

WIPRO India Analyst/Investor Meet
National Stock Exchange, Mumbai

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Rajesh Ramaiah

It is indeed our privilege to host you all here this afternoon. My name is Rajesh Ramaiah and I handle Treasury and Investor Relations for Wipro along with Jatin and Lalith in Bangalore and Sridhar in New Jersey. Before we commence, I thought I would articulate the management's thoughts and the key objective behind organizing this event. First and foremost is the continuing interaction with the investing community, We meet you at various forums at our offices, at road shows, and at our conferences. However, this is an event where the entire top management of the company comes onto a single dais to share the perspectives on the prospects of our company, the challenges we face, and more importantly to answer your questions what you have. The second thing is the sheer learning value we will have, we see these four hours as a tremendous opportunity for us to understand the top of mind issues we have even as we try to give our perspective to your questions we will take many of them back with us for future reference. Lastly, the multidimensional view such a forum creates as each one of you have a different perspective about Wipro depending upon your role in the capital markets and the cross section of a Wipro that interests you. We believe and hope that all of us will benefit from such a diverse base of participants and during the interaction understand Wipro from a dimension that we have not seen before.

Let me introduce the management team here. We have Pratik Kumar our EVP of HR, we have Sudip Nandy, our Chief Strategy Officer, we have Sudip Banerjee, President of Enterprise Solutions, we have Suresh Vaswani, President of Wipro Infotech and Global Service Lines, we have Sambuddha Deb who is our Chief Quality Officer, we have Lakshminarayana, your favorite guy Lan, he is the CFO of IT businesses. The agenda is as follows: we will commence with a brief overview address of our recent performance by Lan following that Mr. Suresh Vaswani will speak about our differentiated service line and Wipro Infotech for India Asia-Pacific IT business. This will be followed by a presentation by Sudip Banerjee about the Enterprise Solutions business. We will have Mr. Pratik Kumar talk about people management issues that will be followed up by Deb on our quality initiatives, and lastly, we will have a presentation on our BPO business. And finally, we will have an open house for Q&A where Mr. Premji who is going to join us later along with Suresh Senapaty who is also delayed in his flight. They will be happy to answer questions from you. While this is the agenda we have set for ourselves, I would like to reemphasize that the primary objective of this interaction is with the Wipro management and at any point in time you could feel free to take opportunity to talk to them during the breaks we have. We have some breaks in between. A warm welcome again and I invite Lan to talk about our performance. Thanks.

Lakshminarayana

Thanks Rajesh. I feel great to be back on familiar pitch as I normally deal with the other kind. I am batting in different pitches off late and this is nice to be on a good known pitch. We have a series of sessions lined up. Last year when we did this, we started up with a standard investor presentation and all of you pounced back at us and said how dare you subject us to one more presentation of Wipro. So this time we said that what we will do is to have a big overview which broadly covers three aspects, a quick recap of our performances, a tool what made that thing possible which is what lies behind the scenes, and finally what do we see going forward, which is to basically set the context for the rest of the presentations and Q&A that will follow.

For the first nine months, Wipro Limited, we believe has done reasonably well, 42% growth in revenues, 44% growth in PAT. More importantly, the first nine months of this year, we have exceeded the revenue of the entire last fiscal year. So, the overall momentum continues to be significantly robust. This is being helped by solid contributions of each of our businesses, the global IT business which is the largest part of our portfolio, there is 40% growth in revenues and in profits, which essentially also means that for the nine-month period we have maintained our operating margins despite the investments we have made on acquisitions we made on other new initiatives and the wage increases that we talk of. We believe that we will continue to grow 5% to 6% ahead of

the industry for the full year considering where our guidance is in the current year. The second big segment Wipro Infotech, the India-Middle East-Asia-Pac business, 50% revenues growth, 58% profit growth, which means that is a business where as we had been articulating to the stakeholders over a period of time, our business model transformations actually taking the profit growth ahead of that, the operating margins have expanded in that business. Consumer Care and Lighting, 36% revenue and 25% profit growth. What this essentially means is that Wipro Infotech and Consumer Care have grown more than double the industry growth rates in those businesses and our main business Wipro Technologies has grown ahead of the industry. So, in the entire portfolio of Wipro business, we are growing well ahead of the industry that we are in.

Now, that is the result. What has made that possible? Here I would like to restrict this part of my discussions to the Global IT business - Wipro Technologies. Here we have been helped by a few factors, there would be four of them. Our preference and ability to invest consistently in the next generation growth drivers, I mean we know the 60 billion potential that we have known for Indian IT industry and we think that it is going to come from the fields of new services, infrastructure, testing, package implementation, BPO, and in fact these services are expected to grow 37% CAGR over the next year versus the overall growth rate of about of 28-29%. So, these are the new services if they are going to deliver growth, Wipro has been pioneer in investing in all these services. So, today, from about 8% of our revenue in fiscal 01, these new services constitute 43% of our revenue. So, the ability to invest that. Now, even going forward, the growth for these services are going to be very good. So, if you look at the momentum that has been there in our business as well. So, TIS, infrastructure, grew 77% YOY in the recent quarter, testing grew 57%, package implementation 38%; each of these well ahead of the company and the industry growth rates. So, along with that the investments we have made through acquisitions which is to build up those niche skill sets which just gives us that little bit extra edge, is another example the investment we make in the next generation growth drivers.

The second thing is we believe that we have a dominant leadership in most of the service lines and verticals that we are in. What this dominant leadership does to us at a more practical level is it improves the visibility and the flip side of that is allows us to pick and choose deals that we want to play in. And therefore, there is good volume visibility and we have the ability to choose the deals we want and therefore we can actually manage our growth on top line and bottom line. We have a dominant position, which is well known in the R&D segment, equally strong and dominant role in the Wipro Infotech Asia-Pac, but in the last four quarters, we have actually seen that the Finance Solutions and the Enterprise Solutions which are otherwise not so much focused upon have actually grown faster than the combined growth rate of . . . in both services we have grown faster than most of the other Indian IT players. So, that is a clear sign that in that space which was not considered to be traditionally strength, we continue to grow and we are far ahead of the competition and the industry. In terms of wins we have had extremely good wins, Credit Suisse is a very well spoken off win in financial solutions. In enterprise solutions, there were five wins in the current fiscal, which unfortunately we are not allowed to give too much details about.

The third aspect is something we have been talking about a lot and it is demonstratable, which is our range of wide service portfolio, its key in winning deals increasingly most deals we win ask for multiple services lines and the customers are choosing Wipro because we have the ability to provide comprehensive service lines. What is also does is from a market address point of view allows us to address multiple IT budgets, we have talked about in the past, R&D for the CTO's budget, ADMPI testing from the CIO's application budget, TIS from the infrastructure budget, and of course BPO from the CEO and the CFOs' budget. The best example of that is that of the top 50 accounts of ours, over 90% use at least four different services lines from Wipro. So, essentially our ability to cross sell our services is fairly strong and increasingly getting proven. Finally, of course we have a series of enablers which have relatively softer aspect but make hard difference; quality systems, we are pioneers in that, and Deb will talk a little bit about that; our scaleable resources in training engine and we have got Pratik; consulting-led engagement and our focus on innovation. While we will hear more about that we are very proud of the fact that Wipro was amongst the first few companies globally to have been adjudged at level 5 of the SEI CMMI version 1.2. The standard was released in September and we got certified before December. So, our leadership in quality; we will hear more from Deb on that.

Let me come to the final part of what we are seeing which is what is the environment looking like today. Simple, the deal flow continues to be robust. We see pretty decent traction in the market place. Geographically, Europe continues to hold solid momentum. In terms of verticals, our finance solutions had an overall good growth. In enterprise, retail is finding good traction, and there with the acquisition of Enabler, we definitely have an edge in terms of the skill set, in terms of domain expertise, and of course we have a strong leadership in Energy and Utilities in manufacturing vertical, good marquee customers that is helping again. In the telecom space, we have been traditionally very strong in the equipment manufacturer space. We are seeing very good traction in the service provider space, and we are hoping that these will translate into good revenue over a period of time. On the supply side, I think innovation and scale of large players like us is helping us in getting the best talent, we are innovating on two aspects in terms of the supply and in terms of getting supply to work much faster as well. Pricing, there have been questions in the recent past. I think more demonstrated, more stronger, we have seen good amount of renegotiations with decent up-ticks in recent times. So, that environment continues to be good. Acquisitions, I think we see very good synergies. We are very happy with all the acquisitions we have done so far. The synergies are good, the profitability is consistently improving and that is very good news for us even on the quarter-on-quarter basis, and overall we are fairly confident that the plan we had when we did the acquisition over, were over 18 to 24 to 36 months, we are pretty confident that we are pretty much in line.

So, to sum up, the long and short of this is environment is good and we are confident about our prospects. This really brings me to the end of the opening remarks that I wanted to sort of share. May I now request Mr. Suresh Vaswani to commence his presentation on the global IT service lines and on Wipro Infotech. Thank you.

Suresh Vaswani

Good afternoon to all of you. What I am really going to cover is our global IT service lines, which comprises of our three differentiated services; Testing Services, Infrastructure services, and Package application and Implementation services, and also on Wipro Infotech which is our domestic Middle East and ASEAN business.

Let me start with Technology Infrastructure Services. A lot of you would be familiar with the technology infrastructure services because we have covered it in the past, but basically here we partner our customers for a complete IT infrastructure lifecycle as against application, and we partner them for consulting in IT infrastructure for system integration and for managed services. In addition to that, we also do technical support services for technology players, people who are dealing in core technology solutions, and we also have a practice which focuses very specifically on the telecom infrastructure side as against IT infrastructure side. So, it is all about IT infrastructure, product support services, and telecom infrastructure services. It is known that we are pioneers in the global delivery model for infrastructure management. We are the largest offshore IT infrastructure services player in terms of revenue, people and customers. We had close to 4500 people last quarter. Last quarter was really a good quarter for us and we added 608 people during the quarter, and our strong differentiator is, one, our delivery platform and we call that now the next generation managed services, it is probably better known as global command center or GCC that we spoke about in the past, and through this we offer tool diagnostic, highly secure based services more in line with what the customers need in terms of business impact rather than just an SLA based service. Again, over the last three or four quarters, we have launched our global IT outsourcing practice, or what we call is a total outsourcing practice, where we have seen substantial number of wins in India, we have taken that global and we have seen some good success in the global market as well. So, there are two big differentiators, are platform for delivery and the total outsourcing practice.

In terms of revenue numbers, again last quarter was a great quarter. We closed at a revenue of \$73 million, which is a 21% sequential growth. This of course had the acquisition numbers of cMango in this. Year-on-year growth was 81%, and for a period of 9 months, we have closed at \$183 million, which is a year-on-year growth of 74%. So, this is broadly a snapshot of this year's and last quarter's performance.

Now some business trends and some of our strategic directions in the infrastructure services space. We see this, and NASSCOM McKinsey report has also brought this out, as a market which will be close to \$9 billion by 2010. So, if you look at 2004-2005, it was roughly \$1 billion expected to grow as much as to \$9 billion, which is a CAGR of 55%. So it is clearly growing faster than the average growth of the total market. The second trend we

are seeing is the Indian global services players winning larger and larger deals in the infrastructure services space. Third, is clearly customers are increasingly looking for business service management rather than only element-based management. So, they are looking at a service level defined based on their business requirement, rather than let us say a network up-time or a server up-time. There are major opportunities which are leveraging on advanced technologies, especially in the telecom sector. So, there is a big transformation happening in the telecom sector and Wipro is pretty strongly poised in so far as servicing the sector is concerned. And the last trend is product vendor, such as Cisco, or HP and EMC, are clearly moving from just being product vendors to being platform solution vendors. So, that throws upon a lot of system integration opportunities for players like us.

In terms of our strategic direction in this space, clearly we want to strengthen our leadership position through global IT outsourcing. We want to enhance our portfolio further and become absolutely complete in terms of a service provider for infrastructure and telecom. We want to strengthen our alliance management. So, we have strong alliance management so far as domestic market is concerned where we are the largest system integrator for Cisco, the largest platform integrator for Sun, and we want to extend this to a global market as well. As we go into more and more complex deals and much larger deals, we want to invest in much more program governance and program management capability and that is a key thrust for us in the segment. And last but not the least, this is something which runs across I think all our service lines, all our verticals is in terms of people supply chain optimization and talent transformation initiatives. So, we have to hire more talent from the campus, we have to make sure that we train them to be productive fast, and we continuously have to keep the people supply chain very, very active. At the same time we have to develop extremely strong program management and program governance capability. So that much on the infrastructure services.

Now, moving to testing services, this again is a very strong differentiator for Wipro. What do we do here? We offer quality assurance services ranging from lifecycle testing services to specialized testing services for both the Enterprise segment as well as the Product Engineering or the Technology segment. So, this again is a unique differentiator for Wipro in the sense that we are strong not only in the enterprise segment but also in the telecom segment or the technology segment, where there is actually a lot of innovative testing work that we have done in the past and we will continue to do.

In terms of our leadership position, we are clearly the largest offshore testing services provider. We have close to 6000 employees, we closed at 5900 employees last quarter, and we are pioneers in the product engineering testing space. In terms of strong differentiators, this testing is something which people do not like to do and therefore the key driver in so far as testing is, how do you drive test productivity. How do you finish your testing fast so that you can go to market with the applications fast? So, there is some very major thrust in so far as test productivity is concerned. We have got significant investments made in test frameworks, tools, and point solutions, and the whole objective is to deliver productivity and give time to market advantage to our customers. The second differentiator is, we can be complete test outsourcer for our customers, irrespective of who is doing the application, whether they do it internally or whether it is from the other service providers, we can always be a single point third party test outsourcing provider for our customers and we call that service testing as managed services. And third of course this is a service which needs very focused domain expertise. So, not only do you need testing expertise but you also need domain expertise, so the kind of testing you would do in a finance domain would be quite substantially different from what you would do in a telecom domain. So, you need a lot of domain centricity. So, these are some of our differentiators.

In terms of numbers, we finished at \$70 million last quarter, which was a growth of 57% and a sequential growth of 8%, and revenue for 9 months for this year is \$193 million, which is year on year growth of 71%. So, clearly testing is leading the way in terms of growth in terms of service lines.

Some of the trends, and I will quickly go through this. Market is expected to be \$11 billion by 2010. So, we spoke about TIS which is \$9 billion, Testing will be \$11 billion market by 2010 out of India. Test automation and specialized testing is becoming the norm. So, customers are looking for these type of services. Major test opportunities in the area of localization, in the area of package applications, in the area of IP migration. So as all telecom networks move towards IP, there is a whole huge testing opportunity that is emerging there, and I am

sure all of you have heard about service-oriented architecture. So, as we move towards SOA architecture, testing capability for SOA also holds a lot of promise. And the fourth trend is really customers are demanding strong domain knowledge and strong test consulting capabilities rather than only offshore capabilities.

In terms of our strategic direction, we will continue to differentiate ourselves through test consultancy, through domain test frameworks, and through specialized testing services, which are very unique and very differentiated. We will extend our product engineering leadership by investing in automation, frameworks, tools, and setting up specific labs for Wi-Fi and for 3G. We will build on success that we have had in the Enterprise and the telecom and the finance segment by enhancing vertical domain specific testing competency, and of course we will focus on the new areas of IP migration, package application, and SOA testing. So, broadly, these are the strategies in so far as testing is concerned.

Quickly moving to Enterprise Application Services, this is our package implementation support and consulting business. So, here we provide process consulting, package implementation, and application management services for base ERP, CRM, supply chain management, as well as vertical specific processes. So, we have expertise across the range, so whether it is SAP, Oracle, or Siebel, or Microsoft which is a relatively new entrant in this field, we have capability and delivery capability across.

In terms of our differentiators, we are seen as a very strong system integrator in this space. We are seen as very strong when it comes to global rollouts, and we are seen very strong in so far as the next generation solutions are concerned. So, when it comes to supply chain management or when it comes to CRM, which are relatively new in so far as this field is concerned, we have come out very strong. In terms of specific domains where we have a large base and strong domain competency, this includes energy, retail you all have heard of about our acquisition, utilities, and also the high tech segment.

With respect to our numbers last quarter, it was \$72 million, a 13% sequential growth, and for the first nine months it was \$194 million and a growth of 35%.

Very quickly business trends and strategic direction for us; the size of the market globally is \$40 billion. SAP and Oracle have been leaders in the market and do dominate the market, but there is a third major player emerging and that is Microsoft, who is making a lot of investments in the ERP space. End users are looking at globalization, at business intelligence, at shared services, and redesign of process areas in the enterprise application services space, and we are also seeing some BPO players getting into surround application enhancement and support business. In terms of our strategic direction, clearly we want to deliver transformational capabilities to our customers, therefore we are investing a lot on consulting and we call this group the business solution group and program management expertise. We are investing a lot in SOA technologies and industry solutions, some of which I have covered in the form of retail utilities, energy, and hi-tech. Clearly, application management and support is a big part of the business and we are driving a non-linear approach or a shared services approach to the application management and services segment, and then of course we want to capitalize on opportunity areas like Microsoft and we won a large contract last quarter, and our ability to integrate our service lines and deliver a comprehensive process cum service solutions to our customers.

