment. Our people do not work on the target platform of our customers. So as customers change from whatever their current platform is to something else, we do not have to retrain our people. This entire thing is working on a platform of something which is created by us. Security is of particular importance to our customers. It is becoming not just what we would like to have. It is becoming something, which is regulatory and as many of you know, the vulnerability is not just from outside. It is more often than not from inside, and to be able to tell our customers that we have a better security solution than what you have for yourself today is a very key differentiator for Wipro. Our system administrators do not have the system administrator passwords. We are also able to report live to our customers' business impact of infrastructure events. It is one thing to be able to tell customers that your server # so and so which is hosted in Amsterdam is down. What does it mean to our customers, which users are impacted, what applications are down, what geographies are down, which business units are affected because of this. Wipro again, is unique in terms of being able to deliver that insight to our customers on a live basis. The reason, why I took so much of time to explain this is that this is no longer just about doing this cheap. This is infrastructure management as it ought to be and that is what we are able to deliver to our customers today and this is completely unique. So, while we can see some of the others making announcements and being able to deliver this work remote, we believe that we continue to be three or four steps ahead of everybody else because this is, being able to take work to India we have done four years back. This is what nobody else has. It is not just a differentiator with respect to our competition, our customers do not have any of this things that I talked about, features and benefits, they do not have it today. So we are able to demonstrate the innovation theme that we talked about, that we truly are taking the practice ahead in terms of being able to do remote infrastructure management.

So in summary, our value proposition is that we have a proven model. We have done this repeatedly. There are 170 customers, most of them global majors, who have done remote infrastructure management and this experience is nontrivial. It is not easy to take a live production process where there is no testing possible and then deliver that consistently for our customers. We have more experience than anybody else. We have best-in-class processes. This is as I told you the first British Standard 15000 certified production hardened process. Our customers repeatedly tell us that the biggest value that we bring to table is our flexibility. The traditional way in which infrastructure management outsourcing has been done is literally putting a steel cage around the

customer and pouring concrete all over that. We have broken that, we have changed that and we are able to deliver this in a far more flexible way than what has been done till now. We have proved that we have scalable processes that we can take customers who are global and deliver this in a far better way than it was being done till now, and these are areas which we believe will distinguish us for time to come in the area of remote infrastructure management.

Thank you.

Sridhar

Thank you Prasanna. We have actually caught up on time. It is actually 10:52, so we will have a bio break for about 10 minutes and then we will come back for the rest of the presentations. Thank you.

Can we reassemble? We can start the event shortly. Can you please take your seat?

I know request Tim Matlack who heads our consulting practice, worldwide consulting as well as he is also in-charge of M&A integration in the US. Tim

Tim Matlack

Good morning. I am sort of an unannounced special, but I am delighted to be with you this morning and wanted to give you at, actually Mr. Premji's request, a quick overview of what we have been doing in the consulting world, so you have an appreciation of some of things happening there.

Wipro Consulting is a fast growing business, as Sanjay pointed out, involved in many different facets of our business. We are helping to sort of enable the current business to move up the value chain if you will. We are helping to win large deals. We are focussed primarily on operational improvements and technology consulting for our customers, which is the in some respects the sweet spot for Wipro and also frankly the sweet spot in the market place in terms of where the money is, so there is a good reason to be there. We are taking advantage frankly of market opportunities that exist because of relationships we have and at the same time having delivered consulting as a way to penetrate new accounts that might not have previously got working with Wipro, might not have been ready to consider a global sourcing model, that in our consulting business we are able to work with newer customers. The vision is, as you gain appreciation for Wipro already you realize that we do not have modest vision for any part of our business. We seek to grow very rapidly. We want to be a major presence in this market over the next five years and in order to do that we are making strategic investments in people and capabilities in order to achieve this.

The numbers so far, we have a core group this year of about 225 people based in North America and Europe, complimented by approximately 1000 people who are offshore who both work from an offshore base but who often will travel back and forth to participate in engagements that are consulting in nature, and I think the key here is that there is a little bit of a sense for the consulting group that we are fighting above our waist. We have a core group of people that is relatively small but growing fast, but we really have this ability to deliver a bigger impact for our customers as the engagement evolves so that leveraging of our offshore base, leveraging of people who are skilled

consultants who may be part of varying groups within Wipro already. So our consulting business essentially unleashes more of a consulting potential that exists throughout the firm in process and quality consulting, in enterprise, systems implementation, in wide variety of discipline.

What we are trying to do with the McKenzie, there are some excellent firms that are focussing on the strategy business and there is no particular reason for us to attempt to get into the market even if we felt that we would have permission if you will from our customers, the key for us is to focus on what we believe are the core businesses of operational improvement around business and functional consulting, leveraging our domain knowledge, leveraging our knowledge of detailed business processes, the blend of business and IT where IT is increasingly an enabler of business change and then the more kind of pure play IT consulting on governance, on IT strategy, on application portfolio management and the like, and in each of these areas there is some sort of critical components that we particularly are emphasizing right now. The big building blocks for consulting are both business and functional consulting and then technology consulting. Of the two right now I would say we are probably, more of the people are in the technology consulting business, but as we are able to both extend relationship inside our client firms and also leverage our domain knowledge to go up from just a, we know how to deliver large scale solutions to, we know how to solve increasingly complicated problems, what we are seeing is a greater acceptance and adoption of Wipro Consulting as a solution provider in business and functional areas.

Full picture descript shows how the people of Wipro tend to be arrayed and the role that Wipro Consulting is playing particularly in finding folks who are able to kind of work at the higher end, the sort of, the fatter end of the project if you will and at the same time we could not be successful without this integration with other parts of Wipro to deliver the complete package. As Sanjay mentioned earlier, it is the fact that Wipro Consulting is not separate from but is integrated with various components of Wipro that really come together to provide total solution, is what we think it is one our distinctive competency, and is also one of the key elements of our culture. We deliberately have taken that approach, just as we deliberately taken approach that the consulting business must stand on its own, as its own revenue and profit generating business as well. We are a bunch of high priced, pre-sales people. We are a business that has its own legs and at the same time recognizes the strategic value to company as a whole. People as with everything are key to this. We leverage folks that came with the acquisitions that we made. I was ahead of the AMS global energy group and was parachuted into Wipro actually for several years ahead of our energy and utilities business, and in many respects that was the most important thing I could have done in order to become effective, now running consulting because I have insight into the challenges of what it takes to run a large global business already. I have I hope a certain amount of credibility with my peers inside Wipro, which also I think helps us to work more effectively with each other. Sanjay Joshi who is colleague of mine in this business, previously ran a large component of our BPO business in US. So we have come into the firm and established ourselves in a variety of ways. We continue to draw talent from many different sources externally. It is not that hard to find people who are interested in exploring a new model of doing work and who see Wipro as an attractive place to be. We are also finding that we have got people inside Wipro who have real terrific capabilities, and it is a question of timing an opportunity to bring them in as well, and the next wave for us is to be more aggressive in getting people out of colleges and graduate schools, and in all of this ensuring that we maintaining quality and culture which is key to

success for Wipro as a whole. So our top priority, people, continuing to find, develop, and cultivate an excellent people base, performance recognizing that we have, life at Wipro is never an easy business and the expectations are very high. I think the last year there was a question of one of the senior leadership at the Q&A session that of all areas we are talking about, which are your most important priority, and the answer was they all are, and for our growth as for any other part of the business you have 7 or 8 things you must do equally well in order to be successful and there is no compromise. So for us performance across the variety of parameter, our own individual business, our ability to help drive big deals, our ability to help build and retain skill talent, our ability to help move and elevate Wipro's perspective with the client, all of these are important, and we are trying to do all them well.

