

WIPRO LIMITED

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH U.S. GAAP
AS OF AND FOR THE
QUARTER ENDED JUNE 30, 2002**

WIPRO LIMITED
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	As of June 30,			As of March 31,
	2001	2002	2002	2002
	(unaudited)	(unaudited)	(unaudited) Convenience translation into US\$	
ASSETS				
Current assets:				
Cash and cash equivalents (Note 4).....	Rs. 4,631,601	Rs.10,908,501	\$ 223,032	Rs. 7,377,200
Accounts receivable, net of allowances (Note 5).....	5,280,383	6,109,595	124,915	5,980,903
Costs and earnings in excess of billings on contracts in progress	155,932	1,294,624	26,470	1,009,795
Inventories (Note 6)	1,822,707	1,429,159	29,220	1,402,146
Investment securities (Note 8).....	2,950,428	4,190,258	85,673	5,043,334
Deferred income taxes (Note 21)	104,549	180,575	3,692	179,088
Property, plant and equipment held for sale.....	-	34,186	699	-
Other current assets (Note 7)	<u>3,438,066</u>	<u>2,219,744</u>	<u>45,384</u>	<u>3,481,308</u>
Total current assets.....	18,383,666	26,366,642	539,085	24,473,774
Investment securities (Note 8).....	94,301	530,344	10,843	450,833
Property, plant and equipment, net (Note 9).....	5,971,161	6,014,178	122,964	6,261,857
Investments in affiliates (Note 13)	734,159	683,009	13,965	898,319
Deferred income taxes (Note 21)	132,146	359,076	7,342	265,149
Goodwill and intangible assets, net (Note 10).....	788,236	656,471	13,424	656,571
Other assets (Note 7).....	<u>538,962</u>	<u>725,566</u>	<u>14,833</u>	<u>748,084</u>
Total assets.....	<u>Rs. 26,642,631</u>	<u>Rs. 35,335,286</u>	<u>\$ 722,456</u>	<u>Rs. 33,754,587</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Borrowings from banks (Note 15)	Rs. 127,468	Rs. 442,913	9,056	Rs. 182,260
Current portion of long-term debt (Note 16)	148,937	82,162	1,680	78,993
Accounts payable.....	1,541,464	1,626,105	33,247	2,238,900
Accrued expenses	2,299,113	2,508,451	51,287	1,943,647
Advances from customers.....	793,532	932,914	19,074	1,121,107
Deferred income taxes (Note 21).....	-	12,957	265	-
Other current liabilities (Note 11).....	<u>461,269</u>	<u>473,097</u>	<u>9,673</u>	<u>493,950</u>
Total current liabilities	5,371,783	6,078,599	124,281	6,058,857
Long-term debt, excluding current portion (Note 16)	99,376	29,770	609	29,770
Deferred income taxes (Note 21)	97,968	23,031	471	115,453
Other liabilities	<u>83,171</u>	<u>59,034</u>	<u>1,207</u>	<u>93,240</u>
Total liabilities.....	5,652,298	6,190,434	126,568	6,297,320
Stockholders' equity:				
Equity shares at Rs. 2 par value: 375,000,000 shares authorized; Issued and outstanding: 232,436,379, 232,465,689 and 232,492,943 shares as of March 31, 2002, June 30, 2001 and 2002 (Note 17)				
	464,873	464,987	9,507	464,932
Additional paid-in capital (Note 22).....	6,781,211	6,846,715	139,986	6,817,163
Deferred stock compensation (Note 22).....	(160,666)	(76,240)	(1,559)	(93,201)
Accumulated other comprehensive income/(loss) (Note 8).....	1,351	(2,902)	(59)	51,861
Retained earnings (Note 18)	13,903,639	21,912,367	448,014	20,216,587
Equity shares held by a controlled Trust: 1,321,335, 1,304,460 and 1,321,460 shares as of March 31, 2002, June 30, 2001 and 2002 (Note 22).....	<u>(75)</u>	<u>(75)</u>	<u>(2)</u>	<u>(75)</u>
Total stockholders' equity.....	<u>20,990,333</u>	<u>29,144,852</u>	<u>595,887</u>	<u>27,457,267</u>
Total liabilities and stockholders' equity.....	<u>Rs.26,642,631</u>	<u>Rs. 35,335,286</u>	<u>\$ 722,456</u>	<u>Rs. 33,754,587</u>

See accompanying notes to the unaudited consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share data)

	Three months ended June 30,		
	2001	2002	2002
	(unaudited)	(unaudited)	(unaudited)
			Convenience translation into US\$
Revenues:			
Global IT Services and Products.....			
Services.....	Rs. 5,160,062	Rs. 6,309,467	\$ 129,002
Products.....	-	34,605	708
India and AsiaPac IT Services and Products.			
Services.....	484,628	468,128	9,571
Products.....	884,764	1,282,304	26,218
Consumer Care and Lighting.....	725,162	715,650	14,632
Healthcare and Life Sciences.....	117,193	120,760	2,469
Others.....	114,154	218,222	4,462
Total.....	<u>7,485,963</u>	<u>9,149,136</u>	<u>187,061</u>
Cost of revenues:			
Global IT Services and Products.....			
Services.....	2,702,564	3,636,379	74,348
Products.....	-	31,942	653
India and AsiaPac IT Services and Products.			
Services.....	328,788	251,661	5,145
Products.....	690,400	1,140,286	23,314
Consumer Care and Lighting.....	490,142	474,659	9,705
Healthcare and Life Sciences.....	74,671	101,267	2,070
Others.....	100,317	174,932	3,577
Total.....	<u>4,386,882</u>	<u>5,811,126</u>	<u>118,813</u>
Gross profit.....	3,099,081	3,338,010	68,248
Operating expenses:			
Selling, general, and administrative			
expenses.....	(1,133,668)	(1,252,845)	(25,615)
Research and development expenses.....	(36,598)	(39,300)	(804)
Amortization of goodwill.....	(43,891)	-	-
Foreign exchange gains, net.....	45,030	202,037	4,131
Others, net.....	36,517	36,211	740
Operating income.....	1,966,471	2,284,113	46,700
Other income, net (Note 19).....	161,588	260,443	5,325
Income taxes (Note 21).....	(269,839)	(253,797)	(5,189)
Income before share of equity in earnings of			
affiliates.....	1,858,220	2,290,759	46,836
Equity in earnings/(losses) of affiliates (Note			
13).....	44,466	(206,310)	(4,218)
Income from continuing operations.....	1,902,686	2,084,449	42,618
Discontinued operations (Note 3)			
Loss from operations of the discontinued			
corporate Internet services division (including			
loss on disposal of Rs.274,780 for the period			
ended June 30, 2002)	(22,069)	(540,839)	(11,058)
Income tax benefit.....	7,879	152,170	3,111
Loss on discontinued operations.....	(14,190)	(388,669)	(7,947)
Net income.....	<u>Rs. 1,888,496</u>	<u>Rs. 1,695,780</u>	<u>\$ 34,671</u>
Earnings per equity share: Basic			
Continuing operations.....	8.24	9.02	0.18
Discontinued operations.....	(0.06)	(1.68)	(0.03)
Net income.....	8.18	7.34	0.15
Earnings per equity share: Diluted			
Continuing operations.....	8.22	9.00	0.18
Discontinued operations.....	(0.06)	(1.68)	(0.03)
Net income.....	8.16	7.32	0.15
Weighted average number of equity shares used in			
computing earnings per equity share:			
Basic.....	231,027,843	231,161,319	231,161,319
Diluted.....	231,403,329	231,678,987	231,678,987

See accompanying notes to the unaudited consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(in thousands, except share data)