So, that much on the three service lines and now may be spend a few minutes on Wipro Infotech, which is a very interesting business and apart from the three differentiated service lines that I spoke about, I think this business is also a very big differentiator for Wipro in the overall context, because unlike a lot of other peers, we have a very significant presence in the domestic market. So, what do we do? We are actually a comprehensive IT solution provider in the domestic market. We do consulting, business solutions, which is software solutions, which is all about infrastructure integration and infrastructure management, we do infrastructure products, so this is something which is unique about our business in India. We do not do so much of infrastructure products in the global market space, but we do a lot of infrastructure products in the domestic market space, and then of course we do Total Outsourcing. Just to give an idea of scale, in consulting alone where we do process consulting, security consulting, strategic cost reduction, we are 250 people strong dedicated to the domestic market. So, this perhaps would make us in the top three consulting organizations in India on a standalone basis. In terms of

business solution software, largely India-centric, though I would say India-Middle East centric, we have more than 1200 people addressing the domestic market. Professional services is large business for us and this has been our traditional business. So, the overall ecosystem that works with Wipro is close to 8000 people in so far as professional services is concerned. Infrastructure products, we are clearly the leaders in this space. When it comes to data centers, enterprise platform network integration, we clearly are the leaders in this space, and of course total outsourcing where we regularly announced one or two significant contracts that we won per quarter over the last four or five quarters.

In revenue terms, we grew 76% last quarter on a year-on-year basis. So, our revenue last quarter was 700 crores, and for the nine-month period, Wipro Infotech delivered close to 1700 crores, and this net sale not a gross sale, the gross sale numbers tend to higher or are significantly higher.

Some of the key highlights, we are seen as partner of choice for customers in India, we are seen as partner of choice for principals in India. So, we are the largest SI partner for Cisco, Sun, and Nortel. We recently won the best SAP partner award across Asia-Pac from SAP. We are the largest enterprise partner for Microsoft, and the largest partner for HP Open View amongst a lot of other technology players as well. Here again our business is pretty uniform across the various domains, so we work with HDFC Bank, LIC, GIC, Bombay Stock Exchange; LIC, GIC, Bombay Stock Exchange is in the high end software space. We work with Bharti Airtel and Maxis in the telecom space. We do a lot of interesting work, both in consulting as well as software implementation for government including railways, and of course we are strongly present in the manufacturing segment. One of the key drivers for us here in the domestic market as it is in the global market is innovation and service delivery. So, we have set up a very large what we call Global Service Management Center at Mysore, which is largely used for servicing our customers in the domestic market both from an infrastructure perspective as well as application support perspective. And the second innovation that we have been driving in this market is developing software templates which enable us to quickly implement packages like SAP and Oracle in specific vertical segments.

In terms of strategic investments, we have recently announced joint venture in Saudi Arabia and of course last quarter we went through the acquisition of 3D Networks and Planet PSG, and this acquisition is doing very well for us in the domestic market.

Some of the trends in India, I think the Indian market does not get adequate coverage and adequate recognition to what potential it has. So, I though I will spend a little time on this. It is a \$12 billion market. The product services mix is 65 to 35 and it is amongst the fastest growing markets in the world and certainly in Asia-Pac expected to grow at 22%, has grown 22% in 2007, expected to grow at 17% CAGR through 2010. There are certain new sectors which are emerging; retail, clearly everybody is talking about that, the SEZ's, the infrastructure buildup that is happening in India, and the defense segment, all are relatively new segments from an IT perspective. All the other segments like banking, manufacturing, telecom, IT enabled services, and government all are poised to grow. IT enabled services is a pretty large segment in terms of our market addressing. There is more and more requirement from Indian customers for large integrated IT solution opportunities. There are a lot of Greenfield IT projects, first time IT projects that are happening again across all IT segments. I think the Indian market is adapting to emerging technologies much faster because there is not so much of legacy in the domestic market. There is a very major progressive mid market and large mid market, which is why you see the SAP's, the Oracles, and the Microsoft's having that as a very major focus area for themselves in India, and of course everybody is here. So, whether it is IBM or Microsoft or Cisco or Sun, all the major technology players globally are focused in the domestic market including on the mid-market.

So some of our directions, and this is my last slide, we are covering not only the high-end market in India but we are also in a stratified account management approach addressing the large and the mid market in the domestic space. We have a pretty strong personal computer (PC) line, which enables us to really penetrate into the mid market. We are building strong domain competencies, as we are building globally, we are building it in India, and we do leverage the strengths that we have built up for our global customers and our global practices in the domestic market as well. We are building strong thrust in the relatively new areas like Unified Communication, SOA Security, and much stronger thrust in so far as our partners are concerned. Middle East business has been happy business for us, we have done well, and in addition to software we will focus in the Middle East in the

infrastructure space as well. We will continue to drive non-linearity and operational efficiency in services for global service management center and template-based service delivery. We are laying big bets with our strategic alliance partners, so be it Cisco, be it EMC, we are placing strong bets in terms of working with them collaboratively in the India market and some of the emerging markets in this part of the world. We will continue to invest in people. We are also driving transformation in terms of customer experience. So, we are looking at beyond matrix and beyond SLA's to really taking our customer experience to a different plane. So, we will make investments in that area, and of course we will continue to look at inorganic initiatives to build new competency and service lines like we did with the 3D Networks. 3D Networks was extremely strong in the voice space and in the convergence space, and that is something which we had not built in Wipro Infotech, so that was a very strong acquisition, a very synergistic acquisition. That is about all from a Wipro Infotech perspective and I am through with my presentation. Thank you for patiently listening to me and I am not very sure whether I should take Q&A. I am done. So, thank you very much.

Rajesh Ramaiah

Next I invite Mr. Sudip Banerjee to talk about the Enterprise Solutions.

Sudip Banerjee

Good afternoon. Let me just walk you through the Enterprise Solutions division. The industries that we cover are manufacturing, technology, media, transportation, and services. Energy and Utilities, within Energy and Utilities it is basically the focus on oil and gas and water and power. In retail, CPG, and distribution, and in healthcare, which provider and payer market plus life sciences which has a component of pharma R&D. Our growth on a YoY basis is 38% and the revenue numbers and the YoY growth for the individual segments are given alongside. As you would notice, there are some areas where we are growing very fast particularly in the areas that we have come up recently, like healthcare and life sciences plus in retail, and in energy and utilities we had a very spectacular quarter, last quarter, where we had 31% sequential growth. So, there is growth across the segment and there is growth over all in the enterprise business. So, let me just walk you through the priorities for the Enterprise Solutions division as we go forward.

So, as far as the first element is concerned, our priority is to make sure that the consulting practice continues to develop and expand at a rate where it generates for us the downstream business that we are looking for, that means that we use the consulting practice within Wipro to focus on the IT strategy consulting and the business-led IT consulting, and that is organized in various industry segments and that generates for us the ability to get downstream revenues. The next priority for us is account penetration. We are working with divisions of customers in large customer organizations and what we intend to do is to make sure that we increase the footprint across multiple divisions of the same customer. So, our focus is not so much to add on new customers as it is in mining the existing customers and through that ensure that we have service line penetration. Suresh mentioned about some of the service lines like infrastructure as well as package implementation. We also want to ensure that we get coverage of our BPO, plus get coverage of consulting as well as the application development and maintenance areas. We will focus on both organic and inorganic growth. We have made some acquisitions within our division. All those acquisitions have performed very well for us and that has given us the confidence to pursue more acquisitions, and we will continue to be very aggressive with that in the coming year. As far as resource management is concerned, our focus in resource management is building to win competency. We have organized our business by industry verticals about eight years ago; so, we were really the pioneers amongst companies from here in verticalizing our organization structure. As a result of that we were able to attract industry specific talents. If we look at our automotive business within manufacturing, we have a number of people who come from the automotive industry who are domain specialists and functional specialists in that area. In oil and gas, we are hiring petroleum engineers and teaching them IT, plus getting specific domain experts who have experience in things like upstream exploration and production. So, they work with our IT engineers on specific point solutions. I will cover as I go through the presentation some point solutions in each area. It is important to mention here that today not just the large broad industry headings that I talk ed about, but the sub-industry classification that we have, so within manufacturing we cover automotive and we cover pharmaceuticals, we covered aerospace and defense; within the retail, it was retail CPG, which is consumer

package goods manufacturer and distribution, and so on so forth in each of the individual areas where we have about 13 or 14 sub industry classifications where we have built domain competency by hiring functional as well as business experts from those areas. So, for example, in retail we have hired store managers and converted them into IT functional specialists to be able to run new store applications, which is a critical thing for anyone who wants to be in the retail business.

So, let me cover some highlights of various industries. I just mentioned to you sub-industry classifications that we looked at here. There are four in automotive aerospace as one group, process industry along with pharmaceuticals and I mentioned to several people that I met over the last three days both in Goa as well as here, that we have a major focus and thrust in the pharmaceutical industry which we see as an industry which is one of the fastest growing in terms of IT penetration and IT adoption in the recent times. Consumer electronic companies also becoming a very major focus area for us, it was not there earlier, but now we have a number of companies in that field coming in with opening their doors to IT outsourcing. A large number of customers, we focused primarily in both the US as well as in Europe and some customers that we have in Japan. We have a number of collaborations that we have created with academia as well as with industry bodies in each of these individual segments. So we get white papers released, we participate in industry-specific road shows, and we build point solutions. Some of the point solutions, for example, we have built, particularly in the manufacturing are in the area of automotive applications, dealer-channel management. In the area of pharmaceuticals we have done work in the sales and marketing area of pharma companies. We have done work in areas like bio-statistical analysis in disease management in life sciences. So those are specific point solutions that we have built and some of those point solutions are focused around products; for example, in SAP there would be an SAP IS-Auto or SAP-Pharma which are specific products from the SAP family that covered with individual subcategories that I talked about, and we build expertise around these products to build the solution sets. Some of the solution sets are those that we have developed ourselves, internally developed solution sets. One of the things that we would like to take pride in the manufacturing area is the factory model that we have come out with for software development. This has now become a Harvard case study and is being taught there.

Finally, one important element in all of this and even Suresh will lead you to is the focus that we have on managed services. Just like there is managed services work going on in the infrastructure or testing area, there is a huge scope for generating the revenue and getting productivity out by doing a lot of managed services and application development. One of the key thrust areas in manufacturing that we have done and that is applicable to many of our large customers is the new way of doing software development where we have taken the managed services approach by not having a linear number of people adds for projects that we have got. So, we have got a standardized model where we have one manager focusing on multiple areas, we have a large team and we have introduced ITIL processes and we have got teams which now work for multiple areas.

In terms of going forward some of the areas that we are working on, manufacturing execution systems, we think that there is a great future in this and these are also linked with some PLM areas that are now coming into play. So, we will be focusing on PLM applications including execution around PLM products like the CATIA, work on our supply chain and obviously ERP continues to be a very major focus for our manufacturing customers. We talked to you about automotive and pharma, in both areas we have got centers of excellence, and these centers of excellence focus on the new generation of products using both standard package application products as well as point solutions. In terms of service delivery excellence, our focus is going to be to build on the managed services framework; so we are going to work more and more with customers where we are going to be able to work on applications without necessarily adding people. So, adding headcount will not be our priority, working through managed services and thereby getting efficiency in that would be our priority both from solving the people problem as well as from getting operational efficiencies in that area.

The technology, media, transportation, and services vertical are actually four verticals. When we started these were small in size and that is why we kept them as one group. Now they are very large in size. In the current year itself, we will be doing more than \$200 million of business in that area. So, we have a large number of customers and we are focused there on sub-industry classifications. So, within the technology industry, we are focusing on the high tech computer manufacturers as well as software product manufacturers. We will work for both categories and we will work through a number of point solutions in that area.

In media and entertainment, we have publishing customers plus we have customers who are actually content companies. So, people who make movies like Sony Pictures or people who make independent television programs are our focus area of customers in this. The work that we do range from writing IT applications to more specific domain centered applications like digital-assets management, content creation, content deployment, etc.

One of the new industries which is emerging for us as a growth driver is the airlines industry. The uniqueness about that is that this is an industry where the growth is not coming from traditional markets in US and Europe, but from areas in Asia, because most of the airlines who are profitable and who are showing new dynamism are in this part of the world, and our focus is around solutions for these airlines. There are new IT systems being written, new applications which are very domain specific, and we are developing solutions around new standalone applications which can be created for these people. So, there are certain things which we have done in the past for European airlines like internet booking engine. Those we are just straight away adopting, but there are more recent applications we are now working on which are build straight away into their development for all the airlines which are getting ready and getting launched recently.

In the services industry is a very broad industry. Much of the work that we do is around data analysis and statistical analysis and we work for a lot of research firms. So, those applications are general-purpose applications which we have had a lot of experience in, having started in that industry a number of years ago. In terms of some of our delivery highlights in that, I mentioned to you about the internet booking engine that is an application which we developed for airline, but we now have extended to some of the other industries using some of the principles. The other work that we have done is regarding price optimization and that is something which is a very unique point solution that we have created.

Going forward in this industry vertical, growth will come from service line penetration which is again, we have a number of customers there where we have one or two services sold, we are extending services, particularly important in this context is BPO because we are really finding a lot of traction for BPO in the airlines business for example. So, there are some very specific BPO applications like handling lost baggage or claims, but there are also other BPO applications for pharmaceutical industry, for example, in the area of bio-statistical analysis or clinical data management. So, those are the areas which lend themselves to BPO and therefore BPO service line penetration in this industry is a very major focus for us going forward.

Energy and Utilities, this is perhaps the industry vertical where Wipro has the maximum strength having come into this industry vertical a number of years ago and having had some solutions in this area for many, many years. It is also an industry vertical where revenues are significantly higher than anybody else from India. So, we are a leader here. In this particular industry vertical we do not necessarily compete at all with any of our Indian offshore colleagues. Much of our competition here is from the global majors, particularly in oil and gas as well as in power utilities. In water, we have one or two major customers where we started work very early, and water as a segment has opened up. Much of our water business in that area and our specialization is a round UK with the strong regulatory frameworks which are there in the water business. There is under-penetration in many of the other European and American markets. But in these industries, what we have done is a number of solutions which have originally started as development for us but are now applications which we now do across the board. So, for example, work and assets management for utilities is something that we have been very strong in traditionally. We work for gas companies, we work for oil companies, and we work for power utility companies. Wherever there are pipelines, wherever there are assets, working asset management application has been an important one which has been delivered through us. The other area where we take a lot of pride in is IS utilities, which is again an SAP product from the SAP family. If you ask SAP of the six major IS utilities implementations around the world, three of them have been done by Wipro. So, that is an area of major strength for us and that is an area where we have a lot of expertise. We had made an acquisition in 2002, this is the global energy division of ANS Inc. We through that acquisition got about 100 odd consultants very specifically focused on products and services around the utility industry. One of the products that we had expertise on through that acquisition was a product called STL, which is now been bought by Oracle. Once again it is part now of the Oracle family but very focused on the power utility sector and we have a lot of experience in

implementing solutions around that. Large number of employees, this business is a little more Europe-centric than US-centric because utilities in Europe where we were related earlier. US is now coming into the market and we have got some very interesting new customers in the US in the last 12 months. So, currently the business is about 80% Europe and 20% US, we hope to be able to mine many of the US customers now to get a much larger share of the Energy and Utilities business.

Going forward, as I said one of the areas will be to cover North America, US, and Canada; Canada is also a very major segment for us. Oil and gas in Canada is a large market for us, as also power utility sector. In addition to what we have already covered, which is water utilities, gas, and power, we will be focusing on mining and energy trading. One of the new applications that we have recently worked on is an energy trading application and that has given us expertise. We drew upon some of the expertise that we had in our banking and financial services division within the securities group. The principle of energy trading is akin to securities trading and we have used a number of consultants from that group to come up with an application which has now won for one of our customers one of the awards in the energy utility IT conference. So, using that is we are spreading that to markets like Canada.

Retail, CPG, and distribution practice, this is really three different industry segments now. We started originally with retail, where we built expertise around grocery retailing, specialty retailing, and very recently pharmaceutical retailing. This is an industry vertical where all the work is done around industry-specific packages or point solutions. We started work in some of these areas in specialty retailing through work on specific packages as well as round up development.

In the consumer packaged goods industry, we have expertise around apparel and footwear and we have also recently started a group within our industry vertical on food and beverage CPG manufacturers. We think that food and beverage as a segment will grow because there is a lot of traction in that in the US and a number of those companies are now expanding, the food and beverage manufacturers are expanding to other parts of the world and that is giving us the opportunity to take what we developed for them in the US to other areas. We are getting good business, newer applications to be done in different new markets. Also, in this industry vertical, we made an acquisition; this is an acquisition of Enabler, which we did about nine months ago, a Portuguese based company which has very specific expertise around a product called Retek and once again this is a product which has been recently bought over by Oracle, so it is now part of the Oracle family of products. We have more than 300 people and through this acquisition we also have access to a development centers in Brazil where in a town called Curitiba, which is about an hour's flight from Sao Paulo, and we have about 70 people there all focus around Retek implementation expertise.

In terms of domain highlights, we are working in the global data synchronization area. That is again something which we have specific expertise on, not too many people have expertise around global data synchronization. We are working on point of sale applications. We are also working around RFID, and these are applications that we have started working and we have case studies for each of those applications. We are doing some very interesting work now around purchasing and pricing. We do not have permission to speak of the specific client, but this is a very large retailer for whom we have done pricing solution and that we see is applicable to a number of other places. We have taken those prototypes and demonstrated to other retail chains and everyone is very interested. So, we are in active dialogue with two-three large retail chains around pricing.

