

**WIPRO
EARNINGS CALL
OCTOBER 18, 2002**

Moderator: Good morning Ladies and Gentlemen. I am Prathiba the moderator for this conference. Welcome to Wipro's Q2 Earnings Call. For the duration of the presentation all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to hand over to the Wipro management. Thank you and over to Wipro.

LAN: Ladies and gentlemen, a very good morning to you in America and good day to you in all other parts of the world. My name is Lan and I am based in Bangalore. Along with Sridhar based in Santa Clara, we handle the investor interface for Wipro. We thank you for your interest in Wipro. It is with great pleasure that I welcome you to Wipro's teleconference to post our results for the quarter ended September 30, 2002.

We have with us Mr. Azim Premji, Chairman and Managing Director, Mr. Suresh Senapaty, Chief Financial Officer, who will comment on the results of Wipro for the quarter ended September 30, 2002. They are joined by Mr. Vivek Paul, Vice Chairman, Mr. D. A. Prasanna, Vice Chairman, Mr. Suresh Vaswani, President of Wipro Infotech, Mr. Raman Roy, Managing Director of Wipro Spectramind, and other members of the company's senior management who will answer questions which you may have. This conference call will be archived and a transcript will be available on our website www.wipro.com.

Before Mr. Premji starts his address, let me draw your attention that during the call we might make certain forward looking statements within the meaning of Private Securities Litigation Reforms Act of 1995. These statements are based on the management's current expectations and are associated with uncertainty and risk, which could cause the actual results to differ materially from those expected. These uncertainties and risk factors have been explained in detail in our filings with the Security and Exchange commission of USA. Wipro does not undertake any obligations to update forward looking statements to reflect events or circumstances after the date of filing thereof.

Ladies and gentlemen, Mr. Azim Premji, Chairman and Managing Director, Wipro Corporation:

Azim Premji: Good morning to you Ladies and Gentlemen. Your board of directors in the meeting held this morning approved the accounts for the quarter ended September 2002. Let me share a few highlights of the results before I request Mr. Suresh Senapaty our Chief Financial Officer, to comment on the results.

Our revenues in Wipro Technologies, our global IT service business, increased from 125 millions to 139 millions, an 11% sequential growth. The growth was as a result of 12% volume growth contributed by increase in revenue across all verticals. The marginal decline in prices was due to shift in client mix. There were no significant price negotiations with existing customers during the quarter and the new customers in the quarter had higher billing rates than the company average. On the margin front, results of improved utilization offset the impact of pricing decline. The impact of rupee appreciation and stable pound sterling contributed to margin decline that declined by 1% sequentially. In the quarter ended June 2002, we had the benefit of an appreciating pound sterling. Globally, technology sector continues to be under pressure. Sector leaders are re-aligning their sourcing strategy. Our depth, in skill set and commitment to technology business positioned us as

a strong ally. We have already seen two significant long term wins in the space with Ericsson and StorageTek. Our global command center for Thames Water to remote manage service, networking equipments, and databases in over 100 locations went live on October 1, 2002. Demonstration of this capability to potential customers could significantly reduce the sale cycle for similar offerings. We have made good progress in building our healthcare and life science business. We have eight customers. We have increased our sales team from two to eight during this period. The integration of Wipro Healthcare IT Limited that we acquired is on track.

In Wipro Infotech, our Indian and Asia pack IT business, we grew our revenue for the quarter, 17% year-on-year. Wipro was recognized as the IT brand of the year in the user's survey by PC Quest. Cisco and Sun Microsystems have accorded us as their top honor for partner in India. Wipro Spectramind is on track to enhancing shareholder value. A strong prospect based backs the financial results achieved for the quarter. We have signed letter of intent with four new customers, three in financial services sector and one in airline industry. With our first acquisition, Wipro Spectramind and Healthcare IT on track to enhancing shareholder value, we are in dialogue with companies that have a strategic fit and can create shareholder value. In current environment we are proceeding cautiously, but for sure moving ahead. I would now request Mr. Suresh Senapaty, our CFO, to comment on the results for the quarter before we take questions.

Suresh Senapaty: Good morning Ladies and Gentlemen. Thank you Mr. Premji.

I will touch up on a few aspects of account in significance for the quarter. Wipro Spectramind acquisition was completed during the quarter. We have consolidated the results of Wipro Spectramind with effect from July 1, 2002. Spectramind had unvested equity warrant outstanding with customers on the date of acquisition, where we have reached agreements with warrant holders to cancel all outstanding unvested warrant. The consideration of about Rs. 20 million paid for this warrant is netted off from revenue and accordingly reflected as a charge to the profit under the US GAAP financial statements. Similarly, acquisition of the GE Medical Systems IT Limited is concluded with the purchase of 60% equity interest. The balance 40% equity interest is pending completion. We have consolidated the results of this entity with effect from August 1, 2002. The difference between the consideration paid for acquiring the equity interest in this entity and the tangible net assets have been recorded as goodwill in the financial statements prepared under the Indian GAAP. However, in the financial statements prepared under the US GAAP based on a preliminary valuation report, the excess of consideration paid over the net tangible assets have been segregated between intangible assets and goodwill. The amount quantified as intangible assets is amortized over the period of benefit expected to be realized from these assets. For the quarter ended September 2002 an amount of Rs. 36 million has been amortized pertaining to Spectramind and about Rs. 11 million pertaining to GE Medical System IT Limited. With this observation, we will now be glad to take questions from you.

Moderator: Thank you very much Sir. We will now begin the Q&A interactive session. Participants who wish to ask questions please press *1 on your touchtone enabled telephone keypad. On pressing *1, participants will get a chance to present their questions on a first in line basis. To ask a question please press *1 now.