	Equity Shares		Additional	Deferred	Comprehensive	Accumulated	Retained	Equity Shares held by a		Total
	No. of Shares	Amount	Paid in	Stock		Other		Controlled Trust		Total Stockholders' Equity
			Capital	Compensation		Comprehensive		No. of Shares	Amount	
Balance as of March 31, 2001...	<u>232,433,019</u>	<u>Rs. 464,866</u>	<u>Rs.6,785,652</u>	<u>Rs. (186,404)</u>		<u>Rs. 1,431</u>	<u>Rs. 12,015,143</u>	<u>(1,280,885)</u>	<u>Rs. (75)</u>	<u>Rs. 19,080,613</u>
Shares forfeited, net of issuances by Trust (Unaudited).....	—	—	—	—	—	—	—	(23,575)	—	—
Issuance of equity shares on exercise of options (Unaudited).....	3,360	7	3,643	—	—	—	—	—	—	3,650
Net reversal of compensation related to employee stock incentive plan (Unaudited).....	—	—	(8,084)	2,362	—	—	—	—	—	(5,722)
Amortization of compensation related to employee stock incentive plan, (Unaudited).....	—	—	—	23,376	—	—	—	—	—	23,376
Comprehensive income.....	—	—	—	—	—	—	—	—	—	—
Net income (Unaudited).....	—	—	—	—	1,888,496	—	1,888,496	—	—	1,888,496
Other comprehensive income Unrealized gain/(loss) on investments securities, net (Unaudited)	—	—	—	—	(80)	(80)	—	—	—	(80)
Comprehensive income					<u>Rs. 1,888,416</u>					
Balance as of June 30, 2001(Unaudited)	<u>232,436,379</u>	<u>Rs. 464,873</u>	<u>Rs.6,781,211</u>	<u>Rs. (160,666)</u>		<u>Rs. 1,351</u>	<u>Rs.13,903,639</u>	<u>(1,304,460)</u>	<u>Rs. (75)</u>	<u>Rs. 20,990,333</u>
Cash dividends paid (Unaudited).....							(128,534)			(128,534)
Shares forfeited, net of issuances by Trust (Unaudited).....								(16,875)	—	
Issuance of equity shares on exercise of options (Unaudited).....	29,310	59	31,771	—	—	—	—	—	—	31,830
Net reversal of compensation related to employee stock incentive plan (Unaudited).....	—	—	(6,396)	—	—	—	—	—	—	(6,396)
Amortization of compensation related to employee stock incentive plan (Unaudited).....	—	—	—	67,465	—	—	—	—	—	67,465
Income tax benefit arising on exercise of stock options (Unaudited).....	—	—	10,577	—	—	—	—	—	—	10,577
Comprehensive income.....	—	—	—	—	—	—	—	—	—	—
Net income (Unaudited).....	—	—	—	—	6,441,482	—	6,441,482	—	—	6,441,482
Other comprehensive income Unrealized, gain/(loss) on investment securities, net (Unaudited).....	—	—	—	—	50,510	50,510	—	—	—	50,510
Comprehensive income					<u>Rs. 6,491,992</u>					
Balance as of March 31, 2002.....	<u>232,465,689</u>	<u>Rs. 464,932</u>	<u>Rs.6,817,163</u>	<u>Rs. (93,201)</u>		<u>Rs. 51,861</u>	<u>Rs. 20,216,587</u>	<u>(1,321,335)</u>	<u>Rs. (75)</u>	<u>Rs. 27,457,267</u>

	Equity Shares		Additional	Deferred	Comprehensive	Accumulated	Retained	Equity Shares held by a		Total	
	No. of Shares	Amount	Paid in	Stock		Comprehensive		Other	Controlled Trust		Stockholders'
			Capital	Compensation		Income		Income	No. of Shares	Amount	Equity
Shares forfeited, net of issuances by Trust (Unaudited).....	—	—	—	—	—	—	—	(125)	—	—	
Issuance of equity shares on exercise of options (Unaudited).....	27,254	55	29,552	—	—	—	—	—	—	29,607	
Amortization of compensation related to employee stock incentive plan, net of reversals (Unaudited).....				16,961	—	—	—	—	—	16,961	
Comprehensive income											
Net income (Unaudited).....					1,695,780		1,695,780			1,695,780	
Other comprehensive income											
Unrealized gain/(loss) on investment securities, net (Unaudited).....	—	—	—	—	(54,763)	(54,763)	—	—	—	(54,763)	
Comprehensive income					<u>Rs. 1,641,017</u>						
Balance as of June 30, 2002 (Unaudited).....	<u>232,492,943</u>	<u>Rs. 464,987</u>	<u>Rs. 6,846,715</u>	<u>Rs. (76,240)</u>		<u>Rs. (2,902)</u>	<u>Rs. 21,912,367</u>	<u>(1,321,460)</u>	<u>Rs. (75)</u>	<u>Rs. 29,144,852</u>	
Balance as of June 30, 2002 (Unaudited) (\$)..		<u>9,507</u>	<u>139,986</u>	<u>(1,559)</u>		<u>(59)</u>	<u>448,014</u>		<u>(2)</u>	<u>595,887</u>	

See accompanying notes to the unaudited consolidated financial statements.

WIPRO LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share data)

	Three months ended June 30,		
	2001	2002	2002
	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities:			Convenience translation into US\$
Net income.....	Rs. 1,888,496	Rs. 1,695,780	\$ 34,671
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss from operations of the discontinued corporate Internet services division.....	14,190	388,669	7,947
Gain on sale of property, plant and equipment.....	(13,625)	(1,118)	(23)
Depreciation and amortization.....	312,518	323,718	6,619
Deferred tax charge / (benefit).....	66,550	(42,298)	(865)
Gain on sale of investment securities.....	-	(81,867)	(1,673)
Amortization of deferred stock compensation.....	17,654	16,961	347
Equity in earnings of affiliates.....	(44,466)	206,310	4,218
Changes in operating assets and liabilities:			
Accounts receivable.....	644,145	(208,730)	(4,268)
Costs and earnings in excess of billings on contracts in progress	(90,598)	(284,829)	(5,824)
Inventories.....	(338,169)	(27,013)	(552)
Other assets.....	(1,044,742)	1,251,519	25,588
Accounts payable.....	(307,913)	(672,042)	(13,740)
Accrued expenses.....	247,674	491,006	10,039
Advances from customers.....	(31,808)	(172,348)	(3,524)
Other liabilities.....	9,295	(50,367)	(1,030)
Net cash provided by continuing operations.....	1,329,201	2,833,351	57,930
Net cash provided by/(used in) the discontinued operations.....	(5,792)	57,832	1,182
Net cash provided by operating activities	<u>1,323,409</u>	<u>2,891,183</u>	<u>59,112</u>
Cash flows from investing activities:			
Expenditure on property, plant and equipment.....	(630,325)	(449,959)	(9,200)
Proceeds from sale of property, plant and equipment.....	31,102	18,931	387
Dividends received from affiliates.....	-	49,000	1,002
Purchase of investment securities.....	(3,185,300)	(4,683,659)	(95,761)
Proceeds from sale and maturities of investment securities.....	<u>2,847,073</u>	<u>5,412,376</u>	<u>110,660</u>
Net cash provided by / (used in) continuing operations.....	(937,450)	346,689	7,088
Net cash provided by the discontinued operations.....	<u>11,407</u>	<u>-</u>	<u>-</u>
Net cash (used in) investing activities	<u>(926,043)</u>	<u>346,689</u>	<u>7,088</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock.....	3,650	29,607	605
Proceeds from/ (repayments of) short-term borrowing from banks, net	(219,182)	260,653	5,329

	Three months ended June 30,		
	2001	2002	2002
Proceeds from issuance of long-term debt	4,345	3,169	65
Repayment of long-term debt	<u>(1,177,259)</u>	-	-
Net cash provided by / (used in) financing activities.....	<u>(1,388,446)</u>	<u>293,429</u>	<u>5,999</u>
Net increase/ (decrease) in cash and cash equivalents during the period.....	(991,080)	3,531,301	72,200
Cash and cash equivalents at the beginning of the period.....	<u>5,622,681</u>	<u>7,377,200</u>	<u>150,832</u>
Cash and cash equivalents at the end of the period.....	<u>Rs. 4,631,601</u>	<u>Rs.10,908,501</u>	<u>\$ 223,032</u>
Supplementary information:			
Cash paid for interest.....	Rs. 40,883	Rs. 8,378	\$ 171
Cash paid for taxes.....	209,902	251,442	5,141

Non-cash investing transactions :

During the three months ended June 30, 2002, the Company acquired a 5.9% equity interest in Wipro ePeripherals through conversion of debentures with a carrying value of Rs. 40,000.

See accompanying notes to the unaudited consolidated financial statements.

WIPRO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share data and where otherwise stated)

1. Overview

Wipro Limited (Wipro), together with its subsidiaries Wipro Inc., EnThink Inc., Wipro Prosper Limited, Wipro Welfare Limited, Wipro Trademarks Holdings Limited, Wipro Japan KK, Wipro Fluid Power Limited and affiliates Wipro ePeripherals Limited and Wipro GE Medical Systems Limited (collectively, the Company) is a leading India based provider of IT services and products globally. Further, Wipro has other businesses such as India and AsiaPac IT Services and Products, Consumer Care and Lighting and Healthcare and Life Sciences. Wipro is headquartered in Bangalore, India.

2. Significant Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Basis of preparation of financial statements. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Functional currency. The functional and reporting currency of the Company is the Indian rupee as a significant portion of the Company's activities are conducted in India.