Going forward, our investments are going to be in multi-channel offering that is an area we think is going to come up as an extension of the work that we do in retail and we can get new work from the existing customer base. In digital supply chain, there is a lot of work which many of the retailers have started themselves, but they do not have a lot of IT expertise. We can fill in the IT expertise and here we are working collaboratively with our customers. So, we are working on projects where there are Wipro people and there are customers' people, and together jointly we are developing the solutions.

The other area to focus on for us is the analytics area. Recently, we have started hiring a number of statisticians. These are graduates from the Indian Statistical Institute and we are teaching them IT, but fundamentally these are people who have expertise around data warehousing and analytics, and we are using

them to work on different business models for the retail CPG sector including a lot of analytics around sales and marketing applications.

RFID, we have a concept store on our campus in Electronic City. Some of you are there in Electronic City, we will be happy to show you around. It is an application which we developed for a UK retailer about two or three years ago. We have refined that and now converted it into a point solution, which is available for other retailers. We now have a number of customers for RFID in different areas. The interesting thing about this is we have also taken this and done a cross vertical leverage. So we will be using the same RFID application developed for retail into manufacturing, particularly with manufacturers of CPG products.

Healthcare and life sciences, this is a new industry vertical which we started about two-and-half to three years ago. We had prior to that attempted to do it as an independent business, but then later got integrated under Enterprise Solutions division. We have built up steadily in this area and we have now more than a thousand people. The area that we are working here is healthcare application services. We are also doing a lot of system integration projects. We have one very large ODC, one of the very large engagements which we won last year was from this industry vertical, and we have now started developing new applications, again new solutions using a team of doctors and researchers who we now have on our payroll who are helping us develop applications which are based around clinical data management, disease management, lifecycle applications, and healthcare. We have been able to broaden the customer base. We started two and half years ago. We now have about 15 to 18 customers in that area and we see this as a high-growth vertical. We focus here apart from the healthcare segment, which is the payer provider segment, the pharma R&D segment. So, the pharma IT segment is part of the manufacturing area that we talked about where we use standardize IT applications including IS pharma, and here in the pharma R&D segment we have very specific solutions around the point solutions that I talked about.

Wipro Consulting Services, briefly mention about this. We are doing process consulting. We are also doing technology and quality consulting. May be Deb will cover that little bit in his area. But the important point to mention here is that we are using consulting as an enabler for our large deals. We are also using consulting to get us downstream projects. What we are trying to avoid is to get into the same area of strategy consulting which we consider the domain of the McKinseys. So, they do not see us as competition and the advantage we get out of a focus like this is that they may come into an organization besides the high level business strategy and then when there is an IT or a business-related IT project, the customer has the ability to choose from somebody who has been neutral. So, we found in many instances that the consultants whom we had placed in those areas have been able to not only use independent consulting projects but then also position us well enough that has led to IT projects downstream, six months, three-months, nine-months down the line we have been well positioned to take those projects. Again, out of the large wins that we had last year, which Lan alluded to, of the five two of them were directly driven by wins that we had earlier in the consultancy business.

So, overall in terms of summary, in the Enterprise Solutions business, the organic growth we are working through by transforming relationships and scaling the investment for the strategic accounts. We want to make deep penetration into individual customers, sell more service lines, and obviously focus in multiple geographies and focus very actively on BPO services. Inorganic growth as I mentioned is going to remain a very key component of our strategy, so we will continue to focus on inorganic growth basically to build domain capability, like I talked to you about the inorganic growth which led us to become experts in the energy area few years ago or the Retek application experts as we have and therefore a new positioning in the retail area. So, similarly in different industry verticals we are going to use acquisition as a way to increase our domain competence, and also we are going to continue to do our alliance with product vendors like the SAPs and the Oracle s of the world, alliance with major IT vendors; some of our IT vendors are both our competitors as well as our alliance partners, and we will continue to focus on them so that we have partnership to be able to enter into customer segments plus we will do the entry through some of the non traditional methods, so we have started working with the JV partners of key customers, we have started working in terms of in two instances we have been able to buy out existing contracts and convert them into our customers. We will have our focus on large deals. So, overall, Enterprise Solutions is today a \$1.1 billion business and will hopefully continue to show growth in the years to come.

Rajesh Ramaiah

Thanks Sudip, I will now invite Pratik to talk about people management.

Pratik Kumar

Good afternoon. My brief presentation will touch on some of our initiatives, the people led initiatives to manage the challenges of growth and scalability which my earlier speakers have touched on. I would have had the opportunity to discuss with quite few of you individually, but we saw that good occasion to summarize some of the initiatives which we have been working on some of the progress which we have made, and as well as some of the challenges which we continue to face as we go through the process of building an engine which is scalable and robust.

For the numbers here you would be familiar of. It has been a story of growth, we have been consistently been adding on to our people head count as of December end we were about 66,100 employees which is combination of Global IT services manpower as well as our BPO head count. We have over the last 8 quarters been focusing a lot on being present in the campuses and hiring from there and we continue to make sure that the number and the percentage, the ratio of people whom we continue to hire from campuses we increase it. In addition, I guess the change from the previous years at least over the last 2 quarters to 3 quarters we have started making our presence felt in many of the international campuses. It is still a small and a slow start, but we think as we move forward that is the number which will begin to change in numbers than what we would have experienced in the past, so it is a fairly diverse pool today and there is a split of the number we have; geographically, we have about 11,000 people who are based onsite, almost about 5500 would be in the United States alone, the rest of them spread across the Europe and in Japan, and as we continue to build that diverse talent pool, people who come from various nationalities into the fold of Wipro that also begins to look and appear more widespread.

So behind this entire, the engine while we continue to add people quarter after quarter, begin to bring them in, it needs a very strong scalable and a robust recruiting engine, and I think we were fortunate in investing in this area early enough. We have a very strong data base which we continue to populate on an ongoing basis. We have systems and the back end engine to be able to filter it, qualify those resumes and put them in the funnel which our sourcing team can take it to our hiring managers across the globe. So at any given point in time we would have about 600,000 plus it looks big and it can easily be classified between those which are under active consideration and those which are just lying there and at the right time when the opportunity comes we can always dig into it.

We have our own in house automated hiring tool which is called Synergy, but to help you understand in very simple terms, the entire hiring process of the organization right from the time any person interested in Wipro whether it is supplier, or a vendor, or a candidate needs to get into this automated tool and then the entire process is governed and is managed and regulated through this automated tool. The reason I am mentioning it because had it not been for this tool in house, I do not think we would have been able to walk through this journey of building and adding people on an ongoing basis.

On the sourcing side, the key sources the bulk of it continues to be people who reach out to us directly and I think it is a good sign, it is a sign of just a power of the equity which we enjoy which leads to lot of people reaching out to us directly, and over a last of couple of years we have seen people who come through our career site as well as the various job sites those numbers also going up which are mentioned here. So we get to hear a lot about this on this particular theme, what is the talent pool availability, and I think everything has an opinion on what is the size of the pie and that is how the numbers here we would be all too familiar with so I will not spend too much of time in terms of the NASSCOM report and the reported shortage, but I think the interesting thing in this particular slide is that if you look at the number of higher education institutes in the country and it is the graph here talks about, we have about 18,000 of them having about 10.5 million students coming out, the interesting thing to note there is the engineering population is not more than about 7% right, so if you see in the slide, the arts, commerce, and science that comprise as much as about 84%, and as most of us know that there has been a huge engineering bias in the recruiting engine of most of the companies, most of them, and for that matter bulk of the IT industry. So the question which is therefore asked as a n organization and I guess as a poser for the

rest of the industry as well, can we continue to overlook this large pie which comprise of almost about 80 to 84%, and is there a very strong logic basis to be so biased on the engineering talent pool? So this is something which we have been internally debating on now for almost over the decade and which lead us to experiment with the alternate talent pool and I will touch on in my subsequent slide as well.

WASE is our own in house program today, I think it is pretty well known by the name of the program is which is Wipro Academy of Software Excellence, this is a program where we hire fresh B.Sc. graduates, we put them on a program, it has got a tie up with BITS Pilani, one of the leading engineering school, this is a 4 year program, and at the end of it they get a degree, masters in software engineering degree, extremely popular, and our experience with this program has been extremely satisfying, and I can assure you the moment these people come out of the program they get completely absorbed and there is a huge demand internally for these resources coming in. And over the period of time we have tried this scaling up this number, today we would have close to about 2800 people who have come out or would have come out of the program or undergoing the program right now and we think next year we should be able to add on to this base talent pool which is primarily people with science background by additional about 3500 to 4000 people, so that is the opportunity we have and we think we have a model where we could scale it up and reason for it is because we have invested in this area over the last 10 years and it is an extremely, extremely successful model, which to my knowledge lot of our industry players are also evaluating as a part of their alternate talent pool strategy.

Some of the other sources, we do realize that our dependency on campus would continue to be there. We will continue to invest in that area. The problem there is about how soon can we make the talent deployable, and there are multiple initiatives, how can we train them early, how can we reach out to them in the last semesters were they are still in the college, they have got placed, they have given their exam, and perhaps utilize that time to invest in the learning process, so that you are able to shave off couple of weeks when they land up, and we have already experimented with it, our 12-week training program we have been able to shave off to another 2 weeks of it so in 10 weeks time simply because we have been able to reach out to those students while they are still in the colleges.

The other one is around faculty development program, which is FDP here, and I think that is a big issue. We do realize given the largeness of and the number of engineering colleges the issue there, when we talk about quality is the lack of teaching faculty or rather the quality of teaching faculty there, and we do think that we have a role to play there as amongst the leading IT companies, and I think it requires a collaborative approach us along with some of our industry peers under the industry banner NASSCOM and working along with AICTE and others, that is making progress, but it is little slow at this point in time, but on our own we have reached out and we have been trying to bring in our fold above 60 to 70 colleges and their faculty and be able to impart some of our own learning and try and see how we can enhance that process.

I did mention about the campus hiring spread across geographies, it is still limited in number, but I think that the experience is extremely rich for us to give us an opportunity to grow through the learning phase and increase that in the future years. And as we begin to grow into that number the opportunity which we would have would be through some of our global development centers which in our view would largely be managed and would have employees who would be drawn from the local geographies. We have shared this numbers so it is not something which you would not be aware of, but very quickly touching on 2006-2007 so far, we have added about 9000 laterals hires and about 6500 people who have come through engineering plus non-engineering campuses, and the lower box there is something which we have been sharing with you about the progress we have made on this count, 0 to 3 years which gives us lot of operating levers and the cost advantages. In March of 2004-2005 we were at 36.5% to 37% and what we reported end of Q3 2006-2007 we have been able to take it to 46% and we believe that we have head space to take it further by at least another about 7 to 8 percentage points.

This is just one simple slide where I have tried summarizing some of the enablers which help in our process of growth as well as scalability and it has got multiple pieces to it and I will just quickly touch on. Adding on those many people and you can understand the kind of challenge it has in being able to handle whole lot of issues right from on boarding to be able to handle the day to day transactions, our in house shared services organization, we

call it by name Vividus, it is an initiative which is almost about 5 years old. It handles all our HR transactions as well as the finance transactions, and just to give you an idea in a year it would typically handle upwards of about a million transaction, HR transactions alone, and on an ongoing on a daily basis, it would be of course about 1200 to 1500 transaction which will get handled by the shared services organization. A). It allows us to scale, B). It just squeezes out the bandwidth of the functional professionals to be able to engage with the businesses and look at some of the business issues. The other one is about efficiency in recruitment and I did touch on the Synergy tool and something else which we have done is that we have also taken whole lot of recruitment transactions as a part of the shared services, so if the recruitment process outsourcing if you have to just understand what we have been able to achieve, so think about it, when we have to bring in about 15,000 people every year and number of resumes which have to be sifted through, logistics of organizing those interviews, making sure this offers go out, and being able to make sure that their acceptance documentation is checked, the entire thing is now put on an assembly line as the part of the recruitment process outsourcing, which is again part of our shared services organization.

Our employee portal which is called Channel W, it hosts 98 applications and virtually anything which can touch employee as a part of being member of Wipro organization, it is all hosted there as part of channel W and our entire life spins around that particular employee portal and everything moves through that, and I am sure my colleague Deb will be touching on some of our other efficiency initiatives and much of it has come through some of our Lean and Six Sigma projects where we have been early adapters to it and it has touched every part of the organizations not nearly the customer facing or the delivery organization but also all the functional groups and we have applied it and applied it for facility which has given us the opportunity to just continue to grow.

My next few slides are about the other dimension of growth is you have bring in the freshers and the rookies, you have a way of getting them in, you also need the layer which is so important and how do you actually go about training your managers and that is always the challenge, they are not available outside, so you have to depend internally to groom them, to make sure that they are there to manage this huge army of people we continue to recruit on an ongoing basis. Very briefly, I will just touch on it, I mean what has allowed us to shape, what has allowed us to groom, and there is lot which goes behind so I am trying to summarize it in just about 1 or 2 slides here. We do challenge our employees by giving them early breaks, early opportunities. We look at their track record, we look at what they have demonstrated by way of performance, we look at their competencies, and if there is an challenging opportunity we go ahead and we give them that big break, more often than not they have delivered and we do not lower the bar for them and that has been our experience and that is one very critical way how we have been able to grow so many of our internal leaders.

We have very strong feedback mechanisms which on an ongoing basis and I think it is the best way and in an adult learning environment you create as many of these feedback mechanisms on an ongoing basis all of us know where we stand vis-à-vis our team members, vis-à-vis the rest of the peer group and the rest of the organization. Training and I have a slide later on I will touch on that, we do move around quite a few people and we encourage that for people to go out of their own area of specialization and experience other functions, and I mean I can see it in this room alone in the leadership team, people who would have played fairly diverse roles from what they are currently engaged and that is one process which by design we make sure that our leaders go through that path. Wings Within our internal job markets, so every job which you get to see here externally is also advertised internally and people if they would like to go for it they apply and if they get selected they move on. The existing manager has very little say in the entire process. And of course succession planning, succession planning it is a very strong process in the organization, it not only allows us to plan well the careers of the individuals but also it is a very strong risk mitigation strategy and for all the critical jobs in the organizations, two layers below Mr. Premji we would be doing it, we would be drilling down, and we would be making sure and having a view of who are those people in case that opportunity comes out would be ready to step in, and therefore some of the results of there over 20+ people who are business leaders and functional leaders over 75 Vice Presidents and I would say that almost bulk of them would be groomed through a similar process all of us would have touched through each of these processes is very much by design.

We have over 5000 managers who would have what Wipro tenured more than 5 years in Wipro and another about 600 managers 10 to 25 years in Wipro alone, which I think in context of any other industry it may not look

as you know what is new about this, but given the context of this industry we think it just is a very strong story for whole lot of youngsters who come into to look at these role models and think that they could invest in their own future in this organization. As we have gone along some of these external recognitions have come our way, very recently we have won this Dale Carnegie Leadership Award for the work which we have done in the area of people development and training.

Couple of other nuggets of information which may be of interest to you. Almost about 5% of the billable time is of employees they spent on training, so that translates to about 12 working days which people do spend in training. We have about 102 full time faculty and very qualified, many of them are doctorates and with masters qualification. We have invested in our E learning modules, given the distributed model and dispersed teams we have across the globe and that is something which through our own learning management system we have been able to reach out and scale. Lot of focus over the last about 1 year in overseas training, so we have not invested in merely building a training infrastructure overseas which is one way of doing it, but we have a team of shall I say roaming trainers who move around and always on the move and wherever we have you know base of employees they go there, whether it is weekends, week days, and we have been able to touch our employees irrespective where which part of the globe they are in.

This is my last slide, some of the initiatives we have tried capturing here, some of it like strategic leadership programs, our lifecycle leadership programs are well known in Wipro and that is something which is part of our training effort. Couple of things which we have done more recently with a clear view of building some of those cadres and teams in the organization is something which I would like to touch on. Program management you know you heard my colleagues Sudip as well as Suresh Vaswani talking about some of our initiatives in building capabilities, nature of work which we are engaged in, it requires a different dimension of program management capability, it can be there in few individuals but it can be quite inconsistent if you just leave it to the choice of individuals, and we have realized as we begin to engage in some of those large deals, some of those complex engagements, you would need to have that program management capability which otherwise is very often seemed to be lacking in many organizations, so we have tied up with Stanford and we just had the graduation very recently and about 100 of them who came out, it is almost 9 to 10 months program, and the entry into that program is something which the university decides and they go through a fairly rigorous process of certification and people who come out of it are the ones who would have gone through the drives of passage of those tests and those inputs, and we think just by going by their experience on what they share that they are seeing a difference when they are in some of those situation and being able to apply those learning.