Number 4, in the consulting branding, the key perhaps for us here is that there is a growing awareness of Wipro in the market place. We are trying to make sure that that awareness turns into an understanding and an expectation of certain skills and capability. I had the opportunity just 2 days ago to spend some time with an industry analyst, what was good in hearing was the recognition that the industry analysts are starting to have of our presence in the market and there are expectations of delivery excellence about team of integration with the rest of the company which that they should get from Wipro brand, I think that is a very, beginning of very good foundation. And finally we are attempting to, with the rest of the company, help spot opportunities and innovations and ways in which we can leverage consulting resources to drive the innovation paradigm forward.

Thank you very much, and I look forward to questions at the appropriate time.

Sridhar

Thanks Tim. We now request Kurien who is another long timer at Wipro to percent on BPO.

T. K. Kurien

Good afternoon everybody. We will talk through, I will give you a quick sense of what we do in Wipro BPO and the way the business is right now changing, and the way it is poised to grow in the future. We will talk also a little about industry trends and there again we have a few case studies, because at the end of the day BPO is all about doing, and we have a couple of case studies that reflects what we are doing in this space, and the way we are evolving. So I will start with an overview. Right now if you look at Wipro BPO, 14,400 employees and our revenue as at the end of quarter 3 was 124 million dollars. We have 8 centers across the country and we are going to start entering Bucharest, which is going to be operational by the end of this quarter, and then the next step would probably be Vietnam for us as we go across and again if we go back to the strategy plan, you would notice that geographical diversification is a huge focus for us, and that is primarily why they are going, because more and more customers are looking for global solutions. Couple of years ago customer looked for US solutions and European solutions and Asian solutions, all of them which were independent. The bigger deals that are coming in are now deals that people look for global footprint.

Just to kind of give you a sense of how we are evolving, we started off our business primarily as a company that used to work in the CRM area, the customer relationship

management was a big part of our total business. Over the past 12 months what we have seen is the way customers buy deals. They are not buying wedges anymore and the more you sell wedges you would find that you increasingly get to a state where you get commoditized very very quickly. So what do I mean by a wedge? If I sell a call center solution to somebody, if I sell call center, I get bench marked based upon the pricing per call and then I get bench marked against quality and then the customer drives those 2 parameters right through the organization, our organization, and at the end of the day, slowly the pricing will deteriorate because there are other people coming in and more importantly what will happen is, and we really would not have a differentiated solution. So what we did was that if you look at our call center business, we have taken the call center business today and converted that into a solution game, actually roughly about 70% of our total cost in the business comes from technical support. We have now gone out and sold technical support in a completely different fashion. We have moved that from, we just do not sell level 1 support, we sell support from level 1 to level 4 and that integrates with our product engineering business which is the software business that we have. So what does that mean for a customer, it is very simple. What it means for a customer is that we not only answer calls, we also create a problem directory for him and then what we do is we go and solve the engineering problems that is causing the fundamental issue out there in the field in front of the customer base. So it's everything from level 1 to level 4 that we are integrating together and we are kind of selling that as a solution. The interesting thing is that one of the largest computer manufacturers in the world which was running a mono-line with us about a year ago has moved to this model about 6-7 months ago. So that is what we are seeing as change.

The second component of what you have there is what we call business optimization services. Business optimization services is the entire back office process, and we have talked through a little bit about what we do in terms of methodology, what we do there in terms of the kind of work that we are doing, but to cut a long story short, fundamentally what we are doing is we take over the existing process the way it is, we then look at not only the process itself but the underlying infrastructure which is the IT infrastructure that runs that process, and then our value proposition ultimately to customer is that we will take your current process, we will move you into a transaction based pricing over a period of time with specific goals in terms of productivity as we go through the entire cycle. So that is the way it's kind of changing. Now what does this mean for us, fundamentally what it means is, the deal tenures which used to be earlier, you know, contracts used to be for a year, year and a half at maximum or maybe 2 years, those are now increasingly becoming 3-5 year deals, where we not only commit productivity, we also commit process improvement as we go along, and this in turn means that the high degree of integration between our consulting group, our IT group, and the business process outsourcing part of the business. And the lot of these industry services, and that specific, you know, if we look at the offshore market today, that is outside of the country where the process currently exists, we expect that 50% of the market is going to come from the banking and financial services area. So that is really the big focus that we have as far as industry services is concerned. Again, you know, we process roughly about 7 million transactions per month, and as of the end of last quarter we had 110 different large processes running within the company. Right now, and if you look at sub-processes, we probably have roughly about 500 sub-processes running behind these 110 processes that we talked about. So this just gives you a sense of what I described a little earlier. The model has moved from a wedge to a full service model, you know, it is like customers are coming and saying do not just tell me, take care of my business

problem, understand my business problem, sell me a solution that stems in the business problem, don't sell me a little wedge which shall solve only part of my problem, and more importantly what we are seeing is the decision making has moved now as far as BPO is concerned from down below in the trenches when you sell a mono-line right up to the CXO level. So to that extent it is giving us a completely new client base by which we can go and access our customers, and that is why if you go back to what I said earlier, if you look at the business optimization services part of the business, the fundamental thrust there for us is 2 areas, procurement and finance and accounts. If you have sold to the CFO and if you have sold to the procurement organization, your credibility within the customer base is significantly higher and what we found is that creates also a big channel for us to get new deals as they come in because we get invited for deals where we do not necessarily have to go through the whole process of reselling ourselves into the customer base.

On the supplier side, again we talked about source itself, new sourcing definitions coming in, and more importantly what we are seeing is a tremendous leverage between the BPO piece of the business and the IT piece of the business because both these today people expect SLA's at a process level rather than at, you know, can you do my IT piece for me and can you give me an SLA on the IT piece, or can you give me an SLA for me in the BPO piece because if you do not give a process level SLA what happens is you are unable to kind of work down and drill down to the next level in terms of what kind of IT SLA's would you like to kind of drive the business process itself.

The next chart talks about how we are responding the customers, and we just talked about a little bit about this in the earlier chart, but I think the key issue for us is, sometime last year, in June last year, our front end we completely integrated. So fundamentally what we did was within the organization, we realized that if we had to sell solutions back to customers, we could not have a separate BPO sales force selling it, we could not have a separate IT sales force approaching the customer, and not selling solutions. So what we have done is we have completely disbanded the current BPO sales force, so we have no one today selling mono-lines, what we have is we have a bunch of sales people who are consulting kind of profile whose job is to go in with the Wipro Technology sales guy, understand the customer problem, translate that into specific deliverables from a business process perspective, and that becomes sale back to the customer. And again, the other big thing that we have noticed here is that you know customers do not look cost as a very important element, but asking the sales cost it's almost a hygiene today for getting in, for qualifying, but after you get in customers expect value, and value today is becoming part of the deal as you come in because customers are saying, you know, cost everybody gives you, what extra value can you give me. So to give you an example, one of our customers is a very large UNIX provider globally, for whom we do procurement out of India. When it reaches its full scale, we expect that to be pretty significant in terms of numbers, in terms of kind of procurement numbers that we are going to be doing, but fundamentally what we see with that customer is that we started that customer off sometime in, and you know we don't have many people doing the work. We have about 40 people doing the work for the customer. In the first 3 months of the engagement, the customer has saved more than 5 million dollars just by doing the work with us and they have saved that money, it is not labor arbitrage, it is basically value because they have been able to drive better compliance within the system. So that has been the big driver for us. Our approach really there has been to create specific cookie cutters around solution set and that is what we have driven right through within the organization.