Convenience translation. The accompanying financial statements have been prepared in Indian rupees, the national currency of India. Solely for the convenience of the readers, the financial statements as of and for the period ended June 30, 2002 have been translated into United States dollars at the noon buying rate in New York City on June 28, 2002, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of \$1=Rs. 48.91. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate.

Principles of consolidation. The consolidated financial statements include the financial statements of Wipro and all of its subsidiaries, which are more than 50% owned and controlled. All material inter-company accounts and transactions are eliminated on consolidation. The Company accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the investee.

Cash equivalents. The Company considers all highly liquid investments with remaining maturities, at the date of purchase/investment, of three months or less to be cash equivalents.

Revenue recognition. Revenues from software development services comprise income from time-and-material and fixed-price contracts. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue with respect to fixed-price contracts is recognized in accordance with the percentage of completion method of accounting. Provisions for estimated losses on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. Maintenance revenue is deferred and recognized ratably over the term of the agreement. Revenue from customer training, support, and other services is recognized as the related service is performed. Revenue

from sale of goods is recognized, in accordance with the sales contract, on dispatch from the factories/warehouses of the Company, except for contracts where a customer is not obligated to pay a portion of contract price allocable to the goods until installation or similar service has been completed. In these cases, revenue is recognized on completion of installation. Revenues from multiple-element arrangements are allocated among separate elements based on the fair value of each element. When the Company receives advance payments from customers for sale of products or provision of services, such payments are reported as advances from customers until all conditions for revenue recognition are met. Revenues from product sales are shown net of excise duty, sales tax and applicable discounts and allowances.

Effective April 1, 2001, the Company adopted EITF 00-14: Accounting for Certain Sales Incentives, EITF 00-22: Accounting for "Points" and Certain Other Time-based or Volume-based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future and EITF 00-25: Vendor Income Statement Characterization of Consideration from a Vendor to a Retailer. Reported data for previous periods have been reclassified to make it comparable with the current presentation. These reclassifications had no impact on reported net income.

Shipping and handling costs: Shipping and handling costs are included in selling, general and administrative expenses.

Inventories. Inventories are stated at the lower of cost and market. Cost is determined using the weighted average method for all categories of inventories.

Investment securities. The Company classifies its debt and equity securities in one of the three categories: trading, held-to-maturity or available-for-sale, at the time of purchase and re-evaluates such classifications as of each balance sheet date. Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in income. Temporary unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from income and are reported as a separate component of stockholders' equity until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis and are included in income. A decline in the fair value of any available-for-sale or held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. Fair value is based on quoted market prices. Non-readily marketable equity securities for which there is no readily determinable fair value are recorded at cost, subject to an impairment charge for any other than temporary decline in value. The impairment is charged to income.

Investments in affiliates. The Company's equity in the earnings of affiliates is included in the statement of income and the Company's share of net assets of affiliates is included in the balance sheet.

Shares issued by subsidiary/affiliate. The issuance of stock by a subsidiary/affiliate to third parties reduces the proportionate ownership interest in the investee. Unless the issuance of such stock is part of a broader corporate reorganization or unless realization is not assured, the Company recognizes a gain or loss, equal to the difference between the issuance price per share and the Company's carrying amount per share. Such gain or loss is recognized in the statement of income when the transaction occurs.

Property, plant and equipment. Property, plant and equipment are stated at cost. The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. Assets under capital lease are amortized over their estimated useful life or the lease term, as appropriate. The estimated useful lives of assets are as follows:

Buildings.....	30 to 60 years
Plant and machinery.....	2 to 21 years
Furniture, fixtures and equipment....	2 to 5 years
Vehicles.....	4 years
Computer software.....	2 years

Software for internal use is primarily acquired from third-party vendors and is in ready to use condition. Costs for acquiring this software are capitalized and subsequent costs are charged to the statement of income. The capitalized costs are amortized on a straight-line basis over the estimated useful life of the software. Deposits paid towards the acquisition of property, plant and equipment outstanding as of each balance sheet date and the cost of property, plant and equipment not ready for use before such date are disclosed under capital work-in-progress. The interest cost incurred for funding an asset during its construction period is capitalized based on the actual investment in the asset and the average cost of funds. The capitalized interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

Goodwill and intangible assets. The Company records as assets, costs incurred on assets which are of enduring value at the consideration paid for it and amortizes the cost by systematic charges to income over the period estimated to be benefited. Goodwill resulting from acquisitions is also reported as an intangible asset.

On April 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. Adoption of SFAS No. 142 did not result in reclassification of existing goodwill and intangible assets.

As required by SFAS No. 142, the Company identified its reporting units and assigned assets and liabilities, including goodwill to the reporting units on the date of adoption. Subsequently, the Company compared the fair value of the reporting unit to its carrying value, to determine whether goodwill is impaired at the date of adoption. This transitional impairment evaluation did not indicate an impairment loss.

Subsequent to the adoption of SFAS No. 142, the Company does not amortize goodwill but will instead test goodwill for impairment at least annually. The carrying value of the goodwill on the date of adoption was Rs. 656,240.

The following table discloses what reported income from continuing operations, net income and basic and diluted earnings per share would have been in all periods presented, excluding amortization of goodwill :

	Three months ended June 30,	
	2001	2002
	(unaudited)	(unaudited)
Income from continuing operations, as reported	Rs. 1,902,686	Rs. 2,290,759
Add: Amortization of goodwill	43,891	-
Income from continuing operations, adjusted	<u>Rs. 1,946,577</u>	<u>Rs. 2,290,759</u>
Earnings per share : Basic		
Continuing operations, as reported	8.24	9.02
Add: Amortization of goodwill	<u>0.19</u>	<u>-</u>
Continuing operations, adjusted	<u><u>8.43</u></u>	<u><u>9.02</u></u>
Earnings per share : Diluted		
Continuing operations, as reported	8.22	9.00
Add: Amortization of goodwill	<u>0.19</u>	<u>-</u>
Continuing operations, adjusted	<u><u>8.41</u></u>	<u><u>9.00</u></u>

	Three months ended June 30,	
	2001	2002
	(unaudited)	(unaudited)
Net income, as reported	Rs. 1,888,496	Rs. 1,695,780
Add: Amortization of goodwill	43,891	-
Net income, adjusted	<u>Rs. 1,932,387</u>	<u>Rs. 1,695,780</u>
Earnings per share : Basic		
Net income, as reported	8.17	7.34
Add: Amortization of goodwill	0.19	-
Net income, adjusted	<u>8.36</u>	<u>7.34</u>
Earnings per share : Diluted		
Net income, as reported	8.16	7.32
Add: Amortization of goodwill	0.19	-
Net income, adjusted	<u>8.35</u>	<u>7.32</u>

Business combinations. In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, which requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies the criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocated to an assembled workforce may not be accounted separately.

Start-up costs. Cost of start-up activities including organization costs are expensed as incurred.

Research and development. Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities that are acquired or constructed for research and development activities and having alternative future uses, is capitalized as tangible assets when acquired or constructed. Software product development costs are expensed as incurred until technological feasibility is achieved.

Impairment or disposal of long-lived assets. Effective April 1, 2002, the Company adopted SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS No. 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, it retains the fundamental provisions of SFAS No. 121.

SFAS No. 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30 Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. However, SFAS No. 144 retains the requirement of APB Opinion No. 30 to separately report discontinued operations and extends that reporting to a component of an entity that an entity has disposed of, or classified as held-for-sale. SFAS No. 144 requires that the Company measures long-lived assets held-for-sale, at the lower of carrying amount or fair value, less costs to sell. Similarly, under SFAS No. 144, discontinued operations are no longer measured at net realizable value or include amounts for operating losses that have not yet been incurred.

Foreign currency transactions. The functional and reporting currency of the Company is the Indian rupee. Foreign currency transactions are translated into Indian rupees at the rates of exchange prevailing on the date of the respective transactions. Assets and liabilities in foreign currency are translated into Indian

rupees at the exchange rate prevailing on the balance sheet date. The resulting exchange gains/losses are included in the statement of income.

Earnings per share. In accordance with SFAS No. 128, Earnings Per Share, basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be antidilutive.

Income taxes. Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

Stock-based compensation. The Company uses the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25 to account for its employee stock based compensation plans. The Company has therefore adopted the pro forma disclosure provisions of SFAS No. 123, Accounting for Stock-based Compensation.

Derivatives and hedge accounting: On April 1, 2001, Wipro adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended, when the rules became effective for companies with fiscal year ending March 31.