We have initiated the Wipro sale schools and we have orchestration of a program where most of our sales folks when we hire or we send from here or locally go through those models of training depending on their nature of the role and the kind of scales which we would like them to demonstrate. PM Academy, is again is to strengthen our project manager's capability and that ladder in the organization, again it goes back to how we continue to build on our fairly strong delivery engine and make sure that we apply the adequate filters, so we have this program where it has about 24 modules just on the behavioral side which people need to go through and similarly we have on the functional side. So people who don't clear the modules of the PM Academy they lose their right to continue as project managers in the organization. So it is an organization wide movement, it is an organization wide initiative, when we first launched it, it went through the initial skepticism but they realized this is something which is necessary to be done and all of them are going through it, and then something which Sudip talked about, about the consulting part of the organization, we have been able to tie up with institutes overseas and the similar certification processes are there. I think the whole thing is about we will continue to invest in training. We will continue to invest in the growth. We would like to see that initiative coming from individuals and we would have those evaluation mechanisms well in place and those certification, so that there is an interest in both ends maintained. So with that I would like to close. The idea was just to give you a quick glimpse of some of our initiatives and you know some of the challenges which we are handling in our phase of growth. I think later when we have our Q&A we would be more than happy to take your questions. Thank you.

Rajesh Ramaiah

Thanks Pratik. We will have a tea break now; we will convene back at around 4 o'clock. I would like to introduce Suresh Senapaty who has joined us just now and T.K. Kurien who is also heading our BPO business. Senapaty is our CFO. T.K. Kurien is just outside, you can interact with him. And Manish Dugar is our CFO for the BPO business, so you can interact during the tea break and we will be coming in at 4 o'clock. Tea is served outside and please join us.

Sambuddha Deb

Am I audible to the folks right at the back, can you hear me? Alright, good afternoon and welcome back. I have been set up for this thing, you know like after this break I don't know how many of you are really going to focus on what I am going to say but I have a grouse against Rajesh, he just put me after the break. Well, you know what I am going to go through is some sort of what we have been doing in quality and how we have differentiated ourselves from the others and what benefits it has given us and our customers.

Lets start with the first thing that we want to talk about, you know the way we look at quality is that how does the customer look at quality. Anything that you buy or any person buys, the person is really looking at three things; as few defects as possible, preferably 0, a certain timeframe in which the stuff should be delivered, and what is the cost or you can say what is the productivity with which the supplier produces it. So, primarily there are three basic things you know defect rate, timeliness of delivery, and productivity. So, this is what any customer for anything, any purchase, not necessarily software, any purchase, whether it is a coat, whether it is a car, whether it is a house, or whether it is software looks at, so why should we have any other measure, so overtime we actually have focused the measure to say lets measure the quality the way the customer sees it, and the customer pays for all these three things together. Now I am going to spend quite a lot of time on this particular slide and the point that I am trying to make is we have been able to you know move the quality meter down over the last 11 years year after year and there is a reason for doing that. What we found was that as you reduce the number of defects you actually got quantum jumps in productivity because you took out rework. The main way what happens if you have poor quality during the process, either during manufacture, during the process of producing software, or after you ship it to the client, you land up redoing the pieces that don't work. And who pays for it? The client doesn't. No client ever pays for defect. So, what happens typically is that you land up paying for it, and if you can take that out you can see a big productivity jump, and that is what you need to see if you see we have a huge you know defect drop here, the equivalent jump is here, and similarly you can see equivalent time jumps also happening, so wherever we have been able to manage to improve the defect rate it has also improved productivity, it has also improved timeliness for the simple reason that you took out rework. And it is critical because if you know the software industry I mean you know Pratik was talking about this, there are two challenges that we face; one is that this industry and all of keep asking us questions about this, has a huge wage inflation pressure built in, means year after year the salaries just keep rising, and we are in the business of what, we are in the business of selling time, but you know people's effort, that is what converts to software. So if you look at it you have got a huge cost pressure which is building up year on year on the wage hike that you have to give to your people, and the only way you can compensate for that is to improve productivity year on year.

So, till now we have been able to do a good job. So Y-on-Y you have a jump in or improvement in productivity, which is to a large extent compensating for the wage hikes, and this we have been able to do in spite of the average age of our people dropping, in the sense earlier sort of experience profile that we had was much higher than the sort of experience profile we are using to produce the output today. So effectively what we have been able to do is to use lower skill labor to produce more output. And if you look at it, this translates into things like this. You know this is classical, if you take the top bar what happens in a normal thing is that development cost and the maintenance cost is almost equal and schedule over run costs are you know because of lost business opportunities, you know the delays in software that is produced. When you do a process like what we are running, we reduce the rework effort, and if you see we found the errors much earlier and we have very little schedule overrun because the number of defects that we are delivering is much lower, you have lower maintenance cost. Effectively, when you see the overall cost, while the development cost may not have gone down by so much the total cost of ownership goes on by almost 30%, and this is what is attractive to the client.

So if you see clients who have stuck to us over time most of them have felt that benefit that overtime their overall cost of software is much lower.

How did we do it? We did through a series of quality certifications and various quality standards. In fact we invest almost ahead of the curve trying to figure out where do we get the next quality initiative from to get productivity up, and that has been our philosophy, and we have been doing that very very consistently. We were one of the first few companies to adopt Six-Sigma in India, about 10 years back, and it really kicked into software about 6 years back, so if you look at it the intensity of 6-Sigma deployment in software development in Wipro is much higher than anybody else. Similarly about 2 years back we started applying LEAN or Toyota production systems to software, and as far as I know no one really has done that seriously, and the number of projects that we have done which actually apply Toyota production systems to software is also a pretty large number, so what we have been doing every 2 or 3 years we used to launch a huge quality initiative which has been moving the meter on that direction or compensating for as I said you know younger people coming into the systems.

Over time if you see there are some 15,000 people who have worked in 6-Sigma, that is something like 240 black belts, there are about 10 master black belts, 700 PMI certified consultants you know the project managers, we encouraged them to go through project management institute certifications and this is a our part of the PM Academy program that we run. We have applied LEAN techniques to software, if you look at it the number of people who are using agile methods in Wipro that is one of the largest in India, so if you look at it consistently there is a desire to do the things better, and the reason for that as I said is the productivity. Now these are something which we have done differently, you know most lot of people have applied 6-Sigma to software or to the processes which support software development, but very few people have actually built it into the heart of the software development cycle. If you look at it this is a classical software development cycle, you start from requirements, you go on to design, you go on to low level design, testing, finally system testing and release, and what happens is as you go down this path you find that defects which were build into the earlier stages and defects which have not trapped in the earlier stages actually come back to be very expensive when they are down stream, because you really have to undo a lot of things and this whole focus that Wipro has on the putting 6-Sigma in here is to prevent defects from coming down stream. In fact if I go back to my first slide for a moment this huge jump that we have got was primarily application of 6-Sigma, you know from 0.37 when we went down to 0.15. Just to give you an example of how we have applied it for our customers, typically in testing if you normally try to do normal testing this would have taken something like 548 test scenarios. Using some of the 6-Sigma methods we could do it in 236. The idea is that you can continue cut down testing time by almost half without compromising on the coverage of testing, and as you know normally testing takes about 30% of the time in the whole development cycle. So this allows you to continuously improve the productivity without losing quality, this is about 50% savings here. This is application of LEAN, the reason for application of LEAN was that almost everyone was CMMI, all my competitors are certified, lot of my competitors have got into 6-Sigma, so that is where somewhere we got into using LEAN or Toyota production systems in software, and main focus was on cycle time and support. How do I crunch the cycle time and how do I deliver software faster and faster to the client? We have done more than 500 projects till date and the interesting thing was Harvard Business School found it interesting enough to convert this into a case study, application of LEAN in software is a case study in Howard, being taught from November onwards for the whole MBA course and they went all over the world trying to see whether anyone else has a comparative thing, and they came back to us and said nobody else has reached there yet, so we are ahead of the curve by I think about a year and a half to 2 years and we need to continue to be ahead of the curve by developing further. So this is an example of how this can be used in increasing our operational excellence. If look at it this project was projecting that it will have a 14% overrun in April, by June it came to an 8% under run, a 22% of projected effort overrun.

I don't think I will go into these details, because the diagrams you see there are the efforts of how it was done, but the interesting thing was you know from overrun it went to under-run and that also in a span of 60 to 90 days, and that is not a small thing to do. So basically, the point that we are making is that in general we have been setting sort of standards in you know taking in different quality initiatives on the software to continuously improve productivity and then the question comes then what next. We have seen a huge bank of things that has happened over time. What next is something that we call the Wipro Way and I will come to that a little later, first is all those numbers are my internal numbers, what does the client say? So what we do is we go to the client

every year and we ask them for our customer satisfaction rating on a scale of 5 and the last average is around 4.18, and as you will see how the numbers look like 3.85, 4.27, 4.31, 4.1, 4.18, 4.18. What we did was in 2003 when the score became 4.31 out of 5 we went to Gallop and said can you redesign the questionnaire, this is too good to be true, and the moment we did that it came down to 4.1, and it has again started driving, so somewhere this year or next year we will again go out, but the idea is not just to get a good score but the idea is to get the right score. What happens in our business is every 2 or 3 years, the business changes so much that the questionnaire that you use may become invalid, so it is a continuous process that we have to go through. But the more interesting thing is the score on the right, what is called a loyalty score. We have a loaded question there, would you choose Wipro on a scale of 1 to 5 and would you choose competition on a scale of 1 to 5, not Wipro over competition because lot of our clients have by definition two partners they deal with, and we look at those scores and the score has been consistently we are 1 point ahead on a 5 point scale across for the last 3 years, so whoever are our clients actually prefer us by an order of magnitude almost of 1 point out of 5 that comes every year.

Coming to what we want to do actually we have become a little more ambitious, we want to create something called the Wipro Way of doing things, and we feel that that will sustain on four pillars. The first pillar is customer centricity. Can we make the whole organization focused towards customer only and look at it from that side? So you need to have unified solutions, you look at the total solution for a customer. We have great relationship management and more than important than anything you try to partner for success, you partner for success that you take responsibility to some extent for the customer success rather than just delivering the contract. The second part is, can I have process excellence continuing that this keep the delivering engine running harder and harder and harder, new things like knowledge management LEAN, 6-Sigma to develop and also to ensure that the process is vibrant and have an experimenting culture that is build in, means people should be wanting to improve the process automatically year on year. Third is people mix, people management, have the right scale mix, good retention, good morale, and a structured way of handling this huge mass of people that we have. And lastly, we want our people to look at two thing, you know every individual Wipro wants to recruit should have customer focus, the desire to experiment, and the desire to upgrade their own skills. So, overtime these four you know basic pillars will actually give us what would generate something like an unique way of doing things, which should give us the competitive advantage for time to come. Thank you.

Rajesh Ramaiah

Thanks Deb. We will now have Kurien to talk about the BPO business.

T.K. Kurien

Good afternoon everybody. Normally, the BPO business is the laggard, so I will just kind of give you a sense of the business, I will talk to you little about the market the way it is going, what we are doing in the market, and we will talk a little bit about our competitive landscape the way we see and the way it is evolving, and I will also talk a little bit about some of the successes that we have had over the past year. After that we have a question and answer session, so happy to answer questions at that stage.

So, if you look at the BPO market today, this chart on the left hand side kind of indicates the market, the offshorable market in terms of billions of dollars, this is the McKinsey-NASSCOM report. This is only the offshorable market that relates to India. So if you look at the market itself you would notice that some of the high growth areas are primarily in the horizontal segments as well as in the banking and financial services area. There are small areas like for example manufacturing, telecom, which are there, but fundamentally we believe that the major growth in this segment is going to come from horizontal services, banking and financial services, telecom, and also any industry that is out there that is under threat, which is if you look at airlines we believe again there is a huge opportunity because those guys are always under cost pressure. So wherever there is cost pressure, wherever there is process efficiency that people are looking at that is typically the place where we come into play. So trends on the right hand side are primarily some of our estimates, some of the estimates that different analysts have given, but if you notice what is happening I think one of the biggest changes that we see in the market is that end-to-end and transformational and platform based services are expected to constitute

close to about 60% of the total pie, up from 29%, this is the major shift that is going to happen in the market over the next couple of years.

The second component that you would see is that customers are demanding the follow-the-sun approach, which is that your process in India only solution is never going to work on a going forward basis. People are going to look at India's one solution for some part of US and Europe but not entirely, you need to have something in the European time zone that can address European issues, and you need to have something in the America time zone that can address America issues, and ultimately you know as the sun moves you may have something in the Far East too that will address your requirements.

The F&A market, huge opportunity area, this is a market where if you had looked at the Gartner projections may be 3 to 4 years ago it would probably have been a blip. In the past couple of years we are seeing significant change in this market. Last year to this year the projection has been increased by 100% and we see probably to the market for us not total addressable market not just the offshore market would probably be in the region of about \$20 billion, which includes onsite as well as offshore, that is a pretty significant piece of the market. Outcome based pricing, and this is another key issue which is coming up. The old FTE model where we could deploy bodies in India, you know for every body which is deployed in India you get a certain amount of billing, we believe it is kind of going away. Customers are coming in and saying you know tell us how can you show us value, are you willing to put your money where your mouth is and can you work on outcome based pricing, so to that extent for us as a business it means two things, #1, we have to have standard replicable kind of processes, and #2 you must have past history and data to figure out what kind of pricing can you give based upon the process that you are taking over, so this is broadly what is happening in terms of trend.

The market is very, very sharply consolidating into four clear segments according to us. Global providers, is the biggest piece who go after bespoke solutions. #2, would be the industry platform players, who combine both platform as well as outsourcing capabilities. Offshore shops, there are whole bunch of shops offshore shops out there, everybody adding bodies to work out of either India, China, Mexico, wherever, and last of all is boutique players. We believe in this entire game the guys who are going to survive long term are going to be the one and two, the truly global providers who have got business transformational capability and the industry platform players. The boutique shops will always be there, but that is the segment that you can never hope to get dominance in, so that is the segment that you may choose not to play in. So net-net at the end of the day, the BPO growth will be driven increasingly by the need for process efficiency and reengineering capability, and I think the last piece that we talked about which is the transaction based pricing model will become a reality on a going forward basis. So that's broadly the lay of the land that we see it for the next couple of years.

So what are the strategic implications for us on this? What are the strategic implications the way we see today and I will also talk a little bit about what we have done in this space till now? So if you look at go to market, in a scenario where people are looking for transformation, you cannot achieve transformation without a high degree of domain competency. The days of the platform BPO providers sitting out of India just providing process capabilities gone because today by coming into India itself the table stakes are that we would get cost reduction of some sort, so if you land in Mumbai airport, it is assured that you will get X-percentage cost benefit, X may vary by 5% up or down but fundamentally that is there already, that is the reality that you get. The value for a customer comes in by assuming his business a problem, by solving his business problem, which means that domain competence, domain solution are a critical component, so that is the piece that we are working on. So, if you look what we have done over the past 2 years, one of the big steps that we have taken is that we have disbanded the Wipro BPO sales force and we have integrated our sales force with Wipro Technologies, so today what happens is the Wipro Technologies' sales force, folks who understand the domain space and the customer well enough, they go after that customer segments and they open the doors. The BPO guys act as support more in terms of process reengineering, they really provide the process reengineering and process capabilities after the industry solution has been kind of defined, so that is the way we are going after the market. One of the big measure that we have been tracking in this space is how many repeatable solutions are we selling into the customer base, because all this is great, but if every customer if we have to go and sell one solution for every customer ultimately what happens is you again end up being a bespoke provider, you really haven't achieved standardization on the front end, so one of the big things that we are working on right now is how do we kind of

standardize and productize our services that we sell into the customer base. So that is the second piece, the product approach to industry solutions. Again what we believe is that the BPO industry typically has suffered from being everything to everyone, I mean today you have companies that are specialist in airline, we have companies that are specialist in telecom, they do everything to everyone, you know everybody has got little bit of everything, and that is the business that again we believe will not sustain over a period of time, you have to have depth and scale, and for which you necessarily have to pick up a few areas that you are going to play in and play extremely hard in those areas. So one of the things that we have done is that we have chosen nine process areas and to those of you who are in the question and answer session asked me what those nine process areas, I am sorry I cannot give you those answers, but basically we have chosen nine process areas and we are building depth and competence around that, and that is where we are building repeatable solutions that we can sell into the customer base.

SLA linkage to the final output, a big move away from FTE based numbers to outcome-based events. We have started this over the past one year, roughly about 25% of our total revenues comes from this particular area, but that's the big change that has taken place over the past 18 to 24 months. We have fundamentally gone after outcome-based pricing. The great thing about outcome-based pricing is that you make a hell of lot of mistakes in the beginning and you learn from it, so the net result is that while you may go through a curve where you have you know a small blip in the beginning you see a higher blip as you go through the cycle of learning.

Globalization of delivery, Romania is the first global site. Our steps towards globalization today if I have to drop a report card would be you know on that piece we are still taking just baby steps, because we believe that once you have a work force it is not just kind of employing 200 people in Romania, it is about managing the culture of those guys who are working there, managing the way and teaching them the way you work, which is we think the most important part of it. So it means having common work practices that are global not just which are Indian, and that I think is the biggest change that we have to make and we have a long way to go as far as that is concerned. We would have one more site by March 2008 in the US zone, so that is broadly our sense of where we are going in terms of our geographical spread.

So, really at the end of the day what we are looking at is we are servicing the value chain that is really what we are going after, and we are going after that with integrated solutions which include BPO sub-component of the integrated solution. The solution includes both IT, BPO, consulting, and the whole piece. So, it is a business solution to a customer that we are driving towards, which is really being driven by Wipro Technologies verticals.