Our first question comes from Mr. Anantha Narayan of Morgan Stanley.

Anantha: Yeah, Good morning everyone, this is Anantha. I had a couple of questions related to the Ericsson outsourcing deal. Firstly, what is your understanding for the motivation for Ericsson

behind this deal, given the fact that we have a lot of people flocking towards having offshore centers, why is Ericsson outsourcing the offshore center?

Vivek Paul: I think that first and foremost it is little bit unfair for us to speculate on part of the customer, but I think that what we can tell you is that what they have told us is that they are consolidating R&D operations across the world, and that many of their R&D labs have in fact been outsourced including once in Sweden themselves, which they out sourced to **TeatoAnetor** and as a result of this activity, we saw for ourselves an opportunity to both get a deeper relationship with Ericsson and at the same time an ability to enter into the new round of doing a total outsourcing deal in the R&D space.

Anantha: Well, going forward, would you expect more outsourcing deals related to offshore centers or would you expect a bulk of that to happen with centers in place like US and Europe?

Vivek Paul: I would certainly say that the funnel is richer with the on site ones than with the offshore ones. There are not many companies in that category, but there are a couple.

Anantha: But they can finally, based on your discussion with Ericsson, are you aware whether they were talking to any other IT Services Company in India regarding this deal. Did you have any competition for this deal?

Vivek Paul: Absolutely, they were four other players.

Anantha: Thanks Vivek.

Moderator: Thank you very much, sir. Next in line, we have Mr. Amit Khurana from Birla Sunlife Securities.

Amit: Hi, Good afternoon, Vivek we have seen some good numbers from the Indian vendors, from the Indian side also reported pretty good numbers and you know, one is getting the feeling that the volume level is certainly getting to pick up now after the effort that you have put in the last three quarters or so. Now, the question is with all these trends clearly moving in favor of India offshore, is it not beginning to pinch the big five or the larger competitors from US and Europe and what has been your sense on their initiatives to move towards the offshore more aggressively. Have you kind of observed in your interaction with your clients that competition is now also moving towards offshore, and how do you view that in the long term?

Vivek: I think that certainly we are seeing that deals that we are competing for, the big five are in there offering their own services and claiming there India offshore service center as being an ability for them to provide the same level of service. We are not seeing them get customer tractions though, because customers are not buying purely on price and frankly on a price basis are not terribly competitive. What we are finding is that customers want quality, want the sustainability, want to know that can I get the same level of service, that I am used to getting on site, out of India as well. Are you better than the Indian companies including, you know even some of the smaller companies. So I think that what we are finding is competitively, it is not terribly challenging to fight off a big five contender. I think that the success they are having, if any, is really more in uncompetitive kind of situations where they were talking to existing customers and trying to get some of the work that they do today offshore. I would say that in terms of the deals that we have competed for where they have offered offshore services, we have not lost a single one. In terms of

long term, you know, you never want to take any competitor for granted, so I think that we think about it, we worry about it, but we do see that it will take them a little while before they are able to build that track record and credibility of providing quality services. Also, we are not sure they all getting the notion that global delivery is actually different than just parking 400 engineers in India. In some ways, some of the work they are doing is you know really far out into the back end kind of stuff, the stuff you can throw over the wall to India, with just kind of work the Indian companies were doing a couple of years ago. But in terms of integrated project management, we have not really been able to find and again may be we have missed it, but we have been able to find any good examples. So as I said we view them very carefully, we don't take them lightly or we do think we have a little bit of moving space right now.

Amit: Okay, the other question was that the SG&A expenses seem to have moved up significantly during the quarter, could you give us a sense is it more towards global IT or is it the seasonal changes that we see on the Infotech business, if you could give us a sense of that.

Senapaty: Well, Amit if you look at the SG&A, so far a global IT service is concerned, from 12.4% in June 2002, it is down to 11.9%. So far the company as a whole is concerned, well it was 28.2 going up to 44.9, but that is based on the mix of the business that has happened in terms of the Wipro Spectramind, Wipro Healthcare IT. But the best way to go about is how the global IT looks at it and how the IT enabled and how the Healthcare services looks at it in terms of an individual segment rather than based on a complete mix. So the information that you can have now is the SG&A on global IT services is 11.9% under Indian GAAP for the quarter ended of September 2002, versus 12.4% in the previous quarter of June 2002.

Amit: Okay. This is my last question Sir. In terms of the head count that we have added at about 750 odd people, if we could give us a sense of what is the plan in the last two quarters for the current fiscal and essentially I would presume this has been done with a visibility towards 2003-2004 as well, if you could give us some sense on that.

Senapaty: But Amit as you know, we have never guided for the head-count increase that we will do. We were saying that we always have database of applications. We have scalable infrastructure to be able to recruit people at a shorter notice and we recruit from lateral, we recruit from campus. So consequently it will always be possible for us to hire people to the business requirement, so consequently we would not want to guess as to what is the kind of head count increase we are going to do the next quarter or quarters after that.

Amit: Fine thanks Sir.

Senapaty: Thank you.

Moderator: Thank you very much Sir. Next in line, we have Mr. Rahul Dhruv from Solomon Smith Barney.

Rahul: Hi Good morning. I had a couple of questions, one was on the sharp drop that we have seen in package implementation business, increase in offshore business compared to on site, and drop in SG&A as a percentage of sales, these are totally different or totally divergent trends from what we have seen from your competition. Could you just throw some light on why is it so?

Vivek: I am surprised you are saying package implementation. Package implementation grew 11% quarter and quarter and 90% versus a year ago, so we have actually seen growth in package implementation.