The Company enters into forward foreign exchange contracts where the counterparty is generally a bank. The Company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecasted cash flows denominated in certain foreign currencies. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS No. 133, as amended. Any derivative that is either not designated as a hedge, or is so designated but is ineffective per SFAS No. 133, is marked to market and recognized in income immediately. No initial transition adjustments were required to adopt SFAS No. 133.

Recent accounting pronouncements:

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Adoption of SFAS No. 143, will not have a significant impact on the consolidated financial statements of the Company.

In April 2002, the FASB issued SFAS No.145, Rescission of FASB Statements No.4, 44 and 64, Amendment of FASB Statement No.13, and Technical Corrections. SFAS No.145 provides for the rescission of several previously issued accounting standards, new accounting guidance for the accounting for certain lease modifications and various technical corrections that are not substantive in nature to existing pronouncements. SFAS No.145 will be adopted beginning January 1, 2003, except for the provisions relating

to the amendment of SFAS No.13, which were adopted for transactions occurring subsequent to May 15, 2002. Adoption of SFAS No.145 will not have a material impact on the consolidated financial statements.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company is evaluating the impact of SFAS No. 146 on its consolidated financial statements.

Reclassifications. The Company has reclassified certain costs for three months ended June 30, 2001, from selling, general and administrative expenses to cost of revenues to conform to the current presentation. The impact of this reclassification on reported gross profit is Rs. 59,358, which is not material. Certain other reclassifications have been made to conform prior period data to the current presentation. The above reclassifications had no impact on reported net income or stockholders' equity.

3. Discontinued Operations

The Company was involved in the corporate Internet services (ISP) business since 1999. For strategic reasons, the Company decided to concentrate on its core businesses and as a result in June 2002, the Company decided to exit this division and approved a formal plan of disposal. Under the plan, the Company will sell the customer contracts and the related long-lived assets. Trade receivables relating to the division will be recovered by the Company and the Company will settle all outstanding vendor obligations. The Company currently expects to complete the disposal by December 31, 2002.

The long-lived assets of the division have been reported as held-for-sale and are measured at their fair value, less cost to sell, which is lower than their carrying amount. The loss of Rs. 274,780 resulting from the write-down is reported as loss on disposal. The estimated liabilities with respect to settlement of vendor obligations aggregate Rs. 113,490 and have been reported as other exit costs.

The operations of the ISP division qualify as a component of an entity, being an asset group. As the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Company will not have any significant continuing involvement in the operations of the component after the disposal, the results of operations of the ISP division are reported in discontinued operations for the current and prior periods.

The results of operations of the discontinued component comprise:

	Three months ended June 30,	
	2001	2002
	(unaudited)	(unaudited)
Revenue	Rs. 167,951	Rs. 38,047
Operating costs	(190,020)	(190,616)
Other exit costs	-	(113,490)
Loss on disposal	-	(274,780)
Income tax benefit	7,879	152,170
Loss on discontinued operations	<u>Rs. (14,190)</u>	<u>Rs. (388,669)</u>

4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2002, June 30, 2001 and 2002 comprise of cash, cash on deposit with banks and highly liquid money market instruments.

5. Accounts Receivable

Accounts receivable as of March 31, 2002, June 30, 2001 and 2002 are stated net of allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts based on present and prospective financial condition of its customers and aging of the accounts receivable. Accounts receivable are generally not collateralized.

The activity in the allowance for doubtful accounts receivable is given below:

	Three months ended June 30,		Year ended March 31,
	2001	2002	2002
	(unaudited)	(unaudited)	
Balance at the beginning of the period.....	Rs. 297,884	Rs. 491,644	Rs. 297,884
Additional provision during the period...	79,361	35,766	250,867
Bad debts charged to provision.....	(623)	(3,182)	(57,107)
Balance at the end of the period.....	<u>Rs. 376,622</u>	<u>Rs. 524,228</u>	<u>Rs. 491,644</u>

6. Inventories

Inventories consist of the following:

	As of June 30,		As of March 31,
	2001	2002	2002
	(unaudited)	(unaudited)	
Stores and spare parts.....	Rs. 40,902	Rs. 37,197	Rs. 31,425
Raw materials and components.....	513,753	380,214	453,018
Work-in-process.....	112,178	112,745	84,722
Finished goods.....	<u>1,155,874</u>	<u>899,003</u>	<u>832,981</u>
	<u>Rs. 1,822,707</u>	<u>Rs. 1,429,159</u>	<u>Rs. 1,402,146</u>

Finished goods as of March 31, 2002, June 30, 2001 and 2002 include inventory of Rs. 467,546, Rs.538,388 and Rs.532,395 respectively, with customers pending installation.

7. Other Assets

Other assets consist of the following:

	As of June 30,		As of March 31,
	2001	2002	2002
	(unaudited)	(unaudited)	
Prepaid expenses.....	Rs. 617,588	Rs. 866,940	Rs. 748,142
Advances to suppliers.....	181,837	76,698	68,917
Balances with statutory authorities.....	85,505	24,745	38,821
Deposits.....	538,962	536,047	533,247
Inter-corporate deposits			
GE Capital Services India.....	1,570,913	884,841	819,891
ICICI Limited.....	459,600	-	1,245,200
Advance income taxes.....	110,341	242,335	311,257
Others.....	<u>412,282</u>	<u>313,704</u>	<u>463,917</u>
	3,977,028	2,945,310	4,229,392
Less: Current assets.....	<u>3,438,066</u>	<u>2,219,744</u>	<u>3,481,308</u>
	<u>Rs. 538,962</u>	<u>Rs. 725,566</u>	<u>Rs. 748,084</u>

8. Investment Securities

Investment securities consist of the following:

	As of June 30, 2001				As of June 30, 2002				As of March 31, 2002			
	(unaudited)				(unaudited)							
	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Carrying Value	Gross Unrealized Holding Gains	Fair Value	
Available-for-sale:												
Equity securities.....	Rs. 233	Rs. 1,562	Rs. (58)	Rs. 1,737	Rs. 233	Rs. 1,623	-	Rs. 1,856	Rs. 233	Rs. 1,623	Rs. 1,856	
Debt securities.....	<u>2,796,539</u>	<u>-</u>	<u>-</u>	<u>2,796,539</u>	<u>4,195,295</u>	<u>-</u>	<u>(6,893)</u>	<u>4,188,402</u>	<u>4,962,102</u>	<u>79,376</u>	<u>5,041,478</u>	
	<u>2,796,772</u>	<u>1,562</u>	<u>(58)</u>	<u>2,798,276</u>	<u>4,195,528</u>	<u>1,623</u>	<u>(6,893)</u>	<u>4,190,258</u>	<u>4,962,335</u>	<u>80,999</u>	<u>5,043,334</u>	
Held-to-maturity:												
Debt securities.....	<u>192,453</u>	<u>-</u>	<u>-</u>	<u>192,453</u>	<u>50,344</u>	<u>1,648</u>	<u>-</u>	<u>51,992</u>	<u>90,833</u>	<u>3,108</u>	<u>93,941</u>	
	<u>192,453</u>	<u>-</u>	<u>-</u>	<u>192,453</u>	<u>50,344</u>	<u>1,648</u>	<u>-</u>	<u>51,992</u>	<u>90,833</u>	<u>3,108</u>	<u>93,941</u>	
Unquoted:												
Equity securities.....	-	-	-	-	192,000	-	-	192,000	144,300	-	144,300	
Convertible preference shares	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>54,000</u>	<u>288,000</u>	<u>-</u>	<u>-</u>	<u>288,000</u>	<u>215,700</u>	<u>-</u>	<u>215,700</u>	
	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>54,000</u>	<u>480,000</u>	<u>-</u>	<u>-</u>	<u>480,000</u>	<u>360,000</u>	<u>-</u>	<u>360,000</u>	
	<u>Rs. 3,043,225</u>	<u>Rs. 1,562</u>	<u>Rs. (58)</u>	<u>Rs. 3,044,729</u>	<u>Rs. 4,725,872</u>	<u>Rs. 3,271</u>	<u>Rs. (6,893)</u>	<u>Rs. 4,722,250</u>	<u>Rs. 5,413,168</u>	<u>Rs. 84,107</u>	<u>Rs. 5,497,275</u>	

Held-to-maturity debt securities as of June 30, 2002, mature within two years.