So if you look at what is the heart of what we do, what we believe is that there are two specific models that are used to approach the market. One is what we call the expert model and the second one is what we call the factory model. If you look at the expert model, if you look at most of the consulting companies who play in the space, mono-line consulting companies, their approach typically is let me tell you what is good for you and you can do it, and you know they have a whole bunch of stuff backing that claim and it is pretty credible. On the other hand, if you look at some of the other firms typically what happens is people who come out typical offshore kind of players, typically the approach that they have used is let me take your process and production. Fundamentally, what we are doing is we are integrating both the expert model and the factory model and calling it the Wipro model. So before we, when we go into a customer typically what we do is that, you know, you take any process, take an accounting process like payables, receivables, typically our approach is look at the process and figure out we have in terms of standards that we have created or what we call the gold standards. We compare a customer's process with the gold standard and we lay out a roadmap for the customer to get to the gold standard. The gold standard would be the ideal way of doing work, that may be 1 year, 2 years, or 3 year timeframe, but it involves changes both in technology as well as in process, and it also involves some amount of change management at the customer end, which is the very very significant part of job because what we have found is that one process that we take on last, you don't take that in the beginning because change management is always expensive. Then, after we put the model in place, we put that into a factory, so if any of you happen to visit Bangalore come and see us because we have a production line running which does finance and accounts. So people sit, accountants sit in a line, every 1.43 seconds an accounts payable invoice is processed. So we have used manufacturing methodology in the processing floor to make sure that we deliver to a specific rhythm, so those of you who are familiar with manufacturing, if you are familiar with the concept of tag time, which is typically what you use in manufacturing terminology. We use tag time to do process improvements. So that is the big benefit that we bring. If you look at the savings that we get from the second part, these can take almost any process and drive process efficiencies to the extent of between 30 and 50%, this is beyond labor arbitrage.

This is the case study that we have, and like I said BPO is all about doing. So this is a very large European oil and gas company and their big approach was, they came back to us and said look at far as we are concerned we want to be the best in the oil drilling business. We want to discover new fields, that is our core competency. Finance and accounts, procurement, HR is not our core competency. So we went and pitched against a global major, one of the biggies in space and finally we won this deal, and fundamentally what we do for them is they only have their CFO, their treasurer, and their corporate controller left in the organization. Everybody else has been outsourced back to us. So we run almost the entire back office. So it is a pretty unique way of running it, not many people are willing to take this kind of a risk, but fundamentally what we do here is that the accounting piece including the statutory filings are done by us. The second is, large manufacturer of PC products, and we just talked about, you know, this is on the erstwhile customer support side, here for this customer what we do is everything from level 1 to level 4, and here the pricing model as we go towards the future would move from solving problems to ultimately price per box that the customer would pay us. So that is utopia for us because when the customer pays a certain price per box, as he sells boxes it is our job to manage everything in the back end. So that is how the model is kind of evolving here. And last of all, this is a semiconductor manufacturing enterprise

and here what we do is that we do finance and accounting work for them across 30 countries including statutory filings in different countries. So we also work with the third party who define specifications for the ERP platform that underlies, so this is another case that we have.

So just to kind of sum up, fundamentally the evolution has been from moving from selling mono-lines and delivering on mono-lines into selling solutions. The big thing for us is integration with both IT, consulting, and BPO, and we see that coming across pretty clearly as far as our customers are concerned. An example of this is we have sold 6 deals now in the transaction processing space over the past 2 quarters. This has been by a factor of something like 4X vis-a-vis the previous years in terms of what we have done in the space, and more importantly what we are seeing is customers see value in this. So the deal flow in this particular area is, we are kind of pretty bullish about this business.

Thank you very much. Happy to answer questions after the break.

Sridhar

Thank you Kurien. I request Wipro management team to come to the dais for the question and answers.

I hope in whatever allocated time we were able to highlight some of the key changes that we have sort of gone into over the last 2 quarters, lot of it has been with the significant amount of deliberation within the management team, so we talked about what we will do much more than what we have been doing, on the game changes, and the new strategic direction that we as a company are following. So all of us are here, you have been introduced to the entire panel here. So please go ahead with your questions.

Tripp Chowdhary

Tripp Chowdhary from FTN Midwest Securities. A question on the Middle East opportunity, what do you think is the size of that opportunity and what new services you think are the needs of that part of the region?

Sudip Banerjee

We address the Middle East opportunity to Wipro Infotech and we have a very strong presence in Saudi Arabia, Dubai, Qatar, etc. Lot of good accounts we have won there. Typically we are there for the solutions, which means IT application development as well as the services and also on the consulting part of the business. We are seeing significant traction, I think over the past few years because of the kind of political changes that are being seen, Indian companies are getting very good traction, and also good thing is that because of the multinationals being already there, the big 5, the big 4s, I think the kind of price structure that has been established is fairly decent. There have been occasions, there have been fairly large accounts where we have been able to display some of the existing incumbents which were the big 4s, and we think going forward also, we are looking at some model particularly looking at the peculiarity of some of the countries in terms of changing the structure in which we are operating today versus what we should be doing to be able to accelerate that growth even more. So we are very excited about that opportunity, the kind of time and attention that is going from

the top manager of Wipro Infotech as well as Mr. Premji's attention has been fairly decent.

Suresh Senapaty

Just to add on that there is also much larger opportunity in the global oil and gas business in the Middle East, and that is a part of our energy and utilities vertical which has spread its wings to number of locations in those territories where we are getting a significant portion of our revenue now.

Participant

As the complexity of your business increases as you go into new geographies, new products, new services, so on, can you comment on some of the internal changes that you are undergoing with your processes, controls, and management practices so that you can keep up with the incremental changes?

Azim Premji

I think one of the most important changes which we have made is attempt to de-layer the organization, and lot of the roles which we previously had designated as corporate roles, we have really collapsed as function roles. Balki, the CFO of the corporation is also the CFO of Wipro Technologies now. Similarly for human resources, similarly for quality, similarly the chief strategy officer. I think it has just speeded up the entire decision cycle time and action cycle time. The second important thing which we have done is we have really vested driving profitability with 4 presidents, person who heads our financial solutions, Girish Paranjpe. Person who heads our enterprise solutions, which is Sudip Banerjee, he is here. Person who heads our product engineering services business, who is Laxman Rao; and the person who heads our domestic IT as well as all our horizontal practices in enterprise application services, technology infrastructure services and testing services, which is Suresh Waswani. They are accountable for growth of the business, they are accountable for profitability growth of the business, they are accountable for operating margins, and they are accountable for building new skills as we go along to be able to continue to differentiate and be one step ahead in the market place. I think broadly this represents a structure, you know, so far as the revised structure is concerned, my direct reports virtually remain the same as to what it was pre the July 1 period, and the results which we have shown over the past 2 quarters weigh out to the fact that the structure is giving the results, and the results hopefully you will see going forward will further bare out that the structure is giving result.

Participant

Thank you, and if I can have a follow on question. I think we have talked about the concept of nonlinear growth, my question is....

Azim Premji

Can you just repeat that please, I just got distracted.

Participant

You were talking about nonlinear growth, can you get to nonlinear growth without products like software and so on...?