Rahul: Okay, and what about, actually I had this number, okay, on site.....

Vivek: Onsite has been pretty flat versus last quarter, exactly this year 52% on site and 48% offshore.

Rahul: Okay, on the telecom front, I mean, the technology front rather, you have seen fourth quarter of sequential growth after nearly three or four quarters and that has come across from telecom equipment manufacturers as well as service providers as well as embedded. I mean can you call this as a reversal of the trend, I mean do you really see this kind of a growth continuing or at least flattening out going forward.

Vivek: You know, the signs are strong and I will tell you why we think that. If you look at the telecom business if you recall last quarter we had talked about the fact that we have had a addition in billable head count. For the first half now that is up to 250 extra bill has been dealt in telecom. So you know, when you see that kind of a growth, you know, so last quarter we had an increase in billed head count, but still it declined in revenue. This quarter we had increase in head count as well as sequential growth and revenue. So I think that you can certainly have a couple of data points to be able to draw a trend line. As far as the embedded systems business is concerned, it has been actually showing sequential growth since the first quarter, calendar quarter of this year. So I think we continue to see that as also having enough data points to draw a trend. So I think that as we look at it what we are seeing is overall sequential quarter growth in the technology business. It is deluding our overall sequential growth rate though, because the technology business grew at 8% versus our overall 11%. So the good news is that it is growing, the bad news is that it is still not growing fast enough to accelerate our overall growth rate, it is decelerating our overall growth rate.

Rahul: Okay, the Storage Tek in Ericsson deals, I mean, have you factored them into your Q3 guidance.

Vivek: Storage Tek yes, Ericsson No. Because Ericsson has not concluded yet. We have a letter of intent, not the definitive agreement yet.

Rahul: Okay fine, just one last question on, if you could just throw some light on this four or five clients that you have added in Spectramind, how big are they I mean what are the scales in looking at another, also on the total out sourcing business what is the progress over there.

Raman: We have added four customers in Wipro Spectramind. Of the four, three of them are in financial services and one of these three is already in production. We added one in the airline industry, which is Delta. Each one of the customers we have added while we have contracted for a specific amount of business, in terms of potential, is huge. They are all in the Fortune 500 names and the potential within these organizations to do more and more work is pretty huge.

Rahul: At total outsourcing?

Raman: Total out sourcing!

Vivek: If you look at the total outsourcing deal, we did not announce any wins in that space this quarter in the IT side. We already talked about the Ericsson, we have a letter of intent. The last deal we had was the ThamesWater deal we announced and this quarter the progress we were pleased to report was that our NOC or Network Operating Center came live and has the ability to manage 100 servers and network elements and that is continuing to demonstrate our ability to manage remotely servers and network elements.

Rahul: Thanks.

Moderator: Thank you very much Sir. Participants who are asking questions and who are on the speakerphone are kindly requested to please pick up your handsets while asking your questions. Thank you very much. Next in line, we have Ms. Mitali Ghosh from DSP Merrill Lynch.

Mitali: Yeah, hi, my first question is on the revenue growth. If you could throw some color on the fact as to who are the customers who really contributed to the strong revenue growth, whether these are customers really added in the last couple of quarters or may be last year and also I do not really have the mix in terms of services if you can elaborate a bit on that as to which are the services that really contributed to this growth in terms of mix.

Vivek: Okay, so what I will do is let me answer your question first on the growth from customers. Basically, we saw pretty broad-based growth, every one of our top five customers grew sequentially and nine out of our top 10 customers grew sequentially. We saw growth in every SBU in terms of enterprise, IT, financial services, etc. We saw on a practice basis a very strong growth on the application, implementation business as I talked about 11% sequential growth, we saw data wear housing really grow as a practice. So I think that, you know, if you look at new customers, we added 30 new customers they really again, 34 if you include the BPO side, this span all industries had 7/34 were Fortune 1000 companies. If you look at the percentage revenue generated from new customers it was 6% versus 1.5 % of our total revenue last quarter. So what we saw was really a cross the board resilience in terms of growth everywhere.

In terms of your specific question on the split percentage contribution, I will ask Balki the CFO to give you the revenue split by SBU. That is what you are looking for, right?

Mitali: Yeah, by horizontal chain.

Balki: What like Vivek was mentioning the package implementation business grew, last time it was 10% and now it continues to be 10%. Global support last quarter it was 7% currently it is at 6%, data wear housing remains at 5%

Senapaty: If you want a vertical wise Mitali?

Mitali: Yeah.

Male Speaker: Vertical wise in T&I, Which is telecom and internet working that was 16% of our total revenue, embedded is 17% and telecom and internet service provider is about 7% of our revenue. Financial service is 16%, Retail is 11%, utility is 13%, manufacturing is 8%, corporate others is 7% and enterprise application service is at 6% that constitutes the total of 60% of our enterprise solution.

Mitali: Thanks, coming to the margin side, I mean last quarter I think we were expecting probably margin pressure to start reducing and one was expecting it probably to be restricted to about 50 or 60 basis point but it has actually turned out to be higher. So what would you really think are the key factors there in terms of why the margin has really declined this quarter.

Senapaty: Actually, there are fair headlong which it has gone up and fair head which has gone down, but net to net it is basically the rupee appreciation which has impacted it by 1.2%. And if you see the overall decline from last quarter of operating margin to this quarter, which is 31.5 down to 30.1, it is primarily for the rupee appreciation.

Mitali: Right, but even if you exclude the rupee appreciation, I think it is down by almost 130 basis point under the US GAAP. So I was wondering I mean and yet on the pricing side if you see onsite has been better than expected so are they some of the elements of cost which have gone up substantially?