This is the financial snapshot, good story till now, but still a long way to go in terms of what we have to do. So over the past year what we have done is we have focused very single-mindedly on kind of improving our profitability, that has really been our focus. So, we have done two things, #1, is that we have chosen the areas that we want to play in, we have exited processes that we believe don't have scalability over a longer period of time, and more importantly what has happened is that we have been able to keep our cost increases be it by way of compensation or any other cost increase that has happened just because we happen to operate out of this space under control over the past couple of years. So we have done a fairly good job on the cost side. On the revenue side, we have changed our mix that increased our average realization; I think that has been the real push for us. As you can see operating margin has shown a very, very sharp increase over the past couple of quarters. If you look at our pipeline today, our pipeline indicates our future growth is primarily coming from what we call a more end-to-end non processes that don't have the mix of voice that we have had in the past, that is really what we are looking at. So between last year and this year, our margins have gone up by close to about 200%. The challenge going forward for us is how do we get the revenue growth up, I think that is what we are all working on. I think the profitability piece of it right now is fairly kind of steady, so we have already guided as to what percentage we are going to remain, the band that we have got to remain with it and we are pretty confident we will remain within that band.

So, the last piece before I wrap up is all about the success that we have had in the past. If you look at the areas that we talked about, we talked about banking and financial services. The kind of work that we have done vis-à-vis we are doing over the past couple of years I mentioned earlier has changed significantly, so just to give you an example, we have worked with a couple of large investment banks to do settlements out of India. We run

close to about this year we will run settlements close to about \$15 billion out of India, which is something that not many companies have done in this space because settlement by itself has been a core area, but we believe settlements are again a huge area of opportunity.

Reconciliation is another area that we have gone after. So we have created a reconciliation hub and today we do it, I cannot give you the exact number because I don't have it, we do a significant amount of reconciliations between counter parties both for banks in the US as well as investment banks across the world, that is something that we do in the banking and financial space that's been a win that we have had last year.

In finance and accounts, we have had several wins especially with the telecom providers, with a very large manufacturing, one of the Fortune 25 company to do finance and accounts for them, and this is again we are sole providers for them, and we won this deal primarily because we were able to kind of integrate our IT and BPO offering in front of the customer and actually produce a value proposition that it is able to give the customer a benefit over a 5 year period. So we have actually committed cost reductions for them on a forward basis. Similarly, we have won several deals from telecom companies, today if you look at telecom companies; we do everything from activation to billing to inventory reconciliation, to CPU reconciliation, to fault management, almost everything that a Telco does today is done by us in Wipro. Again the other areas where we have had significant success has been in airlines where traditionally we were looking at customer care. We have moved out of customer care very, very significantly and now we do things like you know fright management for customers. We even do pretty esoteric stuff like load balancing for aircrafts out of India. So that just gives you a sense of the kind of work that we have been kind of doing over the past year and a half year to two years. For us the biggest success has been the fact that we have been able to integrate our front end as we have been able to rationalize the processes in the back, and that I think in a nutshell has been the success of what we have achieved over the past year. Thank you.

Rajesh Ramaiah

Thanks Kurien. We will have Sudip Nandy talk about how we have been doing in our M&A and he is also our Chief Strategy Officer, so in terms of what strategies we are devising going forward. It is not a presentation, it will be more extempore.

Sudip Nandy

Hi, I will just take you about 10 minutes to give some update on our strategy and what we are doing on M&A because there were lots of questions on M&A during the break and also right through NASSCOM there were many questions on what we are going to do because after the mega deal that have happened in the industry not in the IT but overall everyone is very inquisitive to know what is happening on the M&A front. But before I do that let me take a few minutes and talk about the approach and some essential differences that we have in Wipro as to how we have approached this from the classical point of view. So there are three major differences that we have had in our approach from the classical view; #1, is that we have brought in very tight integration between strategy and M&A. It is desirable but often it is not there, and I will elaborate later as to how we have brought in that very tight integration between strategy and M&A.

The second you know very often a question is asked to people what is your M&A team size, so is there a bandwidth limitation of how many M&A's you can do? We have got what we call a federated model of M&A, and I will elaborate on that model also which gives us a very large capacity to do an M&A around multiple deals simultaneously and so on. The third major difference that we have been able to at least partially succeed in is to convert the whole concept of doing an M&A from a project, each M&A being a project to our entire process. So there are three major differences.

The first point, the linkage between strategy and M&A we have done by you know in Sudip Banerjee's presentation you have heard about the verticals and sub verticals, so each sub vertical does a strategic planning exercise for a 3-year horizon and for a 5-year horizon, and in that they identify what is their vision at the end of 3 years, and to achieve that vision and we justify that vision by means of what the environment is like, what

customer mind behavior is like, by what the technology trends, regulatory environment is like and so on and they arrive at a vision, and to arrive at that vision what is that they will invest in and organically grow and what is impossible to grow organically either because they don't have the talent in that particular field or there is a short time window or whatever reason. So in the process we get a whole lot of request from all the sub verticals and enterprise alone has about 14 sub verticals as you heard of demands of where we can do M&A. Now this in turn when you combine with the requirements for the service line like Vaswani handles of BPO or financial solutions is a whole lot of request, so one of the jobs we have is to be able to prioritize as to where we see more immediate returns, where we see bigger bang for the buck, where should we put more effort, which in our opinion vertical or sub vertical is more ready to be on more mature to be able to accept an acquisition and integrate it well, so that is the kind of listing we do at the beginning of the year and we keep reviewing and revisiting that with our Chairman, our CFO and so on, on a fortnightly basis that okay this is our priority, this is how will go and it is same or changed. The result of that is that there is a close relationship between strategy and M&A, and the unit wanting to do an M&A also prepares itself by restructuring itself, by having dedicated resources to look at opportunities, by having people from the different functions who think about how to integrate the different aspects of the acquired company, how to extract the maximum synergy from the acquired company and so on, so that brings about a very close linkage between strategy and M&A.

The second one was about the federated model of M&A. Now in doing this strategic exercise and thereby coming to the M&A what we have done is it is not just a core team of 5 or 6 people in the corporate office who very often feel are not in touch with the reality, ivory tower etc., it is not that. So it is all closely linked to strategy of the each business unit and each business unit as you heard dedicate their own people to do this research, to do the fact finding about companies and interfacing, so if you look at the team it is a variable team, sometimes the team could be as many as 15 people, sometime it will be 35 people, and this enables us to do multiple research, multiple negotiations, multiple due diligence at the same point of time and sort of you can get a much larger capacity than what you otherwise would get with the small team of 8 to 10 people to be able to evaluate, to be able to negotiate, to be able to integrate, and consummate deals. So this is what we call the federated model that we have created with for strategy and for M&A. It is not just limited to the sub verticals that we have but it also includes the service lines. It also includes the geographies that we have in the company, they also play a critical role in terms of if we are doing an acquisition in retail in Portugal like we have done what would be the geographical go to market structure, would it be the same go to market we have, if we do that then good we get the same price realization or would the rates drop to this average rate we have, because one of the reasons we are acquiring a consulting entity is to be able to go up from \$50, \$60, to \$70 an hour to \$ 100 an hour, will it compromised that, so all of this is a collaborative effort and we do that. So this is the federated model of M&A and it is helping us and we are able to do multiple M&A's at one point of time to evaluate and proceed.

The last one was in terms of M&A as a process rather than an event. We have brought in a lot of rigor into the way we assess companies, the way we interact with the target companies, senior management, and middle management. The rigor and effort we put in almost is similar to what we do in software development of monitoring and following through on the different aspects of integration, we are learning from the world leaders who have done numerous integrations like Cisco and GE, try to adapt from their environment as to what is applicable to an IT service environment. We are careful not to declare victory too early because there are sometimes problems surface immediately and sometimes they take a long term to surface, so we are very cautious and we probably will wait for a year or more than a year before we declare that okay this has been a successful acquisition, so that is the three major differences that we have in the way we have approached M&A in our company.

What is the difference between what we did last year and going forward? We have done six acquisitions in global IT services, one joint venture in global IT services, and one acquisition in the domestic and Asia-Pac IT services business, so overall eight transactions. The way they have gone so far in terms of our ability to structure them either as a complete merger of the two companies, of the two entities, or keeping it separate depending on the business need, the way we have been able to monitor the performance, the way we have been able to retain the people, our attrition levels in the acquired companies that we have all the eight of them is significantly lower than that of the organic business's attrition, which is a good indicator. We have got the confidence now that we can take on more complex transactions. We earlier would look for a single business

owner, the vertical head, the sub vertical head or the strategic business unit head to be able to integrate the acquisition. We are now comfortable that we can even look at something that spans a vertical and a service line or something that spans two verticals, one dominant and one not so dominant, this is good news for us because in a way it expands the total number of companies that we look at which we otherwise would not look at before. It is also good news because it allows us to increase the ticket size, the average size of the transaction that we want to do now because one of the key learnings we have had is that no matter whether it is a \$5 million acquisition of a 100 people integrating or a \$50 million with 1000 people integrating, the pre deal effort in terms of negotiations, due diligence, writing of a letter of intent, negotiating the share purchase agreement, and also the post deal effort in terms of integration, the employee communication both to the acquired and our company, communication to the media all of you and so on, the amount of effort is almost the same. So, if a \$5 million and \$50 million transaction has a same kind of effort why not go for a \$50 million acquisition, so we will probably have a larger ticket size and we are more comfortable and hopeful that we can absorb them and be successful in those.

The last point I wanted to make is which are the areas of acquisition? You know you heard Kurien's talk before this with the slides. We did not aggressively pursue lets say, just an example, the area on BPO even look at companies over the last one year, because BPO was transforming itself, transforming itself in its operational parameters, transforming itself in the mix of transaction processing vis-à-vis customer care kind of which even they are doing, and they probably were not ready to absorb an acquired company, but now they are more than ready. So we will start looking at acquisitions in that space.

There are demands that keep coming as I mentioned from all the verticals but we have had a few of the business unit heads identify that these are areas where we are seeing significant interest we need and there are competency gaps that we need to fill up, so you have already seen in Sudip's presentation and also in Vaswani's presentation a number of areas identified which are high priority areas for us, but I will just conclude by saying that the acquisitions that we do as a part of our strategy are not bolt on acquisitions, they are not aggregation gain, they always have a deeper intent in terms of what we want to achieve in terms of either entering a new market or doing high end consulting to be able to get the back end business from there or to do a significantly more end-to-end than what we were doing before. The key reason we look for is one is to fill a critical competency gap, it could be a competency in our package implementation area or competency in the infrastructure area even though we are one of the largest in the country and much larger than #2 we still have areas where we could really improve to be competing with the global players in that space and expand what we address. So, one is the competency gap, filling up the competency gap. The second area is you know we are the first ones to verticalize in 1998, but there is still scope for improvement of domain capability. So deepening the domain capability, getting significantly more knowledge, and as we become more mature in this aspect, we realize that there are lot of nuances that were not known to us before, a property casualty business in the UK is radically different from the property casualty business in insurance in the US, likewise the life and pension, so even though you have domain competency in one it is not easily fungible, not easily transportable to another location, so we may actually look for something in the other geography because of the differences. So we are now getting into shades and nuances of competence, so deeper domain competence is the second area. The last area we look for is in terms of service line expansion and Kurien mentioned that we are seeing a lot of traction from travel, we are seeing F&A, now those are areas where we have some competence as we outline need locations outside of India to be able to be compliant and to be able to give the comfort to the customer, so that is the service line fill out. The third strategy we have is for filling out of the service line. Sometimes we combine ..., rarely has geography been a reason for us for acquisition, it is not that we want to enter China therefore do a China acquisition or want to enter Singapore therefore do a Singapore acquisition, it has not been, it just so happened that one of the other objective enabled us to open a new center or address a new market, so it has been more of a byproduct of the acquisition than be a real reason for the acquisition, but going forward we don't see that changing in the short term, in the longer time it might, if there is a big market we want to address for different reasons.

So, in summary, we are significantly more confident than what we were 2 to 3 years back in terms of taking on acquisitions and making it a part of our overall operation and giving it the Wipro strength, extracting the strengths from that company so that it becomes more pervasive, extracting the synergies that we all plan out. We are

more confident of being able to retain top management from the companies we acquire and give them positions within the Wipro top management. We are also confident that this will help us rapidly accelerate our way to globalization compared to our competition and in keeping with our overall strategic plan. So you should see some of these happening in the next 12 months. No numbers, how many and what value and what we, it is too early to say any of those things, but we definitely are more confident and capable of doing larger acquisitions going forward. Thank you.

Rajesh Ramaiah

Thanks Sudip. We will start off with the Q&A. Mr. Premji will be joining us anytime, but we will start off with the Q&A till then.

Suresh Senapaty

Much has been talked about on the IT side, I thought since we are in some other parts of the business also let me take this opportunity to you know talk a little bit about that and there were some questions during the break about the consumer care part of the business as well as Wipro GE and Wipro Infrastructure Engineering. You know if you look at these three businesses all these three are now having a run rate in excess of \$200 million. Consumer care will end more than \$200 million this year. Wipro Infrastructure Engineering after doing an acquisition of about \$120 million business at Sweden where it is now at a run rate in excess of \$200 million, and similarly Wipro GE Medico which is also the largest player in India in the healthcare space which we have a joint venture with GE is again in excess of \$230 to \$240 million and generating very good profits. We had seen problems about 3 years back and everything is behind us now and more and more developments of the products happening from India, similarly on the software exports that happens from Wipro GE Medico to the GE World with respect to software that goes into MS., CT, ultrasound, nuclear and all high end machines continue to do well, and more and more dependence from GE for software procurement from Wipro GE is giving us more and more strength and profitability into that current business. The distribution business in term for distributing in India, Bangladesh, Sri Lanka, Bhutan, again is showing a lot of you know the kind of investment that we are seeing in the healthcare space is going up year after year after year, and the kind of technology lead that GE enjoys and the new products that it introduces is a big advantage for growing the market share in India and other parts of SAARC countries. In fact now an initiative within progress in terms of trying to see what are those kind of products that we could introduce engineer for the local market which need not have a large bearing or a large demand from the developed countries because India has a specific unique market place, from that perspective there are certain product price points and certain products which will not have that much of frills can be introduced in India and become a big price point advantage and therefore can be played here, and from that perspective more and more initiatives are in progress. So all in all, both services business is growing there. Export is growing there and so is the distribution business and its profitability.

So far as Consumer Care is concerned as you all know we are doing pretty well on the soaps business. We have been introducing every quarter every year lot of ranges in the wellness products, a reasonable response we have been getting in the market place. Also some of the acquisitions we have done in terms of the switches business as well as Chandrika, Glucovita, etc., has been very good to us in terms of the portfolio and the kind of growth that we are seeing. More and more expansions will take place in that particular segment. We are seeking to invest in Baddi as well as the Uttaranchal for some of our production facilities, for our consumer care business, and that will help us in terms of overall net income margins so far as that business is concerned.

Furniture business as has been very strategic for us being in the lighting and being also in Wipro Infotech supplying computers etc., it becomes a fairly related in terms of the market from which we see the demand coming from. So that is a business which has been growing in excess of 30% year after year and profitability continues to be robust at 12 to 13% EBIT margins and return on capital employed again very very significant. So we will continue to look after those segments (A) soaps, toiletries and (B) also in the terms of furniture and switches business more expansion, more manufacturing capacity, and possible inorganic opportunities also will be looked at.

Wipro Infrastructure Engineering, we had talked about in the recent past with the acquisition that we have done in Sweden. As you know the large investments are happening in India in terms of the road buildings and so on, and that has fueled a significant demand from all our customers, and most of our customers are either sole sourcing from us or significant portion of that sourcing is from us, and the kind of quality improvements we have done and the kind of capacity build up that we have done in addition to Peenya and Hindupur we have added on facilities in Chennai, and also we have made foray into exports and that is also gaining traction, more and more manufacturing from India is becoming acceptable and price points have also moved favorable, and this particular acquisition gives us strength in terms of size from a procurement perspective and lot of synergy benefits, so we see so far the initial responses have been very good and we think it will give us a very good advantage to be able to enhance our leadership in the world market, we have already amongst the top 3 in the world with this particular acquisition. So all in all, we have heard the story on the Wipro IT side of the business, the non IT side of the business, which continues to be growing faster, almost similar rates or little better rates in some stage as compared to IT, however, the overall mix of that business will continue to be within the 10% and 15% of our total revenue and profits will be even lower compared to Wipro overall kitty because IT profitability is significantly higher. So from that perspective as it stands today we have given our segment reports, we are continuing to be giving enough information to the extent there are interest in that parts of the business, but all we are saying is there is growth in the IT as well as the non IT part of the business for Wipro. Thank you. I will now request Mr. Premji to make few observations before we take the Q&A.

Azim Premji

I apologize for being a little late. I was at the NASSCOM, lot of customer meetings there and media meeting, because the Prime Minister's arrival there got delayed everything was completely embargoed there, they were not permitting any movement into the lobby or any movement outside the hotel.

You have gone through the presentations of all our team members and in part they have been some Q&A's we can take one concluding Q&A but let me use this occasion for about 5 to 10 minutes to cover some of the highlights of our strategy and I think you would find that useful, in terms of basically a summary of what my colleagues have been telling you. I will talk about really two big themes, one is about growth and the other is about our global delivery capabilities and our global delivery service capabilities.