As of June 30, 2002, the Company holds a 15% equity interest in Spectramind eServices Private Limited (Spectramind) acquired for a consideration of Rs.192,000. Additionally, the Company holds non-voting convertible preference shares acquired for a consideration of Rs. 288,000. The convertible preference shares shall be converted to equity at a conversion ratio of 0.3234 equity share per convertible preference share, on occurrence of any of the events specified in the shareholders agreement. These events are liquidation of Spectramind, initial public offering by Spectramind and valuation of Spectramind reaching specified levels based on a fresh issue of equity shares by Spectramind or sale of shares by existing shareholders. If any of these events do not occur within 18 months from the date of investment, the convertible preference shares shall be converted on expiry of the period. The current voting equity interest of Wipro does not give it the ability to exercise significant influence over the operating and financial policies of Spectramind. As the equity securities do not have a readily determinable fair value, such investments are recorded at cost, subject to an impairment charge for any other than temporary decline in value.

9. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	As of June 30,		As of March 31,
	2001	2002	2002
	(unaudited)	(unaudited)	
Land.....	Rs. 379,450	Rs. 396,386	Rs. 370,079
Buildings.....	1,212,592	1,584,997	1,585,515
Plant and machinery.....	4,967,507	5,615,056	5,469,300
Furniture, fixtures, and equipment....	1,065,166	1,289,344	1,264,870
Vehicles.....	342,380	441,663	420,843
Computer software for internal use....	535,336	763,556	742,305
Capital work-in-progress.....	<u>1,178,544</u>	<u>1,323,022</u>	<u>1,116,082</u>
	9,680,975	11,414,024	10,968,994
Accumulated depreciation and amortization.....	<u>(3,709,814)</u>	<u>(5,399,846)</u>	<u>(4,707,137)</u>
	<u>Rs. 5,971,161</u>	<u>Rs. 6,014,178</u>	<u>Rs. 6,261,857</u>

Depreciation expense for the three months ended June 30, 2001 and 2002, is Rs.299,284 and Rs.323,618 respectively. This includes Rs.40,163 and Rs.26,132 as amortization of capitalized internal use software, during the three months ended June 30, 2001 and 2002, respectively.

10. Goodwill

Goodwill of Rs. 656,240 relates to the India and AsiaPac IT Services reporting unit of the Company. Subsequent to the adoption of SFAS No. 142 from April 1, 2002, goodwill is not amortized but will be tested for impairment at least annually.

11. Other Current Liabilities

Other current liabilities consist of the following:

	As of June 30,		As of March 31,
	2001	2002	2002
	(unaudited)	(unaudited)	
Statutory dues payable.....	Rs. 340,625	Rs. 383,552	Rs. 357,822
Taxes payable.....	42,029	42,665	72,707
Others.....	<u>78,615</u>	<u>46,880</u>	<u>63,421</u>
	<u>Rs. 461,269</u>	<u>Rs. 473,097</u>	<u>Rs. 493,950</u>

12. Operating leases

The Company leases office and residential facilities under cancelable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under such leases was Rs.80,741 and Rs.68,609 for the three months ended June 30, 2001 and 2002, respectively.

Prepaid expenses as of March 31, 2002, June 30, 2001 and 2002 include Rs. 214,838, Rs. 187,720 and Rs. 213,960, respectively, being prepaid operating lease rentals for land obtained on lease for a period of 60 years. The prepaid expense is being charged over the lease term.

13. Investments in Affiliates

Wipro GE Medical Systems (Wipro GE). The Company has accounted for its 49% interest in Wipro GE by the equity method. The carrying value of the investment in Wipro GE as of March 31, 2002, June 30, 2001 and 2002, was Rs. 820,849, Rs.641,041 and Rs.567,849 respectively. The Company's equity in the income of Wipro

GE for the three months ended June 30, 2001 was Rs.54,292 and the Company's equity in the losses of Wipro GE for the three months ended June 30, 2002 was Rs.204,000.

In the earnings release made by the Company on July 19,2002 for the three months ended June 30, 2002, the Company had recorded its share in the net assets and losses of Wipro GE based on the information provided by affiliate. Subsequently, Wipro has received revised information about the affiliate where the losses were higher than the results previously reported by Rs. 379,592. This adjustment to record incremental losses of Rs. 186,000 being Wipro's share, has been recorded in the consolidated financial statements for three months ended June 30, 2002. Based on the revised information received about the affiliate, the Company believes that the impact on the financial statements of the previous period would not be material.

Wipro ePeripherals. On September 1, 2000, the computer peripherals division of Wipro was spun-off into a separate legal entity, Wipro ePeripherals. In consideration of the transfer, Wipro received a 38.7% equity interest in the new entity, 12.5% non-convertible debentures and cash. Wipro ePeripherals issued 61.3% of its equity to strategic investors and employees for cash. Shares were issued to Wipro and the new investors at the par value of Rs. 10. Wipro accounts for its 38.7% interest by the equity method. In March 2002, Wipro ePeripherals issued additional equity shares to certain investors, which resulted in dilution of Wipro's interest to 33.8%. The impact of this issuance on the carrying value of the investment was not material. In June 2002, Wipro increased its ownership interest to 39.7% through conversion of debentures of Rs. 40,000.

The carrying value of the equity investment in Wipro ePeripherals as of March 31, 2002, June 30, 2001 and 2002, was Rs. 77,470, Rs.77,831 and Rs.115,160 respectively. The Company's equity in the income of Wipro ePeripherals for the three months ended June 30, 2001 was Rs.18,941 respectively . The Company's equity in the losses of Wipro ePeripherals for the three months ended June 30, 2002 was Rs.2,310. Additionally the Company held debentures of Rs. 40,000 in Wipro ePeripherals as of June 30, 2001.

14. Financial Instruments and Concentration of Risk

Concentration of risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, investment securities, accounts receivable and inter-corporate deposits. The Company's cash resources are invested with financial institutions and commercial corporations with high investment grade credit ratings. Limits have been established by the Company as to the maximum amount of cash that may be invested with any such single entity. To reduce its credit risk, the Company performs ongoing credit evaluations of customers. No single customer accounted for 10% or more of the revenues /accounts receivable as of/for the period ended June 30, 2001 and 2002.

Derivative financial instruments. The Company enters into forward foreign exchange contracts and interest rate swap agreements, where the counterparty is generally a bank. The Company considers the risks of non-performance by the counterparty as non-material. The following table presents the aggregate contracted principal amounts of the Company's derivative financial instruments outstanding:

	As of June 30,		As of March 31,
	2001 (unaudited)	2002 (unaudited)	2002
Forward contracts	\$ 66.5 million (sell)	\$ 69.7 million (sell)	\$ 62.8 million (sell)
Interest rate swaps.....	\$ 3.3 million	\$ Nil	\$ Nil

The foreign forward exchange contracts mature between one to nine months.

15. Borrowings from Banks

The Company has a line of credit of Rs. 2,650,000 from its bankers for working capital requirements. The line of credit is renewable annually. The credit bears interest at the prime rate of the bank, which averaged 12.8% and 12.2% in the three months ended June 30, 2001 and 2002, respectively. The facilities are secured by inventories, accounts receivable and certain property and contain financial covenants and restrictions on indebtedness. Additionally, the Company has an unsecured line of credit of US \$ 6.5 million.

16. Long-term Debt

Long-term debt consist of the following:

	As of June 30,		As of March 31,
	2001	2002	2002
	(unaudited)	(unaudited)	
Foreign currency borrowings	Rs. 127,582	Rs. -	Rs. -
Rupee term loans from banks and financial institutions.....	68,200	48,200	48,200
Others.....	<u>52,531</u>	<u>63,732</u>	<u>60,563</u>
	248,313	111,932	108,763
Less: Current portion.....	<u>148,937</u>	<u>82,162</u>	<u>78,993</u>
	<u>Rs. 99,376</u>	<u>Rs. 29,770</u>	<u>Rs. 29,770</u>

All long-term debt is secured by a specific charge over the property, plant and equipment of the Company and contains certain financial covenants and restrictions on indebtedness.

An interest rate profile of the long-term debt is given below:

	As of June 30,		As of
	2001	2002	March 31,
	(unaudited)	(unaudited)	2002
Foreign currency borrowings	6.7%	-	-
Rupee term loans from banks and financial institutions.....	12.8%	14.3%	14.2%

A maturity profile of the long-term debt outstanding as of June 30, 2002, is set out below:

Maturing in the year ending June 30:	
2003.....	Rs. 82,162
2004.....	28,305
2005.....	1,255
2006.....	105
Thereafter.....	<u>105</u>
	<u>Rs. 111,932</u>

17. Equity Shares and Dividends

The Company presently has only one class of equity shares. For all matters submitted to vote in the shareholders meeting, every holder of equity shares, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held.

In September 1999, the Company effected a five-for-one share split. All references in the consolidated financial statements to number of shares and per share amounts of the Company's equity shares have been retroactively restated to reflect the increased number of equity shares outstanding resulting due to the share splits.