Shankar: If you look at in terms of US GAAP as you may be aware in the quarter ended March, we had revenue of 4.7 million, which was not recognized for the purpose of US GAAP in the quarter-ended March, which was actually recognized for the quarter-ended June. That contributes to the margin difference between US GAAP and Indian GAAP. If you look at the Indian GAAP which is more comparable from June to September, 140 basis points is where there is a decline in margin, of this about 120 basis points is primarily contributed by rupee appreciation. The other factors broadly even themselves out, for example price increase and utilization increase cancel each other out, what really stands out is primarily in terms of rupee appreciation.

Mitali: Right Shankar, I was actually referring to the decline under US GAAP itself...

Shankar: Are you looking at profit before interest and tax or profit before interest.

Mitali: I was looking at EBIT excluding the Forex element but may be I can discuss that.

Shankar: Sure, we look at it in terms of including foreign exchange fluctuation primarily that is the way consistently we have been looking at it across.

Mitali: Right, okay thanks.

Shekar: Just one question. We are looking at for the six months of FY 2003, the revenue for the company has increased by 24% where the bottom line that is the PAT number has increased by just 6%. Since the company does not give the bottom line guidance, can we expect that the same trend will continue for the entire year?

Senapaty: Actually, let us say that Wipro Technologies were guiding for the top line and we are saying that the operating margin should not be substantially different going forward. And so far as IT enabled services is concerned, again we have given here a top line guidance and we have said that the operating margins would be between 18 to 23%. We have seen that quarter two that is September, we had delivered 20+% and we hope to be there or better that. And similarly if you look at the Consumer Care And Lighting we have been generally consistent within 2% point in terms of operating margin. Wipro Health Care Life Science is a new niche business where there is investment taking place, in terms of the quarter two and more and more service revenues would be

infused into that particular revenue stream. India and Asia Pacific, as you know because it has a high level of product elements, it gets into skew because of September quarters and March quarters and therefore we have not sort of gone into guiding on those numbers. Same thing.....Wipro Technologies and IT enabled services and Healthcare services, on that we give specific guidance including little bit sense in terms of the way we see the direction in which the operating margins go.

Shekar: One last question on the good will amortization. Will the number continue to remain the same or will the impairment of good will be done like a test on the impairment of good will be done every quarter and therefore the number can vary.

Senapaty: Good will has not been amortized. What we are saying is, there is, under Indian GAAP the consideration paid less the tangible assets gets considered as good will and there is no amortization of goodwill. It will be tested for impairment on a periodical basis and if it has to be impacted, then it has to be taken. So we do not expect that. Under US GAAP, the difference between the consideration paid and the tangible assets is split into intangible assets other than goodwill and the balance between goodwill. So goodwill is not amortized even under US GAAP, but the other intangibles in terms of the customer contracts and in terms of employees and so on so forth, there is an amortization of that taking place over a two to three year period depending upon what kind of a line item it is. So that amortization has happened in quarter ended September 2002 under US GAAP and that going forward will happen on a quarter to quarter basis about a million dollar in Wipro Spectramind line of business, but otherwise goodwill amortization has not been contemplated either under US or under Indian GAAP.

Shekar: So that intangible amortization will continue every quarter.

Senapaty: That is right.

Shelkar: Under US GAAP. Thanks a lot.

Moderator: Thank you very much Sir. Participants are requested to kindly pink up their handsets while asking their questions. Next in line, we have Mr. Dange from CLSA.

Dange: Hello, good morning and congratulations for fairly good numbers. Actually, I wanted to check on the Ericsson deal, just wanted to understand whether it is a typical IT outsourcing kind of deal or whether it is a buy out of the division because the difference being that whether there will be a goodwill created or not on the account of this.

Shankar: In terms of what the Ericsson deal envisages is in terms of purchase of assets in the R&D center, it envisages in terms of offer of employment to people who are working in the Ericsson R&D center, and simultaneously signing of a revenue agreement in terms for revenue over a predetermined period. In view of this, we do not anticipate any goodwill to arise on account of this particular deal.

Dange: Ok, so it is essentially an asset purchased such the amount paid.

Senapaty: Ya, however till these commercials are finalized, one cannot give any specific answers whether there will be goodwill or not.

Dange: Okay, secondly could you give the geographical breakdown of the clients added. That would help us.

Balki: Ya, 20 in USA., 8 in Europe, and 2 in the rest of the world. This is for the IT services.

Raman: And for BPO, all the 4 are USA.

Dange: Right.

Senapaty: Similarly, there has been addition of about 4 customers on the Healthcare Life Science and all of them are in North America.

Dange: Okay, just one more question on this continuing on this margin drop. The reason why the confusion is getting created is because most of the other vendors which have reported numbers, Cognizant, Infosys, and most of the other Indian companies, there has not been such a large drop in margins because of currency appreciation. So is there a difference in the way that we are accounting or is there something which we are missing out here.

Shankar: Anirudh, for the first quarter on a dollar billing of about \$125.1 million under India GAAP, we had a realization of 50.08 which was a combination of two factors of the forward cover positions that we had taken, and second was appreciating pound sterling which moved from about 1.45 to about 1.55. For the second quarter, we have realized 48.94 again for \$138.8 million. During this quarter, we had an appreciating rupee on one hand and on the other hand we had pound sterling which was relatively stable within a narrow band of 1.53 to about 1.56. So this is primarily the reason. As you are aware about 20% of our revenue is primarily in pound sterling. The combination of these two factors has had an impact on the rupee realization. The impact is about 2.3% on revenue and at a margin level translates to about 1.25.