We are driving growth passionately is the first and most important area of our growth is our organic growth, so no acquisitions which we are doing will be at the cost of growth and we are very very particular to see to it that the acquisitions do not act as a distraction for organic growth, because at the end of the day we are not doing acquisitions for purposes of aggregating sales, we are doing them for important strategic reasons, and those important strategic reasons should be fitting into our strategy and not distracting from our strategy.

What are we doing to enhance growth and sustain growth where it is adequately satisfactory in terms of this current momentum? One is account management. We have a major focus to improve our penetration and mining of what we call mega accounts. A mega account is typically an account which within 3 years we can take to significantly over \$100 million a year in terms of revenue billing, not in terms of revenue order booking but in terms of revenue booking. We have identified 25 of those accounts and some of them are close to \$100 million and will be at \$100 million this year and we intend to grow them significantly, and some of them short of a \$100 million and we think we can grow them significantly, and some of them are very small today but we have either a pipeline of major wins which we can scale up in terms of execution or a potential to do major wins if we focus on these accounts thoroughly so that within 3 years we can take them up to a \$100 million. We are focusing on 25 of them and these accounts go through a quarterly review in terms of a very detailed operating review and strategic review in terms of where we are, where we have to go, and how close we are in terms of where we have to go.

We have in addition what we call growth accounts, and we call them global and major accounts, GAMA accounts, these are about 50 accounts that we believe we can build to \$50 million a year over the next 3 years. Again we do the same integrated review not at the frequency at my level at once a quarter but certainly once in 6 months.

And finally, we have identified smaller accounts, which have potential in the next 2 years in a sense we have pre-qualified accounts now, that the field force will open in addition to these accounts, so we have found that in the past there was too much indiscriminate in the way the field force was opening accounts. We have now listed accounts which we feel we must have and the field force is only allowed to attack these accounts, because in the past what was happening about 50% of the accounts we were opening would have no repeat business within a year or 2 years and we do not intend to waste time on accounts which are not part of our installed base of revenue generation. The must have accounts are accounts which we think we can build potentially, and if the sales force wishes to build any accounts outside of these must have accounts, before he starts targeting them he must have pre approval of top management that these will qualify as accounts that we will support in terms of going forward.

Second is a focus on large deals. They require different kind of an engagement model and we have basically broken up large deals into deals which have heavy infrastructure content to it, we have had some solid order wins on that, and they are under leadership which falls under our Technology Infrastructure Services business and I think you have got some presentation on that today, and then there is a set of large deals again under senior leadership which reports into our global head of sales where we do not have such a significant content of infrastructure but are large in terms of deals which are multi year and are certainly above \$100 million in terms of size. We have a solid pipeline on both infrastructure large deals as well as non-infrastructure large deals.

Let me talk about geographies in terms of growth. We are doing well in Europe and you know Europe is accounting for about 34% of our revenue, but we feel that too much of our revenue in Europe is really coming from UK, about 2/3rd of our revenue in Europe comes from UK and we have about 34% and about 22% comes from UK. We have a decent traction in the Nordic and Benelux countries, and our focus is to build a strong base in Germany as well as in France. Both Germany and France are almost equal to the size of the UK market and they are relatively very small for us, we hardly do 3 to 4% of our sales in these two markets. We are heavily localizing there because we find both in Germany and France localization like in Japan is very critical, and we are investing money upfront there and we are investing in localization. In Germany we are looking for a strategic acquisition, which can give us a rapid ramp up. In France rather than follow a broad base shot gun approach country strategy we are focusing on about 13 to 14 accounts there which we feel are basically multinational companies who are French companies but have a very strong global presence, are under economic pressures of competition because of a global presence, primarily English speaking therefore are familiar with operating in the rest of the world and are more open to outsourcing and less sensitive to just local conditions in terms of working with partners outside of France.

Another market of focus to us particularly over the past 4 months since we have opened it, is Canada, I was in Canada last week, we have opened an office on Ottawa and we have had a long time center in Windsor near Detroit and we believe now with a stable Canadian currency some of the diseconomies of a weak Canadian currency have disappeared and it is a market in which we believe we can make good growth and good margins going forward.

We continue to focus on Japan. We have a strong localized presence in Japan. It is accounting for about 4% of our business now and we believe we can continue to grow it faster than our average growth rates. We are doing a lot of training of Japanese for our own engineers, we run a full time 7 months course in Chennai on Japanese training, and we have local leadership there, we have a development center in Yokohama, we have about 80 to 90 people there most of whom are local Japanese.

The fourth area of organic growth to us is our BPO business. Kurien has presented what we are doing there. We are back on the growth path and we are going to drive that business aggressively now both for continuing to enhance our strategic shift as well as getting back some of the traction of growth which we had intentionally and on plan sacrificed on to redirect the business to something which was more enhancing to our IT capabilities, more integrated solutions to our customers, more platform based, more transaction processing based, and therefore going forward more annuity based and higher margin based in terms of what we are trying to build there.

We are investing in consultancy as a fifth axis of growth. We today have about 1700 consultants in Wipro, out of which about 350 are the domestic IT market and the balance are in the global market, most of them are embedded into the verticals or in quality or in process engineering and reengineering, and consulting this year will account for about to \$220 million of sales and about 7% of our sales. We are using consulting as a major engine of growth and to build much more significant pro-activity particularly in large accounts like mega accounts in GAMA accounts and with select accounts we think have potential to eventually qualify as GAMA accounts.

Our domain expertise is a critical pillar on which our next few years' growth rates will rest. We are increasing our domain expertise through three levers; first, by training and retraining our people. We are investing significantly more per capita in that than we have done in the past. We have set up a very scalable training program for different levels of competency with certification for each of these competencies appended to them. There are training targets for the entire organization that are rigorously followed and rigorously executed. Secondly, we are hiring lateral people with domain skills everywhere in the world, in Europe, in America, in Japan, in Saudi Arabia and Middle East, as also in India. The good part is that talent is available because companies of Indian origin now have established the credibility and image and attraction, which was absent even 3 years back.

Finally, we are doing domain building through very strategic and selective acquisitions, which I just talked about briefly and Sudip Nandy has covered in more depth in his previous presentation. The skill sets and industry knowledge with these acquisitions have brought us have significantly enhanced our capabilities to deliver to our customers. Finally, there are game changing initiative which we continue to focus on, we had presented them last year, broadly they remain the same.

Our total outsourcing organization being headed by very senior manager. The organization has already finding tremendous traction in this area. We have recently signed a joint venture with Motorola in managed services, which is 81% owned by us. We believe that in the telecom service provider space, the trend is towards managed services and consolidation of partners, and this managed services venture with Motorola has positioned us very well in terms of exploiting this particular opportunity.

Let me now quickly talk about our global delivery capabilities. The first step in global delivery capabilities is to continue to attract and develop top class talent. We continue to focus and expand footprint of the campuses that we visit every year. In the current fiscal, we visited nearly 160 campuses and the number will be higher next year. Wipro has been pioneer in tapping non-engineering talent for IT work through our trendsetting Wipro Academic of Software Excellence, which we call a WASE program. We have increased the intake into this program considerably last calendar year or current financial year to over 1800 people, and next year we will be taking into this program somewhere between 3000 and 3500 people. This program brings our cost down per person because we take them as trainees for 4 years and they work full time with us virtually from month 7, they pass out with a masters degree in software engineering from BITS Pilani, it is very prestigious institution and this is a degree, it is not a diploma. #2, we are expanding our global footprint in our delivery centers. We have started a center in Bucharest in Romania. We now have a center in Portugal and in Brazil and in the lower cost areas of Portugal and Brazil. We have a delivery center in Shanghai. We have a delivery center in Beijing, and once we scale to a respectable level in these two centers, we are looking at some interior parts of China where we think we can get a cost take out of somewhere between 20% and 35% in China.

As a strategy now we are looking to increase our local content of local hires in Europe and America, and are also now looking at low cost centers in Europe and America. In Europe our focus is UK and in America we are focusing on 4 to 5 states which we are now studying in depth where we believe can have low cost centers there with some state subsidy which would be up to 30% cheaper than recruiting people on H1B visas from India, at the same time get an enormous amount of local equity with the communities and with the politicians to be proactive in terms of any issues which can be coming up which is possible during the next US elections in terms of job losses and visa sensitivities. We will take young university graduates, and the areas which we are looking at are typically university towns in low cost areas where people have roots to those towns. We will hire university students there. Take them through our standard induction program which is between 10 and 20 weeks depending on skill levels we build with them, and let them work here for about 3 to 4 months and then to

familiarize themselves with the India delivery model and the global delivery model, and then take them back to the center as a full time employees there. We believe in a 3 years time we can build a strong cadre of middle management and senior management going forward plus gain a lot of kudos with the local state governments in terms of our strategy of setting up these centers in areas which have a lot of merit to that particular state.

We are investing significantly more in training than we have done in the past. Training investments in 2006-2007 will more than double and on a per capita basis to what was there in last year 2005-2006 will be significantly higher; sourcing business more element base pricing contracts and modules. Overall, we have defined annual targets on the extent of non-linearity we want to drive in our business and we monitor this very very closely.

Finally, the excellence of global delivery is built on the bedrock of the best in quality system. As you might be aware we have invested significant efforts in building LEAN techniques to our software development and maintenance projects. We are already seeing good returns coming from this in terms of superior output, more customer understanding, productivity, shortened cycle times, and much more efficient delivery processes.

Last year we launched the Wipro Way, end of last year. This combines the best practices from the variety of quality concepts and standards which is SEI, 6-Sigma and LEAN manufacturing embedded into a system which we call the Wipro Quality Way.

In summary, we are seeing strong traction in the market, it was also evident in the NASSCOM today, and I was last week and the week before in Europe and America including in the World Economic Forum in Davos, and there is traction in the market, there is generally a feeling that 2007 is going to be a good year both in Europe and in America, and I think the increasing presence of the multinationals in India in terms of local delivery centers is establishing more and more the rationale, the authenticity, and the legitimacy of the global delivery model in software services as well as in BPO.

We will be very happy to take questions now. My colleagues and me are available for as long as you want to take questions.

Mitali

This is Mitali from Merrill Lynch. I had a question on R&D services, we have seen some event led softness in the business in the last year, if you could give us an update on where we are with respect to those accounts and in general going forward what is the growth outlook we see there and what is the sort of key strategies there, and then I have one more question.

Sudip Nandy

Mitali I will try and answer this question. We had a couple of events which is in the telecom sector per se which is the Lucent Alcatel merger and also the changes that happened in Nokia and Siemens. I think one of them at least we are seeing fall into place and we are starting to engage with the customer and have some discussions on new proposals we are getting from there. The second thing that is happening in the R&D services space is that we are seeing that the telecom space from the service provider side is really opening up in a very big way, so there is you know whether it is convergence of voice with a video or it is the very imaginative new broadband on the handheld is fueling entirely new kind of development, we are working on those things today which will probably become devices in hand of the people by next December 2008 kind of time frame, so we are seeing a resurgence of activity in that area. So the softness is not what it was for the whole of 2006, there is some improvement in that space, and we have also restructured the business somewhat in terms of how we are focusing on the embedded space and with renewed focus on aerospace, medical electronics, and on defense as verticals, each of these we have taken early moves and we think both defense the offset business coming from the different contract that we are having with the US and other parts of the world and aerospace also, we are going to see significant traction in that business, but it will take probably a couple of quarters to pan out but these are new moves we have made in that particular market.

The other two changes we have made in the R&D space is that you know the 5 sectors which is semiconductors, automotive, aerospace, and so on contributes about 70% of the overall R&D spend worldwide. We were not addressing one space entirely, so we have done the acquisition of Quantech last year, which allows us to extend our reach to the mechanical side of the business, the mechanical design, CAD/CAE side of the business. The third investment is we are seeing that many of the telecom equipment providers are sensing that the telecom world is also being attacked by the open source movement, they are also feeling that they will be the low margin business like the PC hardware business, so they are incidentally moving into services. Ericsson service revenue, for example, one may not know is about more than \$7 billion in terms of its revenues, and to that extent the telecom providers may start overlapping and stepping on the toes of providers of IT, and you have seen in the last two acquisitions of British Telecom who are also getting into IT space in a different way. There is some kind of convergence happening in that and we think that the joint venture we have made with Motorola gives us a very good entry into that space which is the convergence of IT, the convergence of telecoms, and services all happening together.

Mitali

Just one question on the JV with Motorola since you have brought that up, also seem they have another JV with Tech Mahindra as well, what is the kind of difference in terms of scope of the two...

Sudip Nandy

I can tell you about the JV we have, it is a global JV, it is for doing a few things, when a new build out happens in a new country for a network of a new technology, you first need to plan and optimize the network. So this JV is responsible for the planning and optimization of the network, and subsequent to a network has been rolled out you know the usage pattern in the density of different users, new high-rises coming up, needed to be redesigned and optimize all over again, and so ongoing activity to be done every 3 quarters to 4 quarters, so this JV is focused on the network planning, network optimization, network design, and the ongoing management of the network for 3, 5, to 7 years thereafter. From what we understand from the press releases, the JV with Tech Mahindra is more on the content side of the business, so it is radically different, and this plays onto the capability we have in telecom business as well as on the infrastructure business.

Anthony Miller

The technology defeats me. Anthony Miller from Arete Research. I have a more general question about direction; Mr. Premji you have given a very lucid discourse on how Wipro is going to go forward, I would be interested in your views though on where you see the destination and how you recognize when you get there or if not the destination the key milestones that you will be able to tell that you are making progress in the way that you wish.

Azim Premji

One key milestone which we have defined for ourselves because we have to define milestones, is that we wish to be in the top 10 global service providers in the next 3 to 5 years. We are about 16 now in terms of size, one six, so we are already in the top 10 in terms of market cap, in terms of global service providers and we have taken a reasonably broad definition of global service providers. We will include a company like Fujitsu in that also, we will include the revenue of a company like Hewlett-Packard in that also, which is of a service nature. That apart from the fact that we want to be the most favored supplier from the point of view of our customers in terms of the overall service delivery and satisfaction which we give to them, that is we find a good enough definition to be willing to drive growth. Now we benchmark very carefully with the leaders and to companies we benchmark with globally are Accenture and IBM and we benchmark with the two or three leaders in India on operating parameters. We believe that you know if we have to continue to grow at these rates, we have to make significant investments in large accounts proactively be able to grow them, because we compete then with the best in the world, and to be able to afford to make these investments significant part of which are overseas, to be able to afford to make investments in training significant part of which is over seas you have to generate higher

margins from operating efficiencies, and we believe that we have headspace which is obviously in utilizations taking up utilization significantly. We believe we have significant head space in adding our percentage of people below 3 years of experience by using our more experienced people more strategically and not getting them locked into programming roles as programming rates, but we believe we have significant head space in terms of bringing more work offshore, and we are driving that aggressively, because margins in offshore are significantly higher than margins in onsite, but more important than that it is the offshore work which really gives the maximum cost arbitrage to our customers. And other operating efficiencies in terms of the right rotations of people in the overseas geographies which we are in, and in right skilling lot of jobs, you know we find that engineers are not required in certain testing jobs. We find engineers are not required in certain jobs in managed services, and that is why as I explained in our WASE program where we are taking in B.Sc., Bachelor of Science graduates, we have been stepping it up very significantly, and it is not compromising quality in any way to the customer, in fact it is enhancing quality because these people are even more determined to prove themselves better than the engineers, and two they have career aspirations which are stretched over a longer period of time, which means that we can have career movements for them and more stability with them which we actually get in practice, so the milestone we are trying to achieve are both in terms of size as well as funding the size by way of generating extra profits from operating efficiencies which we plough back into enhancing better infrastructure, customer infrastructure for achieving these kind of growth rates.

Suresh Senapaty

Just to supplement on data points on what Mr. Premji mentioned, Wipro has grown in the last 5 years about 39% CAGR, compounded annual growth rate. This year based on the estimates that has come out from NASSCOM it is about \$30 billion is IT exports from India, and Wipro based on the guidance given for the current quarter of March ending will be about \$2.45 billion, which is about roughly 8% of the total exports from India. McKinsey's study says that it will be about \$60 billion by 2010, and in the next 2 years going up to \$80 billion, so Wipro is growing ahead of the market, which is about 30, and currently and a market share of 8 also gives some indication of where we would be in the next 3 to 5 years.

Anthony Miller

And just finally when you reach the milestone of Wipro being in the top 10 global service providers, what do you think will be the biggest difference between Wipro at that time and Wipro today?

Azim Premji

Two to three things, one will be significantly more globalized, and when I say globalized I think we will have much more of local people in local geographies, a much higher percentage in Europe than in America, because you find localization in Europe and Japan is much more important. Already, you know very very interestingly out of the 3500 people we have working in Europe about 1400 people are local locals. In France we have French. In Germany they have German. In Netherlands they are Dutch. In other parts of Europe they are the local people, and part of this has come through acquisitions and part of this has come through lateral hiring. In future, more of it will come through campus hiring. We want the younger population there, which is more trained to our requirements and is less expensive obviously, and they see Wipro as a career, so we will be much more localized in terms of our footprint of people, but I think more important than just a footprint of people I think we will have more of senior management and more of top management which will be non Indian, so we believe that to drive this localization successfully and sustain a localization of senior and top management is a prerequisite for sustainability, that is one difference which you will see. The second difference which you will see is that we will use consultancy more strategically as a driver of growth with much stronger and more intimate investments for our larger customers to a point where the customer will find that in terms of what we can do for him is equal to what Accenture and IBM can do for them; I use Accenture and IBM because they are successful companies and they are good benchmarks to have in terms of displacement so far as customer growth is concerned. I think the third change which you will see is that and we have been driving this, hopefully our top management will be more ambitious, and you know part of our compensation schemes are also for our top management is driving

excellence over the best performers, so they don't drive performance over the best performance, it hurts their compensation apart from their pride.