Azim Premji

Without question you can get, it depends upon the degree of non-linearity you are talking about. So it is a question of definition, what has been our experience is that we have been able to get about 6 to 8% productivity a year through normal quality processes, through kind of work which we are doing. What we are trying to drive is how do we get the non-linearity in growth rates, which is much beyond 6 to 8%, is it 50% a year, no. Is it 20% a year, we would like to make that possible. How do we do that? Do we do that by investing more on productivity tools, do we do that more in investing in frameworks, we invest more in knowledge platforms, we invest more in intellectual property, we invest more in services such as what my colleague Prasanna talked to you about, about our global command center too. We are doing a similar exercise in interoperability and testing business, whereby we are investing fairly large amounts in technology platforms because we are able to do that also in a more nonlinear manner than what we have been doing in the past, and we do that in terms of trying to market software as a service where we make it attractive enough for customers and you are familiar with our factory model which got showcased also as a case study at the Harvard Business School, wherein you are really trying to build factories and trying to run different product mixes onto that factory. We are trying to use the common platform of the machinery of that factory. So it is a combination of various initiatives, but I think the important thing is you have to tell yourself that you can grow this business which is a service business and not necessarily in 1 to 1 linear terms and not necessarily just in terms of incremental productivity which you get by 3% price increase a year, and the quality process which gives you another 2% productivity and getting people to work little more intelligently which can give you another 2% extra productivity for you.

Suresh Senapaty

It is important to appreciate the theme, the thought that is driving this, because while this is being done, I mean, we have a significant component of our revenues coming through a time and material model, so it is important also for us to move in a direction, and as a combination of that over a medium to long term where we will be achieving but at least from a customer ownership perspective some of these initiatives is making the customer more richer. From that perspective it is a positive factor.

Azim Premji

But also the advantages, just to take off from what Suresh said, advantage of doing a little more of fixed priced projects, we are right down on that scale, we are about 21%, some of our competitors are at about 30-35%, one of our competitors is at about 57%. I think we would like to go in a band zone of about 30 to 35%, why, because we have more control on our destiny. We have to share less of the productivity gains with the customer and probably just as important, it permits us to have a more flexible mix of less experienced people on the project. The problem with time and material projects is the customer wants to see every bio data, and you know he does not get too excited about a person with 6 months experience, and we have done some extensive pilots on this and we find there is certain optimal mix of what we call rookies, people below 1 year experience, and other set of people below 3 years experience, and our consistent

experience is that project delivery, project quality, project timeliness does not suffer if you have that optimal mix of more less experienced people on that project, and that is a very significant cost economy because the salary escalations are taking place much more in the 3 plus years experience levels, than they are taking place in the minus 3 years experience level. So the game change that you saw in terms of the large deal initiative, it will take us forward in terms of increasing the percentage of rookies as well as increasing the longevity of the contract. Today, the contracts have a longer life, but they get renewed on a year-on-year basis whereas we are looking at through the large deals where the life cycle of the contracts would be 5 years and 7 years like we have seen in the recent past.

Participant

This year, are we in the running for any data center outsourcing contract?

Sudip Banerjee

If I get your question right, you are saying the data centers operation is a significant opportunity, much more consolidation happening. Yes, there was a point which Prasanna, my colleague made during the presentation on total outsourcing, and a lot of the total outsourcing opportunity is both data center consolidation including people and asset takeover, and as many of these large opportunities are coming out for renewal, we have put together a team of people as a separate group, who are completely focused on taking on these opportunities. So these are people who have experience in procurement, there are people who have experience in relationships with key suppliers, there are people who are technology experts, there are people in that group who have got experience in financial restructuring, and the whole group is focused on taking advantage of such opportunity in the market place. So we do see that as a source of revenue going forward, and a significant source of revenue, and that also would be addressing a part of the non-linearity that we are looking for because that is not equal to number of people billed on projects, you know, we get a significant advantage there.

Julios Quinteros

Good morning Julios Quinteros from Goldman Sachs. One quick question, first of all can you provide how many of your customers use more than one service line?

Suresh Senapaty

Question was how much of our customers use more than one service line. If you look at the way we have evolved, till 2001 most of our customers were customers for one service line. By 2004, most of our customers, about 30-40% of them had moved to 2 service lines. Now, the number of customers who have at least 2 service lines is over 50%. So which means if I look at our package of services lines, there is ADM piece which is traditional software area, there is infrastructure, there is consulting, there is testing services, package implementation, and the R&D services. So out of these 6 services, there are more than 50% of our customers who are customers for at least 2, and at least 25-30% of our customers who are customers for at least 3. If you look at the way we have come up in the BPO part of our business, most of the new customers that we have in that part of the business are customers who have been with us in the IT services space. So they are either customers of us in the application development or

they were customers of us in infrastructure or consulting who are today customers of us in the BPO piece. Most of them have come in that area, and that is a significant addition in that area.

Azim Premji

If you ask a question is that cross penetration adequate, absolutely not. Huge opportunity.

Julios Quinteros

What would make you happy? What would be the penetration efforts in those service lines?

Azim Premji

All six of the lines.

Sudip Banerjee

Not just the number of service lines, I think what we are also beginning to realize is that that only gives you part of the equation, another part of the equation is how we utilize those service lines. So, it is a combination of how many service lines, let's say SAP is huge opportunity, you may have a million dollar project but it could be a 400 million dollar opportunity. So I think we are beginning to put in measures for most of our major accounts where we are both at the planning and account mapping stage as well as measuring them in terms of not only how many service lines but really what percentage of each of those service lines are we penetrating, because that is the true measure really.

Suresh Senapaty

That is only the way how you can build 100 million dollar accounts. Last quarter we crossed at least 3 customers which are more than 50 million dollars annualized run rate, and that happens because of typically post 5 million dollars, you start giving services which are more than 2 lines, more than 3 lines, and we have customers were not only multiple lines, I mean, we are doing BPO, were are doing R&D, as well as on the application maintenance...

Julios Quinteros

That is very helpful. Sort of a different topic, can you talk a little about the GM contract award, specifically what lessons did you guys learn from that award, have you guys competed against the leading players, what you guys can take forward from that work?

Sudip Banerjee

I think the most important lesson that we learnt participating in that is how you can compete with the leading players and be considered as tier-1. If you remember, the original list of people who bid for that was more than 200, and the final list of tier-1 suppliers is 6. So to be able to play in the league requires many capabilities just beyond

your ability to execute projects. They require capabilities of being able to work for a customer globally; they require capability of being to partner with other peers in areas that you are not strong in, whether it is a geography or it's a part of a service line. It requires capabilities of being able to provide end-to-end solution in the contracts that you won, and that is also significant because the way the RFP's were issued, they were issued on end-to-end process, they were not issued on a particular project. So that capability was something that you have to build in over the course of the RFP win period, which was about 2 years plus what you did through your execution and adding on capabilities. So all of that have been very, very critical lessons that we have learned in the process of bidding and winning and becoming a tier-1 supplier. I think the next wave where we go from here is to put in place strong processes to enable a collaborative working environment because what we see is that all large global deals which will come in the future will have an element of collaboration. The second trend that we see in these deals is that they will also require end-to-end process capability. So those are things that you have to continue to build. So being able to work with people who are your peers, being able to work in terms of filling in gaps which you don't have, being able to execute globally, being able to get end-to-end process capability, all of that are things which you need to build up to be able to win these large contracts, and that is exactly what we are trying to do.

Azim Premji

Other thing which we learnt in terms of something which is to say right little about anything you do with GM. They are very very sensitive on anything which we say. Coming to a state where we have to take the permission to go to the toilet now. We put our foot in our mouth in terms of not having the exact wording of press release clear with them, so we had to clarify that let me assure you the contract is not margin dilutive, and the numbers which we talked about are bench marks which are realistic the first time we talked about. We can give you more details on a one-to-one with Sudip.

Ashish Thadani

I am Ashish Thadani from Gilford Securities. Wipro posted 13% quarter-on-quarter volume growth in the December period, what would cause this sudden acceleration and then subsequent normalization, in otherwise very steady and predictable business?