Dange: Right, okay. My final question is to Vivek. Vivek, basically, it would be very useful if you could give us the sense about what your discussions with the top clients has been over the last say, month or two. Because we have seen a number of layoffs again starting in the US, and does that affect the outsourcing as such or does that mean that the US people are actually outsourcing more even when they are laying off people.

Vivek: I think that the story is a little bit different between technology and IT. I think on the IT side the companies are used to the notion of outsourcing and as a result what we are seeing that even in the layoff environment, you are continuing to see interest on the outsourcing. I think on the R&D side, it is a tougher part, because what you end up having is, most of them use R&D in sourcing. For them the notion of R&D outsourcing is new and then on top of that they have a layoff. They are struggling with that notion. Regardless though, what we are finding is that the situation is difficult enough and tough enough that customers are making their tough call. The Storage Tek deal is one example where the customer actually announced a very substantial layoff and they completely out source all their manufacturing and developmental operations at the same time and in some sense they were pushing the pace on how fast they wanted to go and how much they wanted to publicize it, because they were keen that they wanted to send the message out to the public that they were willing to take hard steps on their own. So I would say that net-net there continues to be growth expectation in terms of people's intention to outsource on both the IT side and the R&D side, but more on the IT than R&D.

Dange: Okay, and do you think that the budgets for 2002 will actually be spent or there could be some cuts in the budget in the next coming 3 months.

Vivek: I do not think that there is anybody who is reviewing their budgets right now frankly. At least, I have not talked to anybody who is saying that the 2002 budget, they are going to go back and re-review. I think that if ever reviewed, they were conducted 2 or 3 months ago, or maybe little more than that, but not recently.

Dange: Okay, thank you.

Moderator: Thank you very much Sir. Our next question comes from Mr. Sanjay Kumar of Prabhudas Leeladhar.

Sanjay: Good afternoon everybody. This is Sanjay Kumar from Prabhudas Leeladhar. My first question is on the volume growth. Specifically if you could tell us where this growth has come from especially the breakup between new plants and existing plants and also most specifically if you could comment on the capacity utilization with just in time hiring happening now, what exactly is preventing Wipro from significantly increasing the capacity utilization?

Vivek: I think if you look at the utilization rate, it has gone up by one point.

Balki: From 66 to 67 percentage.

Sanjay: Okay, do you see the trend increasing or do you see picking up significantly in the coming quarters.

Vivek: I am sorry, could you just repeat that please.

Sanjay: What I am saying is, does this trend of the capacity utilization increase by 1% is likely to continue going forward for do you see this thing picking up significantly.

Shankar: Our endeavor is to in terms of increase the utilization. We calibrate in terms of recruitment to ensure that we have an optimal utilization structure. In the past, we have reached a peak utilization of about 71% on a gross basis and about 79% on a net basis. So our endeavor is to increase utilization. We need to see as we go along how the results pan out.

Sanjay: Fine, under telecom business front, could you throw some color on the business environment in the OEL versus a TSP space and also if you could comment on the embedded software business.

Vivek: I am sorry, I missed the last word, also comment on...?

Sanjay: The embedded software business environment?

Vivek: Sure. If you look at the telecom equipment provider space, what we are seeing is that clearly their outlooks are dim but we are seeing some stability return to product roadmaps and as their engineering roadmaps are becoming clearer, they do know which direction the R&D is going in and since they do know that and they do have constraint budget, the discussion of offshore

outsourcing is picking up speed. So, I think on the telecom equipment side, we have seen volume growth and we have seen revenue growth.

On the telecom service provider, even though this quarter we have reported a sequential quarter growth in the double digits, what we are seeing is much more uncertainty. There is a lot more uncertainty on the telecom service provider space as to what their future is going to be and when they would spend it all if anything. So the result I think that that is probably continues to be of all the business units that we have the one with the, you know, with the question mark against it.

If you look at the embedded space, this was the space that turned around the fastest, it turned around in the first calendar quarter of this year in terms of a growth rate, actually fourth calendar quarter of last year. So I think that what we are seeing is that we continue to see interest there, we continue to see strength, if you look within it, we are seeing more outsourcing in semiconductors. We added Cyprus as a new customer this quarter even in the, you know, the big companies, one of the four pillars if people even remember that from the dotcom days, EMC became our customer this quarter. So I think that what we are seeing is more interest on the embedded system side. So as I said, you know, you instead of take a look at on the one hand relative to the past are you seeing an improvement, absolutely. On the other hand, you compare that to IT and you say are you seeing that kind of a pickup and the answer is no.

Sanjay: Fine. In terms of outsourcing business, could you give some indication of the size of deals you are bidding for?

Vivek: We are having some sort of a bad connection. You have to repeat that question again please.

Sanjay: What I was saying is, in terms of the outsourcing business, could you give some indication of the size of deals you are bidding for?

Vivek: You know, they really vary. There are the smaller deals and larger deals. I hate to give any dollar number, because I do not want to set expectations at a time when we have not locked in a deal.

Sanjay: Okay, in terms of the sales and marketing expenses and the general and administrative expenses, is it possible to get a breakup of the last two quarters and also the sales and marketing expenses what trend do you see going into the future?

Senapaty: Details means, you want line item wise?

Senapaty: Not the break up, in terms of the percentage if you look at, SG&A for Wipro Technology, quarter ending June was 12.4% and for quarter ending September it is 11.9% and if you want any kind of a line wise split, I suppose we could take it off-line.

Sanjay: Thank you.

Moderator: Thank you very much Sir. Next in line, we have Mr. Chetan Shah from Quantum Securities.