In October 2000, the Company made a public offering of its American Depositary Shares, or ADSs, to international investors. The offering consisted of 3,162,500 ADSs representing 3,162,500 equity shares, at an offering price of \$41.375 per ADS. The equity shares represented by the ADS carry similar rights as to voting and dividends as the other equity shares.

Should the Company declare and pay dividend, such dividend will be paid in Indian rupees. Indian law mandates that any dividend, exceeding 10% of the common stock, can be declared out of distributable profits only after the transfer of upto 10% of net income computed in accordance with current regulations to a general reserve. Also, the remittance of dividends outside India is governed by Indian law on foreign exchange. Dividend payments are also subject to applicable taxes.

In the event of liquidation of the affairs of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company, after such discharge, shall be distributed to the holders of equity shares in proportion to the number of shares held by them.

18. Retained Earnings

The Company's retained earnings as of March 31, 2002, June 30, 2001 and 2002, include restricted retained earnings of Rs. 259,538, Rs.274,038 and Rs.259,538, respectively, which are not distributable as dividends under Indian company and tax laws. These relate to requirements regarding earmarking a part of the retained earnings on redemption of preference shares and to avail specific tax allowances.

Retained earnings as of March 31, 2002, June 30, 2001 and 2002, also include Rs. 794,719, Rs.611,592 and Rs. 539,409, respectively, of undistributed earnings in equity of affiliates.

19. Other Income, Net

Other income consists of the following:

	<u>Three months ended June 30,</u>	
	<u>2001</u>	<u>2002</u>
	(unaudited)	(unaudited)
Interest income, net.....	Rs. 161,123	Rs. 165,188
Gain on sale of investment securities, net	-	81,867
Others.....	<u>465</u>	<u>13,388</u>
	<u>Rs. 161,588</u>	<u>Rs. 260,443</u>

20. Shipping and Handling costs

Selling general and administrative expenses for the three months ended June 30, 2001 and 2002, include shipping and handling costs of Rs.10,858 and Rs.12,822, respectively.

21. Income Taxes

Income taxes relating to continuing operations consist of the following:

	<u>Three months ended June 30,</u>	
	<u>2001</u>	<u>2002</u>
	(unaudited)	(unaudited)
Current taxes		
Domestic.....	Rs. 123,792	Rs. 185,861
Foreign	<u>79,497</u>	<u>110,234</u>
	<u>203,289</u>	<u>296,095</u>
Deferred taxes	<u>66,550</u>	<u>(42,298)</u>
Total income tax expense.....	<u>Rs. 269,839</u>	<u>Rs. 253,797</u>

Income taxes relating to discontinued division consist of the following:

	<u>Three months ended June 30,</u>	
	<u>2001</u>	<u>2002</u>
	(unaudited)	(unaudited)
Current taxes	Rs. 4,973	Rs. (51,188)
Deferred taxes	<u>(12,852)</u>	<u>(100,982)</u>
Total income tax expense.....	<u>Rs. (7,879)</u>	<u>Rs. (152,170)</u>

The reported income tax expense differed from amounts computed by applying the enacted tax rates to income from continuing operations before income taxes as a result of the following:

	Three months ended June 30,	
	2001	2002
	(unaudited)	(unaudited)
Income from continuing operations before taxes.....	Rs. 2,172,525	Rs. 2,338,246
Enacted tax rate in India.....	<u>35.7%</u>	<u>36.8%</u>
Computed expected tax expense.....	775,591	860,475
Effect of:		
Income exempt from tax in India.....	(670,342)	(742,723)
Change in enacted tax rate.....	-	(9,267)
Difference between tax basis and amount for financial reporting of a domestic subsidiary reversed.....	199,512	-
Others.....	<u>(114,419)</u>	<u>35,078</u>
Domestic income taxes.....	190,342	143,563
Effect of tax on foreign income.....	<u>79,497</u>	<u>110,234</u>
Total income tax expense.....	<u>Rs. 269,839</u>	<u>Rs. 253,797</u>

Deferred tax assets as of March 31, 2001 included Rs. 199,512 being the difference between the tax basis and the amount for financial reporting of Wipro Net, a domestic subsidiary. The deferred tax asset has been reversed during the three month ended June 30, 2001, on legal re-organization of Wipro Net as a result of which the benefit of the deferred tax asset was no longer available to the Company.

A substantial portion of the profits of the Company's India operations are exempt from Indian income taxes being profits attributable to export operations and profits from undertakings situated in Software Technology and Hardware Technology Parks. Under the tax holiday, the taxpayer can utilize an exemption from income taxes for a period of any ten consecutive years. The Company has opted for this exemption from the year ended March 31, 1997, for undertakings situated in Software Technology and Hardware Technology Parks. Profits from certain other undertakings are also eligible for preferential tax treatment. In addition, dividend income from certain category of investments is exempt from tax. The aggregate rupee and per share (basic) effects of these tax exemptions are Rs.670,342 and Rs.2.90 per share for the three months ended June 30, 2001 and Rs. 742,723 and Rs.3.21 per share for the three months ended June 30, 2002. During the three months ended June 30, 2002 Indian tax laws have been amended to restrict the exempt income from an export oriented undertaking from 100% to 90% of its aggregate income.

	As of June 30,		As of March 31,
	2001	2002	2002
	(unaudited)	(unaudited)	
Deferred tax assets			
Property, plant and equipment.....	Rs. -	Rs. 110,229	Rs. 15,661
Allowance for doubtful accounts.....	84,220	63,291	57,329
Investments in mutual funds.....	-	55,148	58,333
Accrued expenses.....	-	45,315	48,842
Carry-forward capital losses.....	164,726	128,951	122,810
Carry forward business losses.....	47,981	178,491	182,918
Others.....	<u>82,024</u>	<u>87,177</u>	<u>81,154</u>
Total gross deferred tax assets.....	378,951	668,602	567,047
Less: valuation allowance.....	<u>(142,256)</u>	<u>(128,951)</u>	<u>(122,810)</u>
Net deferred tax assets	<u>236,695</u>	<u>539,651</u>	<u>444,237</u>
Deferred tax liabilities			
Property, plant and equipment.....	Rs. 27,689	-	Rs. -
Unrealized gains on available for sale securities.....	153	-	29,392
Undistributed earnings of affiliates..	70,126	23,031	86,061
Others.....	-	<u>12,957</u>	-
Total gross deferred tax liability.....	<u>97,968</u>	<u>35,988</u>	<u>115,453</u>
Net deferred tax assets	<u>Rs. 138,727</u>	<u>Rs. 503,663</u>	<u>Rs. 328,784</u>

Management believes that based on a number of factors, the available objective evidence creates sufficient uncertainties regarding the generation of future capital gains and realizability of the carry-forward capital losses. Accordingly, the Company has established a valuation allowance for the carry-forward capital losses. These losses expire after eight years succeeding the year in which they were first incurred. The carry-forward capital losses as of June 30, 2002 will expire by March 31, 2009.

Management has implemented tax planning strategies that make it more likely than not that deferred tax assets relating to carry-forward business losses of foreign operations will be realized. Similarly, based on historical taxable income, projections of future taxable income and tax planning strategies, management believes that it is more likely than not that the Company will realize the benefit of carry-forward business losses relating to certain Indian operations.

The carry-forward business losses as of June 30, 2002, expire as follows :

Year ending March 31:

2009.....	Rs.	70,982
2010.....		45,202
2020.....		20,883
2021.....		27,035
Thereafter.....		14,389
	<u>Rs.</u>	<u>178,491</u>

Although realization of the net deferred tax assets is not assured, management believes that it is more likely than not that all of the net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable, however could be reduced in the near term based on changing conditions.

22. Employee Stock Incentive Plans

Wipro Equity Reward Trust (WERT). In fiscal 1985, the Company established a controlled trust called the WERT. Under this plan, the WERT would purchase shares of Wipro out of funds borrowed from Wipro. The Company's Compensation Committee would recommend to the WERT, officers and key employees, to whom the WERT will grant shares from its holding. The shares have been granted at a nominal price. Such shares would be held by the employees subject to vesting conditions. The shares held by the WERT are reported as a reduction from stockholders' equity. 555,910, 655,875 and 551,535 shares held by employees as of March 31, 2002, June 30, 2001 and 2002 respectively, subject to vesting conditions are included in the outstanding equity shares.