Suresh Senapaty

I think the kind of traction that we have seen in our practices, which is testing, enterprise application, as well as infrastructure, traction we saw in Japan, where we bounced back with a sequential double digit growth. Europe continued to be our star. And if you look at the verticals, we have got very good growth in financial services like we have been getting in the past for several quarters now, and the technology media vertical of ours, as well as energy and utility. I think some of the wins that we had announced in the past few quarters did take off and some of the head count additions that we have got, a combination of both of this has given us that growth and we feel fairly decent about it going forward.

Ashish Thadani

And then on a different strategy, one of the few areas of slower progress appears to be price realization, for example onsite is down roughly 4-5% year on year, quarter-on-quarter, as long has been slightly down, what are you doing to counter wage pressure?

Suresh Senapaty

I think we are seeing head on in the pricing with the customers stability. I think we have got fairly decent increases wherever we sort of, we could do, particularly on the BPO side and R&D side and so on, and some other areas also there has been generally decent price increases. But they are not across the board, plus some of the new customers are coming at decent price, better pricing. So coupon rate of pricing has not changed adversely, it is only because of the number of days in the quarter ending December which was lower as compared to quarter ending September that we saw a decline both in onsite as well as offshore, so therefore the decline is much lesser than what the number of days the client has, so we expect a part of it to be recovered in the current quarter because current quarter has better number of days, but still it does not come back fully based on what the number of days in September is.

Ashish Thadani

Thank you.

Participant

In terms of your existing business with GM and the partnerships you are working with, can you give us an idea of the terms of the win?

Suresh Senapaty

What we are saying is there are 3 buckets, one is, the direct contract that we have with General Motors. Two is, what we expect out in terms of the development work in those contracts because the current contract that has been allocated is the sustained business. And third is a piece where we have jointly bid or bid in collaboration with other partners and what we would get out of that. So combination of these 3 factors we expect it to be at 300 million dollar, one cannot give a specific component sizing of the each bucket, but in total we expect in the next 5 years to do about 300 million dollars.

Participant

What about the margins in these?

Azim Premji

A predominant part of it is direct business, and the margins are roughly comparable between the two.

Participant

And in terms of outlook going forward, do you see majority of revenues coming from penetration of existing clients or?

Azim Premji

Combination of both, but I think one of our major thrust is how do we grow our large accounts better than what we have been doing in the past. We believe we have not been doing a good enough job. So a lot of what we are doing is investing in front end on those clients in terms of the kind of people we have working on those clients on a more proactive basis, and also being able to sell more of our services into those clients and more of geographies into those clients, which is why you saw for the first time in Q3 that our top customer growth rates were comparable or better than the average growth rates. Now the challenge is to see to it that we build upon that and not let that slip because the overall cost of marketing also and the kind of quality of work which we do for those clients when they become large enough is superior.

Participant

What about the growth prospects of the top 5 accounts...?

Azim Premji

It is a very difficult question to answer. We would like them to keep growing and we would like all of them to keep growing, but you will find some amount of swing taking place, and particularly if you keep measuring things on a quarter to quarter basis, you know, it is difficult to get the customer to follow on quarter on quarter.

Participant

In terms of the ETR?

Suresh Senapaty

We have said that the tax rates that today we have would perhaps be within 2 to 3 percentage point will vary over the next 5 to 10 years, because you know that the Government of India has come out with special economic zones as a new concept, and as per that first 5 years is fully tax exempt, second 5 years are 50% tax exempt, and third 5 years are again 50% tax exempt provided a particular percentage of the profit is reinvested in the penultimate 5 years. Now, yes, under the current provisions they expire at the end of 10 years or 2008, 2009 fiscal whichever is earlier. So consequently our objective is to build going forward as much of the facility, as much of the revenue from the new special economic zones so that we think overall it should be possible for us if we put the pieces together in terms of an execution plan to keep the effective tax rate around the similar range.

Participant

Can you give us an update on regulatory requirement on dilution of promoter holding..

Suresh Senapaty

Actually, as of now SEBI has still not come out with any notification. We hope in the next few months something could come which could give us full clarity in terms of what can be and cannot be done.

Participant

In terms of T&M projects, customer gets a part of the productivity increases of project come down, but why is the situation?.

Chandrasekar

We ask the same question sometimes. The truth is we live in a competitive world and while lot of these projects are T&M, the reality of the current costs and rates, etc., are very well known in the market price. So the correlation between value and pricing is something that we have not done as good a job of as we can, and that is frankly one of the reasons we are trying to go more and more upstream. So as you see in our strategic direction, we are talking about providing more solutions, providing more end-to-end complete processes and applications whether be it on the R&D side or whether it be on the IT side, the key has been to, one of the key drivers there is to try and generate and provide the kind of value which you can use to command prizes. Again, the focus on fixed price is also another area, which we think will allow us to drive greater unit prices as well.

Sudip Banerjee

To supplement what Sekar has mentioned. We are seeing also two trends, one is when we see new customers coming into offshoring, the pricing is not a big concern for them because the risk mitigation is the biggest concern for them, but once they achieve a size, we have seen two main sectors, one is the R&D where they are setting up captives in India, and the second is the financial institutions who are setting up captives in India. So once they setup captives in India, and they are doing more and more of offshoring, they tend to get the feel of the cost in India. So it is a question of captives putting pressure on the pricing, not that they are not deriving enough benefits out of offshoring.

Suresh Senapaty

Plus, always you don't see a rational behavior, you know, we remember having talked about it in 99s and 2000, we said that this is our pricing, our global competitors are having a pricing which is 3x and 4x, and therefore if at all there prices should come down to our levels before we suffer in terms of pricing, and we saw what happened in 2001 and 2002, the kind of price cuts were across board. So always you do not see a behavior which is very rational just because one thing is executed in India versus what is executed in US. So whatever onsite we have I think the prices are fairly comparable but when you talk about offshore you tend to get into that market place and based on that the prices get decided, but if you look at the pricing of companies like us or the top tiers versus, there is a fair amount of difference, and we are able to command it. Some of the historical reasons why, we operate in a cost plus model before, and therefore our value pricing earlier has been very limited.

Participant

Coming to the growth, I did not see those impacting margins over the next 3 to 5 years, so on one hand we have some newer services that have lot of offshore content, I think

that would help. But then you have some other areas outside of India, as well as some large contracts that you have won, will there be additional pressure on margins?

Suresh Senapaty

When we have talked about in the past, always saying is there are multiple variables which decide upon the margin. You talked about the utilization, we talked about the compensation that you pay overseas and in India, you talk about the offsite and onsite mix in terms of what percentage of the effort is from India versus in the customer premises or even the dollar exchange rates or the euro and pound sterling exchange rates to the extent that we have revenues coming from those currencies. We think as it looks today, there are certain factors where there are down sides, but there are multiple other factors where there are head space, and consequently our objective would be to build on that and make sure that there is a fair amount of stability in the margin. So whatever pluses we will get we want to reinvest in the business to be able to build it more and more to accelerate our growth. Additionally, we will also have like we talked about, and Mr. Premji talked, that we will be attempting acquisitions, and some of these acquisitions because of the tangibles or some of the acquisitions may not be coming at the same operating margin as what Wipro's is, but while our objective for which we did the deal would be to get that back in a 4 to 6 quarters, it will not happen immediately. So but for those aspects in terms of a larger deal which we will get in the stability after sometime, acquisitions which will get into stability over a 4 to 6 quarters period with the synergies. We think on a pure organic basis it should be able to look at a much more stable time sort of range bound margins. Did I answer that question?

Participant

Yes you did but in near terms issue is it not that strategic acquisitions that may pressure margins, but over time as you integrate those, and integrate large contracts will you be able to, on apple to apple basis to get back to your current margin.

Suresh Senapaty

That is right, and therefore whenever there is an acquisition we are going to disclose it separately as a line item, which will at least be there for 2 to 4 quarters.