Chetan: Hello sir, I just wanted to know what would be the number of project starts last quarter rather last two quarters?

Shankar: We do not say it in terms of project starts. We do not see that to be a major indicator of revenues, because the size of project is as critical as the number of projects that you start. So we have not been disclosing in terms of the number of projects that has been started each quarter.

Chetan: The other thing was this in the systems integration, basically we have not seen a large deal, a Lattice kind of a deal for a quite sometime, I mean, when can we see or expect that thing, if you can just guide on that one?

Vivek: What we are seeing is system integration deals of a smaller nature. In addition, on the Wipro Infotech side, we have seen some pretty good system integration wins in India and in Asia Pacific. So I think that we continue to see them, but of the smaller nature. Fundamental system integration, sort of lines up in more of the discretionary side of the ledger and as a result, definitely a tightness in spending on that. Suresh, do you want to talk a little bit about some of the system integration wins in Asia Pacific.

Suresh: This is Suresh Vaswani here, I am the President of Wipro Infotech. Wipro Infotech manages the India, Asia Pacific, and the Middle East businesses. You know we have been, in India our business revolves around product services and software. Over the last year and a year-and-a-half, we have been investing in the software business and the system integration infrastructure management business, both in India and Asia Pacific and in the Middle East. In the Middle East, we are building good traction. In India, as well and so far the software business is concerned, we are building good traction. In the last quarter alone, we won 16 projects, out of which eight were in Asia Pacific and the Middle East and eight were in India. In the Middle East, the important projects included a pretty large ERP implementation for Riaz Pharmaceuticals, a large pharmaceutical company there. In India, we won a large IT infrastructure management contract from Colgate-Palmolive and this was the first win of this kind in India which also involved asset financing through a separate finance company. We won a good contract for IT operations and software development in Dubai Municipality Corporation and you know, several such system integration contracts including one for a large back in India.

Chetan: Actually in India and Asia Pacific, IT services and products division, the contribution of products continues to be very high compared to the services. If you can comment means what will be the strategy.

Suresh: See, we have been focussing on the services and software business. Today the services and software business is accounting for 25% of the total business that we currently do. The growth in the software and services business is expected to be significantly and has been over the past significantly higher than the products business. We were not doing the software business in India, so now, we are doing the software business in India as well. That is going to build a lot of momentum in terms of growth of the services and software business.

Chetan: In case of Spectramind, you have signed four new customers. I just wanted to know, how long does each customer, for example, I mean will break even on the EBIDTA level or other operating income level.

Raman Roy: I think the time frame, I do not think you can use a generic thumb rule to how long a customer will take to break even. In the four customers we have signed, there are customers where we are starting three to four processes simultaneously and ramping up and that may reach a break even within 60-90 day timeframe after we start production. There are customers where the ramp up is fleshed out over a one-year period. Based on which way the customer will be able to divert volume to us and based on how they tackle, where the business is coming from on their side and there it may take you know, four to six months before you break even.

Senapaty: Also, in this particular industry, the various ways of commercial negotiations where you start getting money based on some people have been good or certain seats has been reserved, and there the break even levels are very, very low. With the combination of all these commercial negotiations that you do, the break -even points would be different.

Chetan: I also wanted to understand whether all these four deals basically, it will be on a data type of work, I mean transaction processing kind of a work or it will be a call center like of a work.

Raman Roy: It is a mix of both kinds of work that you are declared that we have in these four deals.

Chetan: Okay, and the last question actually, in consumer business, are you looking for some kind of an acquisition like, there was some news that you are looking at acquisition of Mysore Sandal Brand, I just wanted to know your comment on that?

Vineet: We do not comment specifically on acquisitions, however if there are any ethnic brand set would be available, we would be looking at it on a case to case basis.

Chetan: Okay Thank you Sir.

Moderator: Thank you very much Sir. Our next question comes from Ms. Kamakshi Rao of Capital International, Tokyo.

Kamakshi: Thank you. My question has to do with the market environment. A year ago, you were telling us that you would since from the India focussed beauty parade as a way to provide pricing decline. At this point in time, you spoke earlier about competition with the big five when you did not lose when the project was an India-focussed project. Could you comment about the competitive scenario keeping in mind customer preferences for saving cost by shifting to India, but at the same time keeping in mind your preference or wanting to avoid price pressure.

Vivek: Yes, I think Kamakshi that when we had said a year ago that we did not like the beauty parades because fundamentally they were leading to pricing lower than our threshold of acceptance, I think the situation has changed, we are still today seeing many customers come with a declared objective of coming to India for offshore out sourcing and putting all the Indian vendors through a competition. So, clearly we are seeing those kind of takeoffs absolutely out there, what we are seeing though a little bit more decline in terms of pricing and as a result a similar breakup that might have occurred a year ago and resulted in what we thought was pretty low pricing, today is resulting in fairly reasonable pricing.

Kamakshi: Okay, so what would be the reasons for this, when you look at what is happening in the market that why do these take offs do not have the same effect on pricing dated a year ago.

Vivek: I think two things, I think one is there has been a relative consolidation in terms of the market rallying around the big people and big companies that is and as a result the meteor has distant itself a little bit further. So, their willingness to lower prices substantially is not having such a big impact. The second is that if you look at the majors, the majors have all cleared their benches and have seen good volume growth and as a result their appetite for dropping prices is much lower than it used to be.

Kamakshi: I have another question and this is on Spectramind. At the time of your taking a stake in the Spectramind you had outlined cross selling opportunities, I do not know if cross selling is the right word, but you had spoken of spectrum of technologies call center queue being available once the client who was looking for that breakup. Could you comment on the recent client when the Spectramind and how this is laid into that strategy outlined earlier.