I would add one, my colleague was saying, you know we will have little more geography spread in our delivery centers, we are excessively India dependent, because China is something where we have build some traction, because China is important you cannot ignore China, and lot of our customers are building very strong bases in China and we require localization requirement; a very large customer wants some geography risk displacement, China is adequate for that, hopefully China will have stronger intellectual property law enforcement over the next 3 years because the government is getting very conscious of this. We will built our Bucharest much more or equivalent of Bucharest you know, ideally we would like to have a small center in an expensive town and a larger center in inexpensive town in that country, which is why in China also we are looking for Nanjing and Schengdu. We think we can get a 25% cost take over Shanghai and Beijing. Similarly, if we go to a small university town in Romania we can get a 25% cost stake out versus being in Bucharest. And in the university town you have the culture to hold on to good engineers without them aspiring to leave it and go into a Bucharest or go into a Shanghai. We have a footprint in Portugal, we have a footprint in Brazil, and I can see Brazil becoming much more strategic because of Latin America, Spanish speaking, much easier fluidity vis-à-vis visas for the United States, and higher possibility of scalability there. We will look at, in about 6 months we will seriously study Russia, I think Russia has very interesting R&D talent, and this requires us to get a little more confidence in us being able to handle some of the political tensions in Russia, but we are talking to our customers like Boeing, France telecom, they have extremely successful R&D centers there, it is very high quality work at costs which are comparable with India, and we just have to have a presence there. I think we just don't want to spread ourselves too thin. Lets make a success of China, just make a success of Brazil or just make a success of Bucharest, just make a success of expanding in Brazil, and then in 6 months to 9 months start looking at Russia as a development center.

Even within India what we are trying to do is drive our growth outside of expensive cities like Bangalore. This year we will end at 70% of a billable head count at 70% of our billable head count will be outside of Bangalore, and next year our target is somewhere between 75 and 80%. And where are we taking it? Of course we are taking it to Chennai and Hyderabad and Pune and Kolkata, because we have our centers there, but in future we will take it to Mysore, which is about within 2-1/2 hours drive from Bangalore, cheaper city, nice city, good environment, good weather, good university. We have bought land in Coimbatore and we are starting building a center there. We have bought land in Jaipur, which is a nice tourist center, so our customers are all excited about it, and that is important because the customers must be willing to support us taking people there, and we think that it will be more effective center than say being in Gurgaon or Noida. We have bought land and starting construction in Vijayawada, which is in Andhra Pradesh, it is a disciplined navy town, sorry Vizag not Vijayawada, and it has good universities. We have already rented space in Orissa, we have bought lands there, we are starting construction there, again very strong educational infrastructure in engineering apart from the fact that our CFO happens to be from there. We are still struggling with the Goa Government to a llot us the land they have sold us three times, anything you buy in Goa gets into political controversy either within the government or with the NGOs, so we are making one last attempt. Goa is a good place for BPO, and the nice thing about Goa is it has a 24/7 culture because you know it is a entertainment town and that is the good culture to have for BPO where you run 24/7 operations, and again it is a center where you can get people who are graduates from Goa, and IIT has opened a campus there, IIT Mumbai, and BITS Pilani has opened a campus there, so you know it is now getting I mean an area which will be more interesting 3 to 4 years from today, it is worth seeding it from now, and our customers again are excited about spending weekends there, of course it is again important you know I mean I appreciate that I have tried to be humorous on this but it is important you know if customer say okay I am willing to move my 200 people team as a growth into Goa or I am willing to move my 200 people team as a growth into Mysore, unless the customer is supporting you, you cannot push it. It equally applies to analysts also.

Participant

Any development in Gujarat?

Azim Premji

You know every time I make any comments on Gujarat I get quoted in newspaper, not at this point of time. I think there is a lot of talent there, you know we just want to see more stability there for a longer period of time before we decide.

Trideep Bhattacharya

In the session Mr. Premji you highlighted about....

Azim Premji

Please put your hand up, I cannot see where you are speaking from. Yeah, it is alright, yeah.

Trideep Bhattacharya

So in your strategy statement which you just laid out you talked about growth acquisitions, does that mean and that had not too much mention about margins etc., so does that mean over the near term i.e. next 1 to 2 years the focus will be predominantly in driving growth and margins might take a back seat, that is #1, and I have another question.

Azim Premji

No margins will be within narrow range and we will drive that like crazy, you know whether they will be 24% or 25.5%, no I cannot comment on that, but they will be within a narrow range. I think the reality is that all acquisitions are margin dilutive, you know we fool ourselves if we say otherwise, but then we must be getting better margin from organic growth to be able to build for strategy or having may be a 1% dilution or a 0.5% dilution through acquisitions, but we are following strict parameters on acquisitions; one is that you know we are not buying sick companies, we are not buying turnaround companies, we are not buying companies which we have to hollow out, you know that is not the image that we want to build for ourselves that we buy companies and then hollow them out and take the people to India, that way we will never get the best people to be acquired by us, and where we can get run rate through our existing business by leveraging it so that part of the margin dilution gets offset by a much higher run rate within that particular company, and you know if you close enough to margins which are not terribly distant from what we have in our organic business.

Trideep Bhattacharya

The second one is on when you talk about in 3 to 5 years you want to be part of the top 10, if there is certain major gaps in your portfolio that you see, and I am not talking about the niche acquisitions but any big gaps that you see which could be very high that you are not there and you would like to do it either organically or through acquisitions.

Azim Premji

No I think one thing which we need to do to you know is to grow at 30% plus from \$3 billion is tougher than to grow at 30% plus on \$1 billion, that is quite obvious, you have to have larger accounts and you have to have larger deals for larger contracts, I think we have to build expertise within the organizations into that very aggressively, very successfully and without diluting margins, doing it simultaneously is not easy.

Trideep Bhattacharya

And my final bit is, I mean recently we saw \$1 billion contract being signed by one of the competitors and particularly coming from in telecom domain where historically we have believed if there is No. 1 company that is

Wipro, any parameters that you thought because of which you kind of opted out or what do you think of such deals?

Azim Premji

Without trying to discredit the company, I think one reason for the contract that they got is that they have a large equity investment by British Telecom and that helped because British Telecom also got in terms of share part value part of the value of that contract, but in credit to Tech Mahindra they did a brilliant job in terms of winning that contract, so hats off to them, I wish we would have won something like that.

Trideep Bhattacharya

Thanks and all the best.

Suveer Chainani

Suveer Chainani from Macquaire Securities. I had a quick one for the BPO space to Mr. Kurien, I wonder you notice what SAP is doing in the BPO area and if you have then what do you think that they are doing, is it a how do you want to work with them or do you want to at all work with them? Thanks.

T.K. Kurien

I do not want to comment on SAP in specific, but let me just give you a sense of what is happening in the space from a software service provider perspective. Most of the software service providers and are now going after the, not exactly the BPO market but clearly kind of use their platform to either disrupt the market or you know given the fact that the penetration of the market for ERP in some sort is most about close to 90%, they are trying to disrupt the other guys with new business models, so an SAP would go after the Oracle market or any other market which enable out there into the new business model. Has it matured? My sense is no, not yet. Will it mature over the next couple of years? Certainly, but I think the challenge for that kind of a model would be the embedded investment that is already lying in customers within the customer ERP systems, within some of the companies that are out there, and dislodging them with a new model is going to be extremely difficult, that model will work fairly well in the SME segment or in the medium segment. So is there a threat? The answer is not immediately. Is there an opportunity? Probably there is an opportunity to work with the service provider, software provider like that, with SAP or Oracle.

Suveer Chainani

I want to understand is you know they are making independent platforms to service to add your BPO services on top of their platform, they have not formed extension of an ERP space, that is what their

T.K. Kurien

They have not, SAP is probably further ahead in terms of BPO'ising the platform, Oracle is not. Oracle is way behind.

Suveer Chainani

Thanks.

Participant

Hi sir and thanks a lot for giving me this opportunity. I have two questions, basically on the top management, firstly you said that you want the management to be more aggressive, now in which respect do you think that currently Wipro is lacking that aggression and you want that more?

Azim Premji

We want to be the fastest growing company from India, very clearly, there is no question of trying to be the fastest growing company in the world because IBM and Accenture are growing sub 10%, very simply put.

Participant

And sir secondly you said that you want to change, basically you want to bring a lot of basically local management into the top management as such, so how will you bring about that change, will be it more like organic hiring or more through your acquisitions and what sort of criteria do you have when you want to hire local manager?

Azim Premji

No, we have got some first grade people we have got through acquisitions, you know at the moment we are keeping them embedded in the acquisitions because we want to make a success of those acquisitions. The moment we have stabilized those acquisitions and integrated them fully and I can see at least two candidates who are of a senior to top management quality, which we should be taking into the main stream of the organization. So, one it will come through acquisitions. Two, it will come through lateral hiring. We have not hired a campus induction program from overseas up to very recently, so you know it is difficult to take people with 2 years experience into top management, because sometimes I think we should actually, but it will come through lateral hiring and through our acquisitions.

Participant

Thanks a lot sir.

Diviya

Hi, I am Diviya from Motilal Oswal. My question relates to the Enterprise solution strategies that you were talking Mr. Banerjee that you would be buying out some maintenance contracts, could you give some idea about what kind of contracts will these, I mean in what areas are you looking at and what kind of asset and people takeover we are looking at?

Sudip Banerjee

What I referred to are certain contracts which customers are locked into for 3, 5, to 7 years and as a result of which they are not in a position to get in another service provider on board, so in some of those situations what we have offered is that we will compensate them for the or we will restructure that to make that possible for them to break that contract if we can offer a better value proposition, and in many of these situations we find that actually the value proposition that we can provide through the onsite and offshore ratio change of some of the mix from what they currently have lets say typically western service providers it is possible to give them an economic proposition which is compelling and can persuade them to change. Typically, that is the market which people have not gone after and companies here have not tried it earlier, and we have tried in the last 12 months and we have been successful in one case where we have already got an existing customer to break a contract with a western service provider and give that business to us, so those are the type of non-traditional opportunities which I alluded to when I said that we will go after such opportunities.

Rajesh Ramaiah

Any other questions?

Sandeep

This is Sandeep from Motilal Oswal. Sir, the importance of the integrated service model is becoming more and more in most of the Indian IT vendors, so where are we at this point of time and where do we see the other competitors and what is our target on the same in terms of the composition of clients within the integrated services model as well as in terms of percentage to revenue.

T.K. Kurien

Okay let me just talk a little bit about the successions that is had over the past year in an integrated model, and one of the big things that has happened is that we talked a little bit during our presentation about integrating the sales force and really selling solutions into the customer base rather than just selling point solutions, and most people talk about integrated solutions but integrated approach to selling typically if you sell technology infrastructure independent of application, independent of BPO, that in our view is not an integrated sale; an integrated sale is where you are able to combine all three and actually produce a business solution back to the customer that impacts it, either in terms of business efficiency or cost or in terms of driving his key performance indicators, so that is one component that we have been kind of very actively chasing over the past year, more than 50% of the deals that we sold in the past year have fallen into exactly that segment. So if you look at the way we are going after this whole our approach really is integrating service lines and delivering solutions, so that is the way it is working, because in the past if you look at most IT vendors within the country most of the sale is competency based, you know they will have an infrastructure sale which is competency, which is competency to selling, you will probably have a BPO sale which is again competency based, you will have an application development sale which is competency based, and with all sold independent into the same customer base, you need a layer above to stitch this together and that is the layer that we are building.

Azim Premji

The type of deals now that we are seeing in the market place are the large infrastructure management contracts, which involves taking turnkey responsibility for providing infrastructure management services including consulting, including sometimes consolidation on data centers and networks, taking on desk side support, desktop support in addition to service side support, and doing this on a global scale. So those are the sort of contracts that which are now coming up for renewal which has traditionally been a market which global customers never invited the Indian vendors to. In the last few years, we have established the credibility to be called to the party of those deals and we are now actively in fact last year we had one such order where we have got a multi year infrastructure management contract which would have traditionally not come to a provider like us in the past, so those kind of RFP's are now being contested by us and some of them involve asset takeover and some of them involve people takeover, and our approach to that is that we are very open to working with those type of situations where we need to, we have recently done a transaction where we have taken over people while providing them infrastructure and we will in the future take on such contracts which will involve takeover of people and even takeover of assets.

Suresh Senapaty

Similar transaction happened in the joint venture with Motorola.

Sandeep

Is the deal size expected to go up which will happen in future?

Suresh Senapaty

Yes

Sandeep

And what will be the size you are looking; I mean typically what will be the size?

Sudip Banerjee

Well, currently the sort of deals contested are between \$50 million and \$150 million, there are even larger deals which are there in the market place, primarily some of those deals we think we will get unbundled to more deals of this size.

There is also a very interesting trends are building up, I was having some I mean actually the NASSCOM conference all the time customer meetings and meetings with analysts and meeting with the media, so I was not participating in sessions except the one this morning which I was on the panel, but the very interesting trends which are building up is that customers are now fragmenting the very very large deals, the \$1 billion plus deals which the customer would have signed for outsourcing 2 years back or 3 years back, the customer no longer wants to do that. He does not want to do that because he finds that those deals have the one way traffic with the partner of the supply, the contracts are so well drafted that when the things are going well the partner of supplier sits pretty, if things are not going well for the partner of supply he has escape clauses to renegotiate; so the customers are finding that they are putting too much of their destiny at the mercy of very large outsourcer. This means that the \$1 billion and \$2 billion, and \$3 billion deals are getting fragmented into \$200 million and \$300 million which in most deals Indian companies are now becoming contenders, and now this was very clear conclusion coming in the TPI, the Everest, the AMR's for a considerable amount of time. The second thing is that customers want to reduce very clearly their overhead of management of IT outsourcing, and therefore they want full length supplies. If a customer has 10 suppliers, he wants 3 suppliers, and if a customer has 30 suppliers, he wants 5 suppliers, he does not want to coordinate sub elements of his IT work between half a dozen different suppliers, he wants full length suppliers, and therefore companies such as us you know we already close to \$3 billion are on a preferred list as compared to companies from India who are half a billion dollars, and you can see that even happening in exports from India. The significant amount of consolidation is taking place year-on-year. The market share of the top 5 companies year-on-year from India is increasing drastically, so it is reasonable to expect that the larger companies in India unless they do foolish things will be growing ahead of the market from here.

Sandeep

I have one more question. In banking and finance after a long time we heard a deal of CSFB, I mean so what did you do differently and I mean it was the pricing was the key thing, because you had a strong incumbent there.

Azim Premji

We don't have permission to announce that deal. I am sorry we have not announced it. You know customers are very, very sensitive on this issue, and we don't just want to get a big mismatch with them on the issue.

Participant

The whole structure of the industry, any of the top 10 does not have one single Indian IT services player in it and pretty clearly you will have three, if you look at India now the top 5 are taking market share and racing away, if you look in Europe right now the small players are falling away, and the same is in the US, is that what you say very quickly consolidating industry?

Azim Premji

No, I don't see it as a very quickly consolidating industry. I certainly see what you see is that within 3 to 5 years you will have three Indian companies in the top 10, I have no doubt in my mind on that. The momentum which we have and the momentum which the top 10 has wears that out, I mean they cannot defy gravity logic anymore. I see the differentiation points between the top 3 and top 4 leading Indian companies and the global top 3 leading

global companies almost completely disappearing, they will have probably a higher content of consultancy and we will have a higher content of operations and execution versus consultancy, but the successful companies from India will have somewhere between 10 and 20% revenue from consulting, so we already have 7, and the consultancy revenue also will be having a global delivery model, that is why out of our 1700 consultants we have 350 consultants in India. Today, we are using them for India customers and tomorrow we will use them for global customers, you know PriceWaterhouse is doing successfully from India, KPMG is doing it successfully from India, Deloitte is doing it successfully from India, and even we will be doing it successfully from India, even consultancy has significant component which can be global delivery with a huge cost arbitrage to the company doing it and the company is receiving it, so you can make consultancy also more profitable than what it traditionally has been in terms of existing consultancy company. I think it is the biggest challenge the global companies are going to face is how do they prevent cannibalization of their revenues to the global delivery model. The customer is very clear, he or she is not going to pay any significant premium to IBM or Accenture as compared to Wipro, those days are gone, so the other trend which was there which I forgot to mention you know the predominance of brand in making decisions for global sourcing today is getting diluted. Customers are realizing that even the less known brands of the very successful companies are giving better quality, so what in God's name are they paying a brand premium for? They are getting reliability, they are getting quality, they are getting schedules, they are getting turnaround times, and they are getting more humbleness, which is very very important from company such as us. We listen; we are not so proud, because we are considered to be the incumbents, we are not considered to be the incumbents, so I think the important of brand is also going to get diluted. It is not going to disappear, otherwise we won't be spending time with media, but it is going to get diluted, significantly diluted, I find this across. And it is an interesting thing, I am just going off the thing, NASSCOM has become a global event now. It is no longer an Indian show. It is a global event. It is just not an event where the customer says you know I am planning a visit to India and let me drop in when NASSCOM is there, so I can kill two birds with one stone. It is becoming a main agenda, you can see from the quality of participants, every year since 2 years, 3 years I have been attending it, the quality of participants has gone up, the quality of discussions has gone up, and the quality of audience has gone up. Did I answer your question?