Participant

And then, one more question, clearly you have put yourself in direct competition with the multinational providers like Accenture, how will you differentiate yourself, and as you mentioned not compete on the same basis in consulting, will you compete on your own terms?

Chandrasekar

I think the primary advantage that we have is the ability to leverage our global offshore model in a much more efficient way, and the ability to integrate that for all types of services for a global client. For example, I think Accenture also is not going to stand still, but they are going to increase their presence in India as well, but the range of services that they are able to offer and the kind of integration that they have with their global sales organization is still today reasonably limited in the sense if you think about the way

they use their global model today, although they are changing, is still going after large clients, providing a solution, and then using the global model, and it is not that fully integrated into every aspect of their solution. They bring in the global model, and Wipro or one of the other Indian players is on the table, it is not normally part of their standard process, whereas it is part of a very integrated mix in every single aspect of our operation. So even when you talked about your previous question on consulting, on one hand you are right, there is a possibility, there are margin implications because they are primarily onsite driven. Having said that we are not looking at consulting as a pure consulting business. There is no intention of creating a smaller Accenture basis, or a Deloitte or any of the other firm, the intention is to leverage consulting to drive the image, provide us greater access and hopefully get us much larger deals, which we are beginning to see already and drive larger offshore presence and larger capabilities. So what I am trying to say is, it is so baked into every single solution, even the IT solution that G. K. Prasanna talked about. The infrastructure piece uses a global model as a very thought process of how we do business. I think going forward the advantage we have is that we are a global player, we are building the front end where the utilization rates on a relative basis we will have significant advantages over most of the global majors because we don't have a bench anywhere outside India today. I am not saying that it is going to continue but the odds are that the percentages will be significantly lower for us, and we have the ability to incrementally grow without any installed assets that can be drag on where you need to grow, whether it be in terms of new markets, whether it be in terms of new services. So our ability to flexibly move and change things is also higher and that is really I think our primary advantage.

Azim Premji

Let me add to that what I think is much more important than everything combined, you know I visit a lot of customers and the key question I ask customers is how do you rate us in terms of customer satisfaction as compared to your other partners, and if he rates us #1, you know, the next question is you know how do we grow this account with you. If he rates us #2 and #3, my next question is you know how do you get us, what do we need to do to change to get to #1 because my experience is that you differentiate by giving more customer satisfaction, and if you are able to be one step ahead of the IBM's, and the Infosys's, and the Accenture's doing that, you got everything that it takes really to be successful. The rest is all the sigmas which go into it.

Chandrasekar

If I may just add one final point to that is part of it is a softer cultural element. We have seen many of these accounts have kind of big incumbent fatigue. They like our track record in execution and getting things done so that cultural fit of getting things done, getting it more operational oriented, is certainly helping us a lot in getting traction and replacing the incumbents.

Tim

I also had just one point out there, that in certain parts of our business we have been competing with Accenture for very long time. So it is not some how now we are starting to compete them. When I first joined Wipro, my very first speech to my assembled team in Bangalore was in the energy and utilities market Accenture was our single biggest competitor, and I was excited because we were going to all learn together how to be more

effective in winning and the kind of growth that we continue to have in energy and utilities is at the expense of Accenture, which is just wonderful.

Participant

Many of the global outsourcing contracts that are coming up for renewal, they are associated with, and we have seen a number of your very large competitors have won, how can you maintain profitability and not get affected on margins because obviously they become very difficult to convince about the cost of doing business with you

G.K.Prasanna

Let me take that. Now, firstly, we have a very clear plan of the total size of the business that we will do in each of these categories, and so there are different people who are targeted towards doing total outsourcing business and there are separate set of people who are going after the traditional managed services piece that we do, that is #1. #2 we are very cognizant of the fact that these things will come at a different operating margin, and that Mr. Premji pointed out in the opening remarks. Now what the total outsourcing business will do for us is to help us grow on an absolute revenue and absolute profit basis. There is a segment of the market that we have not been playing in at all. There is a set of customers who want to do business in only that particular way, and that is what we are interest in, so it is not at the expense of the other business we are doing. So overall we expect that the, one, this will help us grow on an absolute revenue and absolute profit basis. It will also help us address the non-linearity that we wanted, you know, how much revenue and operating margin is coming through a number of people, but it will also, the other part of the business will help us maintain this overall margins.

Suresh Senapaty

And when you talk about non-linear it would be EBIT per person, also as another measure, it is not only the revenue per person. Did you get the full answer? You got the full answer.

Azim Premji

Yeah, we would be very happy to answer some questions in terms of our BPO business also you know we have been finding that in our quarterly calls that is always been very uppermost in terms of concern area so for, analysts and investors, you know, we have had with a lot of difficulty Kurien present here. Kurien is not an easy person to get into meetings like this. We are quite honored with him being here, he would be very happy to answer questions.

Participant

In terms of the acquisitions you have made, out of the 120 people in Europe, how much of that is offshoreable or have you?

Azim Premji

You know, on this visit I spent 2-1/2 hours in Austria with the team and there were 70 members of the team there, and then I met about 65 members of the team in France, so

I have got to meet about 120 of them, 110 of them, they are no longer 120 people, they are 140 people. So we have added head count in the past 2 months. Interestingly, the base is very roughly, we have something like 60 people in France, very nice location to be able to get the best people there. I think we should set up more centers like that. We have about 50 people or 60 people in Austria which is just below Davos, and it is 4 hours away from a skiing resort. So it is very easy to get people there also, and we have about 40 to 50 people, about 30 people in Munich, and interestingly we have now using a partner in Egypt where we have about 25 people in Egypt, and we intend to convert those people to full time employees, we have some arrangement with the partner because interestingly they are German speaking people available in Egypt who have high technical skills and who have come back to the country because they see the country having a future and they are cost effective, relative to Europe they are very cost effective, relative to India they are little more expensive but very high quality talent. We just see that giving us a very strong footprint in Europe. The nice sweetener was we got a presence in Egypt and we have been thinking on Egypt whether we should be there or not in terms of a center, at least now this has given us a footprint in Egypt which we intend to expand to service some other parts of our business, but the people are high quality, they have a very strong local relationships and we find that when you are doing very crucial work in the R&D services area, people who have local credibility is very very important, and I personally was very impressed with the team, good people, very good leadership, and very high degree of loyalty to a cause, and you know what we have done is we have really put the chief executive, he is an Austrian and he has become chief executive of the integrated part of our business dealing with this particular vertical or sub vertical, and it could have interesting potential in terms of synergies for the rest of our business.

Chandrasekar

You know, if you look at embedded and product engineering, typically the markets are US, Japan, Germany, France. If you look at the Wipro's existing run rate of business coming from there, we have a significant presence in US and also in Japan, but our presence in Europe is very low because it is very concentrated in France and Germany, and I think this particular acquisition has helped us to get that footprint there from a geographic perspective. Secondly, even in the semiconductor space we are getting about 25 IP's which we think we can leverage with our customers and similarly we are getting lot of customer footprint which we have not been, in spite there have been few of them where we have been chasing and not been successful and we have got them as part of this acquisition where access to the existing customer base. So it is not as if the current 145 people that Mr. Premji talked about will be offshored into India, but while that gets built, how do we leverage its technical skill set that it contained and IP that is there in that particular entity in getting two serve outside Europe, or outside of the current geography that they are selling and cross selling into the customer base and so on. So that is the basic objective, get more and more offshore business but not to dilute in any form that entity. So it is a customer access, market access.