The movement in the shares held by the WERT is given below:

	<u>Three months ended June 30,</u>		<u>Year ended March 31,</u>
	<u>2001</u>	<u>2002</u>	<u>2002</u>
	(Unaudited)		
Shares held at the beginning of the period.....	1,280,885	1,321,335	1,280,885
Grants forfeited by employees.....	<u>23,575</u>	<u>125</u>	<u>40,450</u>
Shares held at the end of the period.....	<u>1,304,460</u>	<u>1,321,460</u>	<u>1,321,335</u>

Deferred compensation is amortized on a straight-line basis over the vesting period of the shares which ranges from 6 to 60 months. The amortization of deferred stock compensation, net of reversals, for the three months ended June 30, 2001 and 2002, was Rs.17,654 and Rs. 16,961, respectively. The stock-based compensation has been allocated to cost of revenues and selling, general and administrative expenses as follows:

	<u>Three months ended June 30,</u>	
	<u>2001</u>	<u>2002</u>
	(Unaudited)	
Cost of revenues.....	Rs. 6,179	Rs. 7,712
Selling, general and administrative expenses.....	<u>11,475</u>	<u>9,249</u>
	<u>Rs. 17,654</u>	<u>Rs. 16,961</u>

Wipro Employee Stock Option Plan 1999 (1999 Plan). In July 1999, the Company established the 1999 Plan. Under the 1999 Plan, the Company is authorized to issue up to 5 million equity shares of common stock to eligible employees. Employees covered by the 1999 Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. The Company has not recorded, any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the 1999 Plan is as follows:

Three month period ended June 30, 2001 (Unaudited)				
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period.....	4,564,431	Rs. 1,024 to 2,522	Rs. 1,542	29 months
Granted during the period.....	—	—	—	—
Forfeited during the period.....	(492,750)	1,086 to 1,853	1,521	—
Exercised during the period	(3,360)	1,086	1,086	—
Outstanding at the end of the period.....	<u>4,068,321</u>	<u>1,024 to 2,522</u>	<u>1,545</u>	<u>26 months</u>
Exercisable at the end of the period.....	<u>403,382</u>	<u>Rs. 1,024 to 1,853</u>	<u>Rs. 1,538</u>	<u>—</u>

Three month period ended June 30, 2002 (Unaudited)				
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period.....	3,885,958	Rs. 1,024 – 2,522	Rs. 1,550	47 months
Granted during the period.....	-	-	-	-
Forfeited during the period.....	(37,824)	1,086 – 1,853	1,515	-
Exercised during the period	(27,204)	1,086	1,086	-
Outstanding at the end of the period.....	<u>3,820,930</u>	<u>1,024 – 2,522</u>	<u>1,553</u>	<u>45 months</u>
Exercisable at the end of the period.....	<u>955,208</u>	<u>Rs. 1,024 – 2,522</u>	<u>1,546</u>	<u>45 months</u>

Wipro Employee Stock Option Plan 2000 (2000 Plan). In July 2000, the Company established the 2000 Plan. Under the 2000 Plan, the Company is authorized to issue up to 25 million equity shares to eligible employees. Employees covered by the 2000 Plan are granted an option to purchase equity shares of the Company subject to vesting. The Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying equity shares on the grant date.

Stock option activity under the 2000 Plan is as follows:

Three month period ended June 30, 2001 (Unaudited)				
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period.....	3,214,350	Rs. 2,382 to 2,746	2,397	37 months
Granted during the period.....	38,744	1,269 to 1,670	1,459	40 months
Forfeited during the period.....	(296,025)	2,382	2,382	—
Exercised during the period	—	—	—	—
Outstanding at the end of the period.....	<u>2,957,069</u>	<u>1,269 to 2,746</u>	<u>2,386</u>	<u>34 months</u>
Exercisable at the end of the period.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Three month period ended June 30, 2002 (Unaudited)				
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life
Outstanding at the beginning of the period.....	8,472,514	Rs. 1,032 – 2,746	Rs. 1,846	58 months
Granted during the period.....	77,000	1,526 – 1,691	1,538	59 months
Forfeited during the period.....	(76,175)	1,032 – 2,651	1,951	-
Exercised during the period.....	(50)	1,086	1,086	-
Outstanding at the end of the period.....	8,473,289	1,032 – 2,746	1,853	56 months
Exercisable at the end of the period.....	408,378	Rs. 1,032 – 2,746	2,391	52 months

Stock Option Plan (2000 ADS Plan). In April 2000, the Company established the 2000 ADS Plan. Under the 2000 ADS Plan, the Company is authorized to issue options to purchase up to 1.5 million American Depositary Shares (ADSs) to eligible employees. Employees covered by the 2000 ADS Plan are granted an option to purchase ADSs representing equity shares of the Company subject to the requirements of vesting. The Company has not recorded any deferred compensation as the exercise price was equal to the fair market value of the underlying ADS on the grant date.

Stock option activity under the 2000 ADS Plan is as follows:

Three month period ended June 30, 2001 (Unaudited)				
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period.....	264,750	\$ 41.375	\$ 41.375	37 months
Granted during the period.....	2,000	\$ 35.77	\$ 35.77	41 months
Forfeited during the period.....	—	—	—	—
Outstanding at the end of the period.....	266,750	\$35.77 to \$41.375	\$ 41.33	34 months
Exercisable at the end of the period.....	—	—	—	—

Three month period ended June 30, 2002 (Unaudited)				
	Shares arising out of options	Range of exercise prices and grant date fair values	Weighted-average exercise price and grant date fair values	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period.....	647,450	\$ 20.75 – 41.375	37.66	55 months
Granted during the period.....	3,100	30.05	30.05	60 months
Forfeited during the period.....	(2,900)	36.40	36.40	-
Outstanding at the end of the period.....	647,650	\$ 20.75 – 41.375	37.63	51 months
Exercisable at the end of the period.....	47,744	\$ 35.77 – 41.375	39.97	45 months

The Company has adopted the pro forma disclosure provisions of SFAS No. 123. Had compensation cost been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company's net income and earnings per share as reported would have been reduced to the pro forma amounts indicated below:

	Three months ended June 30,	
	2001	2002
	(Unaudited)	(Unaudited)
Net income.....		
As reported.....	Rs. 1,888,496	Rs. 1,695,780
Adjusted pro forma.....	1,405,097	812,409
Earnings per share: Basic		
As reported.....	8.17	7.34
Adjusted pro forma.....	6.08	3.51
Earnings per share: Diluted		
As reported.....	8.16	7.32
Adjusted pro forma.....	6.08	3.51

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions.

Dividend yield	0.03%
Expected life	42 months
Risk free interest rates	8.5%
Volatility	65%

23. Earnings Per Share

A reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share is set out below:

	Three months ended June 30,	
	2001	2002
	(unaudited)	(unaudited)
Basic earnings per equity share — weighted average number of equity shares outstanding	231,027,843	231,161,319
Effect of dilutive equivalent shares-stock options outstanding	<u>375,486</u>	<u>517,668</u>
Diluted earnings per equity share — weighted average number of equity shares and equivalent shares outstanding	<u>231,403,329</u>	<u>231,678,987</u>

Shares held by the controlled WERT have been reduced from the equity shares outstanding and shares held by employees subject to vesting conditions have been included in outstanding equity shares for computing basic and diluted earnings per share.

Options to purchase 5,895,319 and 5,716,275 equity shares were outstanding during the three months ended June 30, 2001 and 2002, respectively, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares.

24. Employee Benefit Plans

Gratuity: In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan) covering certain categories of employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. The Company provides the gratuity benefit through annual contributions to a fund managed by the Life Insurance Corporation of India. Under this plan, the settlement obligation remains with the Company, although the Life Insurance Corporation of India administers the plan and determines the contribution premium required to be paid by the Company.

Superannuation: Apart from being covered under the Gratuity Plan described above, the senior officers of the Company also participate in a defined contribution plan maintained by the Company. This plan is administered by the Life Insurance Corporation of India. The Company makes annual contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its annual contributions.

Provident fund: In addition to the above benefits, all employees receive benefits from a provident fund, a defined contribution plan. The employee and employer each make monthly contributions to the plan equal to 12% of the covered employee's salary. A portion of the contribution is made to the provident fund trust established by the Company, while the remainder of the contribution is made to the Government's provident fund. The Company has no further obligations under the plan beyond its monthly contributions.

The Company contributed Rs.41,605 and Rs.51,193 to various defined contribution and benefit plans during the three months ended June 30, 2001 and 2002, respectively.

25. Related Party Transactions

The Company has the following transactions with related parties.