Raman: We are seeing a huge amount of traction with the customers who are already customers of Wipro Technologies. We at this point of time have 20 plus proposals pending with various customers. While their interest is positive, what we are anticipating on the environment is that as against eight to twelve months cycle time for winning a new deal, with this interest and the existing relationships, we should be able to cut that down, how much, time will tell. It is too soon to be able to say, you know we have been working at this for the last three four months only at this point of time. The other aspects of integration for us, you know there are other aspects that the customers are getting excited about, which is our ability to be able to set up and ramp up far quicker than the other environment. Just to give you an example, we announced our center in Chennai, and we would be able to be up and running and actually do the first transaction from our center in Chennai by December, less than twelve weeks after taking the decision of going into Chennai. In any other scenario that would have taken up to five to six months. That gives customer some comfort, because while the customers take eight to twelve months to take a decision, once they take a decision, they want to get into production in the next 90 days. There are also aspects of utilizing the same facility where they are already doing IT work with Wipro Technologies and utilizing the same competencies of Wipro Spectramind to be able to offer BPO services to the customers utilizing the same facility, the same infrastructure. And we are in pretty advanced stages of discussion with some customers to activate that. So net-net we see a great win coming for the customers, for Wipro Technologies and Wipro Spectramind. We think it is a absolute win-win.

Kamakshi: Thank you and just a last question for Raman. What is the pricing trends you see in the BPO business?

Raman: Like all good things in life pricing continuous to be under pressure. There are players in the market place who are willing to buy top line by giving prices that perhaps at least to our estimation are uneconomic. Simultaneously, the customers are getting pretty savvy about what they want and not only wanting just a price differential, but wanting to weave in quality and service delivery. As market leaders in the space, we see that as an exciting opportunity, because we are happy to link our delivery capabilities to service standards and get share of the upside that the customer gets. So yes, there are pricing pressures, but they are being diluted based on various other aspects which create up size that are there to be leveraged.

Kamakshi: Thank you so much and congratulations.

Raman: Thank you.

Moderator: Thank you very much, madam. Our next question comes from Mr. Supritam Basu of ICICI Securities.

Basu: Hi, Good afternoon, I just want to go back to that TSP business which has increased pretty sharply during this quarter, could you give me an idea in terms of who the clients are and what is it that you are doing for them that is leading to this growth.

Vivek: You are talking about the service providers,

Basu: The service providers.

Vivek: We announce Sprint as the customer and I think that is the only customer we named this quarter.

Basu: I mean, is this that you are getting, I mean this is all the incremental growth have come from this single customer or you are seeing more traction there and what type of services are you providing.

Vivek: What we are seeing is that on the system integration business as I said small wins and some good growth coming on our basic offshore application maintenance and billed business for service providers with existing customers.

Basu: Okay

Vivek: And the total number of customers added this quarter was four I mentioned Sprint by name for test that is.

Basu: And all these four customers were from the US geography.

Vivek: That is correct.

Basu: All right. Okay moving on to second question which is kind of related with this TSP space and that is basically margins, now what we have seen is that in this first two quarters of this year, EBIDTA margins has been in the region of let us say 34% and 34.5% if one excludes the currency effect during this quarter, that compares with something like 38% to 37% in the previous two quarters. Basically the second half of last year. Now my question is this, what effect that the Lattice contract have in terms of increasing your EBIDTA margins during the previous two quarters?

Balki: The last two quarters were that of the 186K project has already gone into, as of the product development phase got completed and it is in the maintenance mode. Not much of thing has happened, but because of the 186K project in the last two quarters.

Basu: No, that was what I ment. So, what I am looking at is that the last two quarters of the previous year, where your margins were still at around the 38-37% mark and Lattice was actually a pretty big portion of your overall top line revenues.

Senapaty: Yes, but that forged into when you talk about price realizations being lower year on year.

Basu: Right,

Senapaty: So, automatically takes care of that.

Basu: Right, so essentially what I am trying to get a sense for is to what extent was the Lattice contract margins higher than your normal margins?

Vivek: I think what we had indicated was that on an aggregated basis, it was consistent with our overall margin.

Basu: Okay, and moving forward with the addition of the ThamesWater project, which I believe seems to be a fairly profitable project for you, that going live from October 01, 2002 would you expect a sequential improvement in margins during the next quarter that is your Q3?

Vivek: You known, what we have not done is given either guidance in terms of profitability by customer project or given a specific operating margins guidance for next quarter, besides to say that we do see stability going forward.

Senapaty: And just one correction in terms of these four customers that has been added in TISP, one is Europe and three is America.

Basu: All right, thank you. One final question, which is, I mean, I am coming back to the embedded technologies space. Are we seeing some disruptions come up in that space again with people like Texas Instruments, Motorola, as well as people like Sun and HP kind of suffering in that embedded platform business, I mean, are you starting to see any flow through impact of that?

Vivek: Not yet, if you look at our Sun business it grew, HP grew, and TI grew, so I think that, you know clearly we are watching those news lines as much as anybody else, but at this point, we do not have an impact.

Basu: Thank you gentleman and good luck!

Moderator: Thank you very much, Sir. Our next question, comes from Mr. Apoorva of Karvy.

Apoorva: Hello, sir. See, most of my questions have been answered. One question regarding the US GAAP number in rupees. The Q2 numbers for this year when compared to last year. Now the last years numbers have changed from what was published earlier, can you just explain the difference?

Shankar: In terms of US GAAP numbers for the pervious years have been reclassified.

Apoorva: Yes, previous year with compared to this year, the pervious year's numbers have changed slightly from what was published earlier?