Actually this is very similar to what happened when we did the AMS acquisition because we got a bunch of consultants who had tremendous expertise in some of those sectors where we were not playing at all within that market and as a result of that our footprint expanded dramatically in the energy and utilities business, and that is now showing up in terms of the revenue growth we are getting because some of the people from there got absorbed as a part of our energy and utilities vertical, and we have done pretty much the

same thing, you know, put them in charge of the energy and utility vertical for two years, and he ran it, got those people integrated, moved those people into position which gave us market access and capability to play beyond offshore and beyond application development in those places, particularly in the domain areas, and that helped us get very very large global customers in the energy and utilities business in the last 2 years.

Participant

Can you state why you would look at any acquisitions in the future?.

Suresh Senapaty

What we will get this year, but certainly one of the things that we certainly look forward when we approach acquisition is to be able to build domain capability, that is clearly one of the objectives of acquisition, and when we are talking about domain capability we look at that very much with a vertical mindset. So very clear focus on being able to get domain capabilities in chosen industries that they are currently supporting.

Suresh Senapaty

Yes, I think if there are opportunities in India, which is completely complementary but not necessarily consolidation, we will continue to be open on that and I think there are certain opportunities we are looking at.

Azim Premji

The Indian pricing is expensive. I think we should keep that in mind, expectations are expensive.

Sridhar

We will then wait for the BPO questions...

Participant

I have a BPO question,

Azim Premji

Kurien is here, put him on the net.

Participant

Would you be focusing on the call center business, is that something that you be concentrating on in the future?

T. K. Kurien

Okay, let me answer that, the call center business is very much an integrated part of our total business. It has given us a huge platform, and today if you look at the pure call center business, the way it is positioned, I think we are among one of the top player in

the world in terms of number of people who are deployed in that. So I think we are basically focusing on taking that business from where it is, from a commodity level into more an integrated service, and that is clearly the thrust of the business today. The good news is that we have made some progress, I mean. Are we happy with this progress that we have made? The answer is no. But clearly we are making progress and I think if we do what we have set out to do today, we would have created an entirely new space for ourselves and that is what makes it exciting. The more important part of that is that we have kind of broken the business up into two. We have broken the business up into technical help desk business, which integrates product engineering business, and that is where the integrated service offering really comes in, and we have taken the erstwhile call center business and again integrated that with our product business. So for example we do a lot of work with a credit card company, so we have taken that business into, you know, go from just answering calls on credit cards into higher value added services like analytics behind credit cards, and a whole host of services that support the actual customer interaction, that is how we are moving it. So it is no longer a pure customer support business. We are not selling mono-lines any more.

Suresh Senapaty

Non-linear applies to BPO too.

T. K. Kurien

And that is really our thrust because you know if you look at it, I mean, I cannot imagine, today we are about 15,000 people, can you imagine employing, if you have to double your top line 30,000 people, I mean, it is going to be impossible to manage the number of people that you have. So going into platforms is again going to be a key part of the nonlinear growth that Suresh just talked about.

Participant

Do you have any target for the voice-non-voice mix.

T. K. Kurien

See what we have done is we have changed the definition completely internally the way we measure it. We are saying, lets, if we are going to look at integrated services how do we measure integrated services as a percentage of total services, and for that we have set for ourselves a target of 40% of our total top line in the next 3 years should come from there, from integrated services. 60% on that would be still mono-line.

Participant

Coming to the competition that you see in the BPO space, are you positioning yourself to compete more head to head with Accenture's, especially given the strategy of combining IT and BPO, or you are concerned at this point about Genpact and WNS?

T. K. Kurien

Okay, let me answer that question in two forms. One is if you look at the transaction processing space primarily our competition would be Accenture; Accenture as far as

industry specific processes are concerned and also things like finance and accounts in the back office side. As far as Genpact is concerned, very large competitor in the finance and accounts side, that is really been their area. The difference between Genpact and Accenture is, that Accenture has the capability of going and offering integrated services, integrating both IT and BPO. Genpact to a lesser extent primarily because they don't have a very large IT embedded base, they don't offer IT as a driver for change. So to that extent in all the deals we are seeing the back office and on the industry specific processes that we actually sell out to, what we are seeing is whenever there is integration to a high-degree, Accenture is the competitor. We see Accenture and IBM in most of the spaces that we play in on the transaction processing side. Whereas the mono-line coming in, we see more of WNS and Genpact.

Participant

One more question on your industry situation, consolidation which you talked about for a while, really has not taken-off on a large scale in the IT services world, now we are seeing lot of activity in M&A front, what may happen in terms of consolidation?

Azim Premji

You know, you should really divide out the companies, say the top 4, I am talking about from India. You are talking about from India, aren't you?

Participant

Including on a global basis?

Azim Premji

Let me just talk about India, I know little more about that, as I started here. In terms of the top 4 in India, I don't think you are going to see much consolidation taking place there, and they are just too strong personalities involved in that to get that consolidation. When you look at the small companies, the small companies which are niche focused, and I think it applies across the world for that matter. The small companies which are niche focused have a space for themselves, but we are just seeing a trend, we are seeing it certainly in Europe, we are seeing in part in America, and I think you will start seeing it in India, the small companies which are even niche focus, which require lot of brand credibility with the customer. Our finding that they are having to discount their pricing too much to be able to sustain themselves. Now if they are able to differentiate and build up certain skills in certain niche areas, I think they will continue to be successful. If they don't, you know, they will have to be able to sell themselves out to companies which are much larger like it happened with NewLogic for instance. I think the companies which are the most vulnerable are the mid section companies within India for that scale and globally within that scale, which are trying to be general purpose companies catering to a very large set of customer requirements. I think some of them will be gobbled up by private equity funds, some of them would be gobbled up by multinationals wanting to have you know aggregated growth rates, combined growth rates, and you know they will be playing on PE ratios, all the good price earnings multiply, but the interesting thing is even the company like Accenture which is of reasonable size and very respected represents less than 5% market share. There is

something about this industry that seems to live fairly healthy with a lot of fragmentation, so it is difficult to have a very strong predictability on that.

Participant

One question on the infrastructure outsourcing, you think you have a verticalized system in place at Wipro, for ease of customers infrastructure, I was wondering have you given a thought to maybe open the door, instead of Wipro doing all of it themselves, let the software vendor plug into your system, for example, the vendor should be plugging into your verticalized outsourcing infrastructure that you have.

G.K.Prasanna

Firstly, much of that work has already been done. It is an existing investment that our customers have already made. So the number of times that we have to actually go and do the plumbing anymore is very, very small. It is only when there is a green field situation, somebody is building a new data center, that is when probably we have to look at whether we do it ourselves or the customer buys it or they buy it as software services. I don't think we have a position on it, that we would want to always do it ourselves. If there is somebody else, if it is CEA or if it is BMC who is providing that as software services I think we would be more than happy. Our take really is that we want to do this administration and running up of operational services is what is our interest, like the software license per se is not our key interest in that.

Participant

Second thing is in terms of security services, what is the focus there, and what are the expectations in that area?

Sudip Banerjee

Wipro is a very strong player in that particular space, we are leaders, probably one of the very few who have a solution across the spectrum, application security, security consulting, infrastructure security, being able to deliver that in a global delivery model. We have just launched our security operation center in the last quarter, which is riding on top of our global command center today. Wipro is an extremely strong player already. We would be glad to share with you our wins in that particular space and how we are helping customers not only architect and implement security, but operate and run security on a 24x7 basis using our global delivery model. Wipro is already very strong player and we have very large expectations in that space.

Participant

My question was on the difficulty in hiring people at the entry level but our challenge is in converting as we go by. I was just wondering can we get a little more detail on fresh recruits, and what you are doing to attract them?