	<u>Three months ended June 30,</u>			
	<u>2001</u>	<u>2002</u>		
	(unaudited)	(unaudited)		
Wipro GE:				
Revenues from sale of computer equipment and administrative and management support services	Rs. 5,320	Rs. 2,606		
Fees received for usage of trade mark.....	Rs. 9,642	Rs. 5,000		
Wipro ePeripherals:				
Revenues from sale of computer equipment and services.....	4,128	3,304		
Fees received for usage of trade mark.....	13,250	13,254		
Interest received on debentures.....	1,250			
Payment for services.....	36,315	2,038		
Purchase of printers.....	-	16,825		
Azim Premji Foundation:				
Revenues from sale of computer equipment and services.....	-	1,466		
Principal shareholder:				
Payment of lease rentals.....	300	300		

The Company has the following receivables from related parties, which are reported as other assets in the balance sheet.

	<u>As of June 30,</u>		<u>As of March 31,</u>
	<u>2001</u>	<u>2002</u>	<u>2002</u>
	(unaudited)		
Wipro GE.....	Rs. 13,545	Rs. 58,261	Rs. 56,181
Wipro e Peripherals.....	54,593	20,021	17,037
Azim Premji Foundation	-	-	348
Security deposit given to Hasham Premji, a firm under common control.....	25,000	25,000	25,000
	<u>Rs. 93,138</u>	<u>Rs. 103,282</u>	<u>Rs. 98,566</u>

The Company has the following payables to related parties, which are reported as other current liabilities in the balance sheet.

	<u>As of June 30,</u>		<u>As of March 31,</u>
	<u>2001</u>	<u>2002</u>	<u>2002</u>
	(Unaudited)		
Wipro ePeripherals.....	<u>Rs. 22,852</u>	<u>Rs. 3,766,175</u>	<u>Rs. 25,875</u>

26. Commitments and Contingencies

Capital commitments. As of March 31, 2002 and three months ended June 30, 2001 and 2002, the Company had committed to spend approximately Rs.241,338, Rs.393,821 and Rs. 213,370 respectively, under agreements to purchase property and equipment. These amounts are net of capital advances paid in respect of these purchases.

Guarantees. As of March 31, 2002 and three months ended June 30, 2001 and 2002, performance guarantees provided by banks on behalf of the Company to certain Indian Government and other agencies amount to approximately Rs. 467,020, Rs.371,884 and Rs. 421,715 respectively, as part of the bank line of credit.

Other commitments. The Company's Indian operations have been established as a Software Technology Park Unit under a plan formulated by the Government of India. As per the plan, the Company's India operations have export obligations to the extent of 1.5 times the employee costs for the year on an annual basis and 5 times the amount of foreign exchange released for capital goods imported, over a five year period. The consequence of not meeting this commitment in the future, would be a retroactive levy of import duty on certain computer

hardware previously imported duty free. As of June 30, 2002, the Company has met all commitments required under the plan.

Contingencies. The Company is involved in lawsuits, claims, investigations and proceedings, including patent and commercial matters, which arise in the ordinary course of business. There are no such matters pending that Wipro expects to be material in relation to its business.

27. Segment Information

The Company is organized by segments, including Global IT Services and Products, India and AsiaPac IT Services and Products, Consumer Care and Lighting, Healthcare and Life Sciences and 'Others'. Each of the segments has a Vice Chairman / Chief Executive Officer who reports to the Chairman of the Company. The Chairman of the Company has been identified as the Chief Operating Decision Maker as defined by SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information. The Chairman of the Company evaluates the segments based on their revenue growth, operating income and return on capital employed.

The Global IT Services and Products segment provides research and development services for hardware and software design to technology and telecommunication companies and software application development services to corporate enterprises.

The India and AsiaPac IT Services and Products segment focuses primarily on addressing the IT and electronic commerce requirements of companies in India and AsiaPacific region.

The Consumer Care and Lighting segment manufactures, distributes and sells soaps, toiletries, lighting products and hydrogenated cooking oils for the Indian market.

In April 2002, the Company established a new business segment named Wipro Healthcare and Life Sciences, to address the IT requirements of the emerging healthcare and life sciences market. Wipro Biomed, a business segment which was previously reported in 'Others', became a part of the Healthcare and Life Sciences segment. Similarly, during the three months ended June 30, 2002, certain small business segments previously reported in 'Others' were integrated with India and AsiaPac IT Services and Products segment. Segment data for previous periods has been reclassified on a comparable basis.

Financial information for the discontinued ISP division was previously reported in 'Others'. The segment information presented excludes these results of operations, which are now reported outside of continuing operations.

Others consists of various business segments that do not meet the requirements individually for a reportable segment as defined in SFAS No. 131. Corporate activities such as treasury, legal and accounting, which do not qualify as operating segments under SFAS No. 131 have been considered as reconciling items.

Information on reportable segments is as follows:

Three months ended June 30, 2001 (Unaudited)							
	Global IT Services and Products	India and AsiaPac IT Services and Products	Consumer Care and Lighting	Healthcare and Life Sciences	Others (net of eliminations)	Reconciling Items (2)	Entity Total
Revenues	5,160,062	1,369,392	725,162	117,193	114,154	-	7,485,963
Exchange rate fluctuations	50,600	(5,570)	-	-	-	(45,030)	-
Total revenues	5,210,662	1,363,822	725,162	117,193	114,154	(45,030)	7,485,963
Cost of revenues	(2,702,564)	(1,019,188)	(490,142)	(74,671)	(100,317)	-	(4,386,882)
Selling, general and administrative expenses	(605,458)	(277,463)	(145,535)	(32,490)	(35,466)	(37,256)	(1,133,668)
Research and Development expenses	(36,598)	-	-	-	-	-	(36,598)
Exchange rate fluctuations	-	-	-	-	-	45,030	45,030
Others, net.....	-	12,750	1,393	-	-	(21,517)	(7,374)
Operating income of segment	<u>1,866,042</u>	<u>79,921</u>	<u>90,878</u>	<u>10,032</u>	<u>(21,629)</u>	<u>(58,773)</u>	<u>1,966,471</u>
Total assets of segment	9,468,995	3,346,547	1,122,977	287,801	628,968	11,787,343	26,642,631
Capital employed.....	7,745,513	939,008	743,641	132,555	535,613	11,450,923	21,547,253
Return on capital employed (1).....	96%	32%	48%	32%			
Accounts receivable	3,589,440	1,114,790	116,886	155,393	140,790	163,084	5,280,383
Depreciation	193,733	32,283	14,984	1,485	7,048	49,751	299,284

Three months ended June 30, 2002 (Unaudited)							
	Global IT Services and Products	India and AsiaPac IT Services and Products	Consumer Care and Lighting	Healthcare and Life Sciences	Others (net of eliminations)	Reconciling Items (2)	Entity Total
Revenues	6,344,072	1,750,432	715,650	120,760	218,222	-	9,149,136
Exchange rate fluctuations	208,293	(395)	272	-	-	(208,170)	-
Total revenues	6,552,365	1,750,037	715,922	120,760	218,222	(208,170)	9,149,136
Cost of revenues	(3,668,321)	(1,391,947)	(474,659)	(101,267)	(174,932)	-	(5,811,126)
Selling, general and administrative expenses	(765,854)	(290,198)	(118,898)	(45,372)	(19,024)	(13,499)	(1,252,845)
Research and Development expenses	(39,300)	-	-	-	-	-	(39,300)
Exchange rate fluctuations	-	-	-	-	-	202,037	202,037
Others, net.....	497	14,366	1,837	3,656	3,040	12,815	36,211
Operating income of segment	<u>2,079,387</u>	<u>82,258</u>	<u>124,202</u>	<u>(22,223)</u>	<u>27,306</u>	<u>(6,817)</u>	<u>2,284,113</u>
Total assets of segment	11,191,819	3,601,368	1,076,383	259,503	731,911	18,474,302	35,335,286
Capital employed.....	8,783,315	1,546,939	652,708	128,307	546,883	18,123,610	29,781,762
Return on capital employed (1).....	95%	26%	73%	(63%)			
Accounts receivable	3,996,668	1,639,406	141,470	136,014	173,837	22,200	6,109,595
Depreciation	246,578	40,691	14,623	1,323	8,045	12,358	323,618

(1) Return on capital employed is computed based on the average of the capital employed at the beginning and at the end of the year.

(2) Reconciling items include assets of the discontinued ISP division.

The Company has four geographic segments: India, the United States, Europe and Rest of the world. Revenues from the geographic segments based on domicile of the customer is as follows:

	Three months ended June 30,	
	2001	2002
	(unaudited)	(unaudited)
India.....	Rs. 2,243,863	Rs. 2,757,844
United States.....	3,139,832	3,907,306
Europe	1,727,464	1,788,924
Rest of the world.....	374,804	695,062
	<u>Rs. 7,485,963</u>	<u>Rs. 9,149,136</u>

28. Fair Value of Financial Instruments

The fair values of the Company's current assets and current liabilities approximate their carrying values because of their short-term maturity. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months.