Participant

Yeah, great.

Priya

This is Priya from Enam Securities. My first question relates to the buy out of maintenance contracts which you highlighted in your presentations Sudip Banerjee, by given the EBITDA margins over the tenure of the contract might be similar to company average. Do you have any internal benchmark with respect to ROI and also if you could us some qualitative assessment on the sales cycle, and also among the 25 mega 50 GAMA and growth, where do you see the potential for these maintenance contracts.

Azim Premji

This question is addressed to me?

Priya

I think to the whole management team, it is an integrated offering by the way.

Azim Premji

Well the first point on you know when you do these kind of trans actions what do you see is the ROI and whether it is profitable to those sort of transactions. I think if it is not we would not go there, and I mentioned this yesterday in my other presentation that we are not going after every deal, we are not going after all large deals, we are not going after all tossed deals, we are going after deals where we think we have a sweet spot in terms of our execution ability and where we think that we can make reasonable money which is inline with what we

currently do. So those are the areas that we will focus on, whether it is on large deals, whether it is on tossed deals, whether it is buying or maintenance contracts, whether it is any other models that we talked about. As far as the large GAMA accounts or mega accounts are concerned, I think the selection of those accounts has gone through very rigorous internal process within the company, so we have chosen those accounts very carefully. We have done that on the basis that we think that those are the accounts which will continue to give us profitable growth and they will give us both the scale as well as the money that we expect to make out of it, and they will also be those accounts where we think that we can sell those integrated solutions, where we will be able to showcase our process capability, which will give us a downstream revenue, and that will bring the stickiness; so, important thing there which is one of the things that we are focusing on is the stickiness of those accounts, so we will not go after anything where we don't think that it is sustainable. So the reason for choosing those accounts carefully is that we think that they are in an industry segment which we have some strength on, they will have a solutions focus which we can build on, that will give us the sustainability in those accounts so that those revenues once they are large revenues don't fall off suddenly, so that is the way we will approach the entire...

Priya

Sure, my question is more to do with you know the potential for buyout of maintenance contracts which you highlighted, among these 75 accounts you know obviously would have scanned them through

Sudip Banerjee

When we have looked at these we have looked at all the options, whether it is existing maintenance contracts that we may buy out, whether it is going in for new RFP's for those customers, whether it is just taking them and providing a new alternative models, whether it is going through the Motorola JV route that Suresh talked about, all of them have been evaluated before we actually selected those accounts. We also looked at whether we will be able to make profits on a sustained basis and whether we will get stickiness; so, all those factors were considered and we actually drew up that list.

Priya

Sir, my second question relates to the utilities domain, you know if you could give us some ground realities for 2007 especially in the American geography given the fact that you know your domain expertise remains unparalleled on the Indian vendors, most of the North American geography.

Sudip Banerjee

Well as I mentioned to you that the original expertise that we developed in the utility segment was through UK and then continental Europe, because that is where deregulation took place first, and as a result those industries, those utility industries came to look for option of alternate sourcing. Now after having built that expertise there we took it to the US and in our second year of operation now in terms of a dedicated thrust on both the energy and utilities market we have been able to get in the last 12 months a number of marquee customers where we have made inroads. We have made inroads through our BPO service offering, we made inroads through our consulting offering in the energy and utility space, we have made inroads in terms of some of the packages I talked to you about SPL implementation you know, work in asset management implementations and also some of the areas that we have focused on in terms of the bespoke development for new customers. The other interesting thing which we have focused on is to look at the European based utilities which have large US presence or has large US acquisition, so some of the customers that we have gone to currently are based or have some linkage to the existing European customers that we have, they are both in the oil and gas sector as well in the water and power sector. So those companies are our core customer base now within the US, and now we think that we are in a position to grow those accounts. We have already made the inroads, we have our people on the ground there, we are already working for them there, and because there is pressure now in the utilities market certain markets are deregulating faster, those customers are coming through looking for alternate solutions because they also have to maintain their own margin and cost takeout from them is a very important

element and being able to make their margin, and then cannot raise their prices to their end customers, so that is why they are coming to us.

Priya

Last question initiative on the SOA side.

Sudip Banerjee

SOA we have come off with our own framework as a part of our offering and we have already got several customers, in fact we are doing a project with a very leading US healthcare customer where we have currently already 200 SOA specialists working on that and that is one of the very large SOA implementations, that project will go live next year and our entire building up of the SOA practice has started with that particular project, so now we have got many others surround projects; all these projects have moved from pilot phase to implementation phase, so you will find that when people talk about SOA implementations we have actually got case studies to show.

Priya

Thank you so much.

Participant

On the question of scalability, I think Mr. Premji you touched upon it in your remarks that you are looking at basically non linearity as a proportion of your revenues as a target, if you could comment on you know where we are on that curve today in terms of where we are and where we want to go, and as I related question I guess you know in terms of scalability I think Sudip spoke about you know the fact that you are looking at even the factory model of delivery, if you can talk a bit about that and is you know sub contracting or ancillari zation kind of concept at all relevant in this area?

Azim Premji

Let me take this in part, and the more difficult part I will pass on to my colleagues. You know I think in the BPO business and let me commit on behalf of Kurien here so he gets his neck in the noose, I think we can drive between 10% and 15% productivity a year. I think in the software business we can drive at least 5% productivity, we would like to drive 10% but we have got to get some business model in place, we have got to invest some more in SOA properly and more in managed services, so you know one cannot see anything dramatic happening on this, at least we are not having the understanding of it to drive something which is dramatic. The good thing is that you know we have a model which is today already a global delivery model, so we don't face the disadvantage some of our competitors face, so far as this is concerned. The second part of your question was?

Sudip Banerjee

I just want to make a clarification, the factory model was not a subcontracting model that I talked about, the factory model is something which we have done as an implementation for a large automotive customer where we have said that the problem with large global corporation is that when they look at their headquarters based application, it is easy to do it because there is a lot of interest, however, when it comes to some of their subsidiaries or some of their smaller locations, they cannot take the implementation because there is a very difficult path in going through the entire process of development, so the cost is very high. So what we have done for this particular customer is that we said that we will have standardized work processes, we will have the systems made out at the top end so all the requirements, the specs how it will work all of that will get standardized, so that if there is a request from any of the subsidiaries or any of the branches that will come to this and then the implementation cost is the one that they have to only incur, because the rest of the pieces are already developed, so this is a new way of writing software and this is a new way of doing that application. Now

having done that in this specific instance what happened was that many of the branches and subsidiaries were able to come onto this what we described as a factory model and therefore get the benefits of being able to do their application development without incurring the entire cost range, so they did not have to go once again through requirements gathering, through the scoping process, through the analysis process, and then do all the developments, so the entire life cycles cost they didn't have to take, so that is what is our factory model and that is what we have presented that Harvard as a case study and that is now being taught there.

Azim Premji

On subcontracting, let me just give you a quick answer on that. We are driving that our subcontracting onsite overseas should be less than 5%, and the reason is very simple, subcontractors are more expensive there, they obviously have zero loyalty to us, and we don't build intellectual property in our people through them, but we still want to keep them because they bring sometimes special skills, they bring us meeting certain surges in demand or a certain specific short term requirements of our customers, and certain lag time which are there in terms of organic recruitment, the lateral organic recruitment. So far as India is concerned, we are running at about 5% to 6%. I would ideally like to take it, yeah I would like to take it up to 10%, you know if we can empanel some really good subcontractors in India and identify areas where we can do more of it and I think we can do it much more successfully here, because we have a huge experience in this in Wipro Infotech our domestic IT business in terms of using franchises very very successfully, and if we have business models where with the subcontractors you have an option to hiring people and with the commitment to them that it will not be more than a certain percentage of the people, and a small compensation to them for it is typically you would pay for hiring from our consultants, we find that model works very well in our Wipro Infotech business, because it keeps the subcontractors very motivated in terms of the employees that they get a job with a large well known company, it gets us the best people who have been tested on the job, the kind of experience that they have got gets embedded into the company when we hire them finally. It is unlikely that we would take it above these percentages, so ideally we should take the US even below 5%, US and Europe. Does that answer your question? Any other questions?

Aseem Gupta

This is Aseem Gupta from DSP Merrill Lynch Mutual Fund. Mr. Premji just mentioned that the company would like to increase the consulting revenues to say 15% in the next 2 to 3 years, does the company need to rebrand itself or say not Wipro but Indian companies do they need to rebrand themselves to target say consulting rather than just a pure delivery kind of business?

Azim Premji

Why in goodness would we want to rebrand ourselves? There is enough to built one brand, you are trying to build two brands.

Aseem Gupta

No rebrand in the sense it is a perception, the perception of Indian companies is still typical software development.

Azim Premji

Perception is results, everything else depends, you people don't come here to listen to us, you people eventually go out and decide what you want to do depending upon the results we give, everything is results. It is results with our customers also. We deliver higher quality at a better value for money. We deliver the right intellectual property as we deliver the right pro-activity with the consultants, with the customers, we get our brand. All the rest is bluff, but what we are doing and this is important, you know we don't have an image of being consulting, so what we have done effective about month and a half back is we have put under Girish Paranjpe, who is our President of Financial Solutions, he has taken leadership now to put together in terms of common practices,

common brand, common approaches, common centralized services, you know everyone has sneaked in a HR person, everyone has sneaked in a finance person, everyone has sneaked in a quality person into all the sub elements of consultancy, so we are not getting one approach to the problem. We are not getting one approach so far as the customer is concerned; we are not getting one approach so far as our pricing is concerned. We are pulling this back, pulling this into a very federated approach so that we get the force of the brand of consultancy much more registered so far as consultants are concerned, in fact I was surprised when we did this whole exercise that our consulting revenue is as high as 7%. We were all around on an impression it was 4%, so if you read our analyst Q&A last year and the year before you will come off with figure which are 3 and 4%.

Shekar Singh

Just wanted to know like if you were to ignore this two mergers which are happening in the OEM space, even if we were not to look at those acquisitions, is there some activity actually happening on the fresh development side in the OEM or it is just like more or less nothing much happening on OEM side, telecom OEM?

Azim Premji

You are talking about the Lucent

Shekar Singh

Yeah, what I am trying to say is that if everyone were to ignore these two mergers because of which there had been some impact on your revenues, if we ignore this, then on the remaining portion is there anything actually happened in terms of fresh development or something?

Suresh Senapaty

Significant development happening in the other customers, who we have not named yet, I mean now we have got all 7 of the customers, the top 7 of our customers now and in the others who are not going through a similar gyrations that significant growth happening in those customers, but these are the ones where, its not two who are impacted four are impacted, it is really Siemens, and Alcatel, and Lucent and Nokia, so four are impacted out of the erstwhile but now the other 7 there is significant activity. Fresh developments because of the pressures from the telecom operators, because of the new build out happening with new technologies in the emerging world, because of 3G and Wi-Max being rolled out in many cities, there are lots of development happening in those areas.

Shekar Singh

Secondly, just wanted to know if there are

Azim Premji

You know we have a very interesting strategy which is work in process, so we cannot announce it, wher eby you know the 8000 people we have in telecom, which has traditionally been called R&D, how do we bring that force into telecom service provider space, and we believe that we have an absolutely unique expertise in that area which can turbo charge the growth in the telecom service provider space if we have a more integrated approach, it is something like what we are talking about in consultancy, and you will see some announcements coming for that in the next between 4 to 6 weeks.

Shekar Singh

So like as per the telecom service providers business is concerned you all were very well poised on very well positioned over there, but now with most of the telecom OEMs actually targeting that space you know we should be seeing it more as an increase in competition and therefore we should actually be getting say a negative now

as compared to what we would have been if we could have not seen these OEMs actually, and what surprises me is why should Motorola have just an 18% of stake in the joint venture, if set up with the opportunity they will feel like okay we would like to have a much bigger stake in the joint venture.

Azim Premji

You know what the managed services venture with Motorola is, it is really an integrated development center. Motorola has today 300 subcontractors for managed services, they are just going crazy trying to manage them, they are not getting quality, they are not getting pricing, they are not getting standards, they are not getting ramp ups which are required in terms of the emerging opportunity, so joint venture is their way and I think it is quite smart of being able to consolidate these 300 subcontractors into partners like Wipro and use the global delivery model simultaneously for it. It is not stopping them from go to market, and it is good for us is because this is also giving us a significant part of their captive business.

Shekar Singh

But why not have a much bigger stake in this, then Motorola should have

Azim Premji

Because we negotiated well, why are you telling us that we are fools because we negotiated well, that we negotiate well. We negotiated well, we got certain strength at the table and we used that to the hilt, nothing wrong with that.

Shekar Singh

But are the other telecom OEMs also anything into such joint ventures basically like

Azim Premji

I think Motorola had not done a good job and you know they were under pressures of time. Somebody like Ericsson has done a very good job. Nokia has done a very good job, but now the trick is that we should still be able to do managed services for Nokia and Ericsson, and that is important, we should not lose them as customers for telecom service provider space, and that is the trick, which is why we have made it very clear that this is not a go to market venture. We do not want the Nokia, the Ericsson's, the Lucent Alcatel's to see us as a threat, and that is what we are very clearly telling them, look this is a development center, like a development centers we have for you where we compete with each other in terms of doing competing work but with full protection on IP, this is a delivery joint venture for the telecom service provider space please do not see it as a threat to your business because we do not go to market, we have no interest in going to market. We are a development center for managed services for the telecom service provider space.

Sudip Nandy

If you are following this space you should follow the close parallel in the IP hardware space and what happened to the IP hardware maintenance and system integration and to the parallel with the telecom hardware space, something similar is happening in both the spaces.

Azim Premji

That is a very important point, it is not a go to market venture. We want to do the same business for Nokia. We want to do the same business for Alcatel. We want to do the same business for France Telecom, but what this venture will give us if we do it right, and hopefully we will do it right, is get us a depth of expertise we did not have before. A huge depth of manufacturing expertise on a development center, and it is a very specialized area and it is a very complex area.

Shekar Singh

It is a delivery joint venture. Just for the understanding in terms of your opportunity in that space, will it be similar to what IBM is doing with Bharti in India, and if it is so then say where IBM has taken over the entire hardware, what is the entire network and they are the ones who are responsible for it whatever is required in the network, and if that is the case then will it be something related to some outcome based pricing etc., which will be there.

I think the IBM deal what we know about it, it is only one piece of the entire contract, because there is another piece of contract with vendors in that business, so the opportunity in the telecom space is much more than what IBM is doing for. About outcome-based pricing yes that may not just happen in telecom but may happen in more spaces, it may happen in the entire IMS infrastructure management space also it may be outcome-based pricing, it may not be revenue share of the type that is structured in this contract, but this is only a part of the overall space, and also the kind of work that an equipment vendor is doing in the telecom providers is different in the emerging markets and different in the developed world. It is different from the incumbents and different from the non-incumbents. So British Telecom, for example, will not put its eggs in one basket and give it to one vendor, they will do it themselves or go to third parties, so there are different trends emerging in which markets the telecom vendors can address and what they can do.

Rajesh Ramaiah

As I guess the questions are over. Thanks, okay.

Azim Premji

You got to get the mike on, the mike is off. I say please don't put off the mikes unless you plan to sleep.

Participant

Wipro is doing something in the domestic market, I recently saw on the cover page of some magazine.

Azim Premji

You recently saw?

Participant

Sorry.

Azim Premji

I did not hear you.

Participant

Wipro is doing something in Indian market, realized the profit better in Indian markets, it is the front page of some Business Today.

Azim Premji

No, no, what will be our revenue in the domestic IT markets this year?

Rajesh Ramaiah

\$550 million.

Azim Premji

USD \$550 million, and we will have grown year over year about 44%, so it is growing faster than our global market and there is no reason why we cannot keep this turbo charged in growth in domestic market, and about 35% of this revenue is services, it is not hardware, and even the hardware which we sell is significant part of it is high end hardware which we get decent margins. Oh! Most certainly it is a very major focus area for us, and this market is really exploding both in terms of growth rates and in terms of size of deals, and we are uniquely positioned. Our brand is at par with the best brand like IBM, absolutely at par, so everyone has to fight on merit, so if you can give more value to the customer there is absolutely no reason why we cannot win it, if you see even the total outsourcing deals which we have won here, our win rate is about over 60%, so it is a very major focus area for us, and so is the Middle East market. I don't know if you saw the investor call notes of Cisco? Cisco has grown year over year at 100% in the Middle East market, 100%, and that is not a small market any longer for them, it is 100% on a decent base, why? Because John Chambers started focusing on that market 5 years back. We started focusing on that market 4 years back, so it is a major growth market for us.

Okay, thank you.

Rajesh Ramaiah

We have tea and snacks and the management team will be there for some more time for you to discuss personally.