Azim Premji

You know we have formed one new council, which we call our leadership council, I chair it, and head of human resources training is the convener of that council. The objective

there is 2 to 3, one is to upgrade the quality of our leadership training. Two is to make it more related to certain measurable outputs we want in terms of change of job performance or evolution in job performance. And three is also to make it much more available to our people who are working outside of India. We have not invested enough in terms of leadership training for people who were working outside of India. We have not come to a stage where we have formed the training centers outside of India, but we have certainly started bringing more people into India for training and sending more squads out, flying squads out, our trainers, to be able to give this leadership training outside of India, but what we have also done in the past 3 months is now defined and articulated and communicated strong technical ladder for people who have a very high technical competencies and can rise in those competencies in the organization and need not have a managerial carrier to just aspire for because we found in terms of the work which we did in terms of evaluating our project managers, all our project managers we have put through an evaluation, some of them are better off being technicians and not project managers, and they just became project managers by default, it was just the only way they could go up in their carrier in Wipro. Now we have had a parallel carrier path, the parallel bands, which are identical to the manager brands for people in technical carriers going up. We are rolling this whole thing up in terms of definitions of what our different levels in carrier bands, and what is the kind of competencies we want to train people for a specific to that. So we want to run that as a parallel system. It is complicated primarily because it requires a culture change, but you know we are finding that we are doing more complex jobs for customers, and it is just as important, apart from just people who have the ability to lead large teams for project execution. So we will invest more in training than we have done in the past. How much more will be invest per capita, I think we will invest at least year starting April about 25% per capita.

Chandrasekar

Just to add on in specific areas like project management or program management most of our people moving from just managing smaller projects to much more difficult and complex projects, and in that we have got specialized training programs which starts from training programs like PMI certification to internal training programs on process and quality and on things like estimation tools, project management methodologies etc. After they go through these training programs they get certified, that is an internal Wipro certification and we have rolled that out about 6 months ago. So what we are finding is that the bandwidth of project managers, the people who are managing projects with 10 people, 8 people etc., they are now able to manage projects which are 15 to 18 people, and that is also something which is the market requirement today in terms of the nature of projects that we are doing. The second area is the people who are doing program management, now we are building a carter of program managers both internally and through external recruitments, these are people who are able to not only build large project management capability into their own, but also manage external dependencies, so where the management for example is part of that area. Then there is also you know collaboration with other players that you are doing in a large project. So all those competencies are being added to them both through internal training as well as external training and that is giving us the ability to run larger programs which is what we are getting into these days.

Sridhar

So don't let Kurien go easy, so more BPO questions...

Participant

Question to Mr. Premji, sort of a political environment question, I noticed that the infrastructure has rapidly fallen behind the Asia's growth of the IT and other sectors and it is really becoming an impediment to growth, real impediment to growth, and does not appear to be getting any better, so I guess my question is are the politicians working with industry, are they working at best enough pace particularly in the issues.

Azim Premji

The politicians don't work fast enough anywhere in the world, Indian politicians are no exceptions to that, perhaps they are worse. I will tell you where I think progress is being made. I think some progress is being made now in road building, you know, Bangalore is an extreme example of a failure, but you take a city like Hyderabad, you take a city like Chennai, take a city like Delhi, you take many other cities like Chandigarh etc., so even to an extent Pune is much better. In Karnataka we have had a particular problem of political leadership, which is now being changed, but I am not saying necessarily it has been resolved. I don't think it is a brake to growth, what I think is a fundamental solution to this problem of the large metros is that we need to create more dedicated townships with education facilities, and I think the problem is not very difficult, and what we are really pressurizing the Karnataka government or the Bangalore government to do is let us get 3 or 4 schools coming up in electronic city which is really the heart of the IT sector because you get housing coming up there within 15 months. We have had that experience when we moved to our campus for our corporate office and our business offices. The moment the education facilities come up there, the housing comes up there because private people have all kinds of shortcuts they use very effectively, and we are trying to encourage that across townships now, across the country, and it is a major thrust area for Nasscom, plus I think the industry is now moving outside of centers like Mumbai, Hyderabad, Bangalore, Chennai to centers such as Coimbatore, centers such as Mysore, center such as Chandigarh, center such as Jaipur. Centers which I think will happen quickly, center such as Goa, center such as Vishakapatnam, so there will be at least in my opinion 10 or 12 other centers which will come up. The biggest challenge there is the inconvenience of customer travel. Some of those centers in my opinion because of the privatization which has happened in civil aviation will start getting international connect flights quickly, like for instance we are looking now in terms of buying land in Goa and buying land, we have already bought land in Chandigarh. So we are going to have much less dependence on cities which have got saturated. Going on to areas of infrastructure which are a cause of very serious concern is power and water management, which are less talked about, but are very serious, but power is not simple solution for the software industry, we just generate power for standby purposes, it is not very expensive, it is clean, and it is very quickly implementable. So far as water management is concerned we just use technology to see to it that we minimize consumption of water and do a lot of recycling of water. I do not think the industry is going to get stunted over the next 5 years because of infrastructure inadequacy. I think what needs to be watched carefully is very short cited policy of the US government on visa caps. The visa cap of 65,000, and you know I think that is an issue which needs to be closely monitored and closely persuaded out of because I don't think it is in the interest of the US leaders, it is not in the interest of US industry, and I personally believe is not in the interest of US consumers because that can act as a constraint. The visa caps have to be watched carefully. To me that is a more serious issue than the

infrastructure issues so far as India is concerned. Our leadership, our prime minister and his commercial ministries like civil aviation, IT, industry and commerce, are very very progressive. I think we have got a communist party external support which is living probably 50 years behind their time, but I think our prime minister is coming to a stage now where he is willing to take them on. He is getting a little fed up too. We have seen it in the first overtures of what has happened in retail. I think it is an important signal which you must watch, and the second is going ahead and awarding the contracts for the two airports. I believe both the sectors will open up much more. It may be slower than what some of our American friends want but it will happen, there is no doubt in my mind it will happen.

Suresh Senapaty

But in a lighter note, the current chief minister of Karnataka, his wife is a software engineer. She has said I will not let down the IT and BPO sector in Bangalore...

Azim Premji

And wives are very powerful in our country.

Sridhar

If there is any one question we will take, otherwise we have lunch in boardroom and we can meet the management team and chat on one-on-one basis. Any one question I can take..

Participant

What are the kind of skill sets you are looking at from a BPO perspective?

T. K. Kurien

The kind of skill sets required for BPO is completely different from IT, of course depending upon the space that you are looking at, for example on technical support we still look at folks with the technical background. So what we have done on the BPO side is that clearly the pool is larger, but the training requirements of this pool also are significantly more because if you look at a technical person you not only have to train him for problem solving but you have got to take him right up the value chain in terms of actually taking him to the next level to solve the hardware issues that may be from an engineering point of view. So the training period really is long, so for example when we hire a person on the technical side, typically we send him after the general training through a 13 week training program, and what we find is that the testing processes also are pretty tough. So typically roughly about 30% of the people who join, drop out by the time they finish the course because we want to make sure the quality of people who come in is of pretty high degree. So, the emphasis is far far more in getting right people on the floor with the right technical expertise, and pretty much we look at every kind of skill base that comes in, and send them through structured training programs. So is it more difficult, the answer is yes. Does that answer your question?

Male participant

And in terms of the cost structure..

T. K. Kurien

So if you look at our total cost of manpower as a percentage of sales today, it runs at around 44%, that is where we are today, and compared to the IT side of the business it is pretty much comparable I guess..

Azim Premji

Thank you very much. Please join us for lunch please.

Sridhar

We will load the presentations on our web site by tomorrow morning, and thank you very much for your participation. Please join us for lunch.