Shankar: There has been a reclassification primarily on two or three different counts, one is in terms of others revenue, which was by Wipro Biomed, which was part of others, has got

reclassified in terms of Healthcare and Life Sciences, now as these firms are a part of us. Consequently, Healthcare and Life Sciences we have reported revenues both under services and products. Similarly, in terms of cost of revenue similar kind of change has been effected. This is one change that we have implemented. The second change is with regard to classification between services and products, which we had indicated in terms of in our Q1 results itself. On the cost of goods and selling general and administration expenses, there has been again a reclassification between the two, which has been highlighted in our accounts, which we published in Q1.

Apoorva: Okay, and can you just give me the billing rate numbers for this quarter?

Shankar: One other classification that we have done is the Healthcare vertical which was part of Wipro Technologies till quarter ended in June, but certain accounts have been transferred to the Healthcare and Life Science business. Accordingly, the revenue and the cost of goods pertaining to these customers have also been transferred and shown under Healthcare and Life Science vertical.

Apoorva: Okay, can you give me the billing rate numbers for this quarter?

Shankar: In terms of our average billing rate for the quarter has been for offshore, 4050 and for onsite, 9900.

Apoorva: Okay, and the similar number for Spectramind business?

Shankar: For Spectramind, in terms of we have had, its about \$14 per hour.

Apoorva: Okay, thank you Sir, and all the best for the future!

Moderator: Thank you very much Sir. Next in line, we have Mr. Chellappa from Franklin Tempelton.

Chellappa: Good morning, see my questioned has been answered. Thank you.

Moderator: Thank you very much, sir.

Male Speaker: Operator, can we have the last question?

Moderator: Sure sir. We have a question from Mr. Nitin Bambani of JP Morgan.

Nitin: Yes, thank you, glad to make the cut. It is just to follow on the last person, there seems to have been some change in the net profit reported a year ago, and I understand the explanation in terms of reshifting, but I am not sure I understand why the net profit number has been revised down slightly from a year ago?

Shankar: I can probably get back to you on that, I am not in terms of particularly aware of any specific reasons that has contributed, let me just check on that and get back to you.

Nitin: Right, that is it from me.

Moderator: Next in line, we have Mr. Nilambu Syam from Kotak Securities.

Nilambu: Good afternoon Gentleman, Vivek, could you just give us a sense of the business environment in Europe and especially in terms of which countries are doing relatively better, also if you could give us some sense of the European verticals, which are doing better?

Vivek: If you look at Europe, what we have seen is that we had pretty good sequential quarter growth in Europe of about 10% +, so what we are seeing is that Europe has contributed to our overall growth of 7% of that our technology business is actually declined a little bit and our enterprise business grew in double digits on a sequential basis. So, what we are seeing is that the decline in the technology businesses in Europe is fundamentally been driven by the telecom segment. If you look at within Europe itself, we continued to have strength in the areas where we would have before, which is the English speaking parts of the UK, Scandinavia, and Holland etc.

Nilambu: Do you see any improvement coming through in France and Germany, which were indicated as focus market going forward?

Vivek: Yes, we are seeing growth there and we are seeing traction there. They are big enough yet to move the meter.

Nilambu: Thank you.

Moderator: Thank you very much, sir. Our next question, comes from Mr. Manoj Singla of JP Morgan.

Manoj: Good morning, Sir. Congratulation on excellent result! I was just looking through my questions, which one to ask? Since, I have just one. Yeah, I was just wondering that you were saying that pricing is stabilizing more. Actual, I was just wondering what is the outlook going forward and while they are giving any guidance are they expecting or pressing to move up or expecting to flat or go down.

Vivek: I think what we have said on pricing is that it will be stable.

Manoj: So, for the next quarter guidance if I may just ask further, we are expecting that the growth will entirely come from volumes and pricing would be flat quarter on quarter

Senapaty: Yeah, like we said last quarter, that is quarter end of September, there was no really re-negotiation on the pricing, but it was the mix change in terms of higher growth in low price accounts than it is on the high price account and to that extent we think there is fair amount of stabilization on that already.

Manoj: Okay.

Vivek: But let me put it this way that we will see some pricing recovery, not a lot but some.

Manoj: Okay. And if I may ask just one more question, I was just wondering as to what is the competitive scenario that we are seeing especially with respect to the Indian companies while they are bidding for these deals right now.

Vivek: You have to be a little bit more precise in that question.

Manoj: I was just asking as to what is the kind of competition we see, are we seeing only the big names, do we see some midtiers names as well especially when you bid on different domains, do we see different people in different kinds of customers?

Vivek: You know, we definitely see the market segregating between the, you know, the majors and the midtiers and so as a result, we are seeing that mostly competition is around majors. You know, you do come across the odd customer who has been somewhere in the past worked with some small company and want to continue to work with them because of a strong personal relationship. For those are not terribly abundant in terms of how many times you run into them. So, I would say that on a competitive landscape basis as I mentioned earlier, we are seeing a segregation between the majors and the midtiers.

Manoj: Sure, thanks a lot.

Moderator: Thank you very much Sir.

Shankar: If you could just give me a minute. I would like to clarify in terms the previous year profit where there has been some change. In March of 2002, we adopted a new literature, which came out on US GAAP, pertaining to accounting for unrealized gains on foreign investments made out of the ADR proceeds by us. Consequent to this, the unrealized gain, which was earlier up to December, where we were moving it to the profit and loss account has been classified and taken directly into reserves from March of 2002. Correspondingly in the current year, to make the previous year number comparable, similar kind of change has been effective. In simpler terms what I am meaning is, on ADR investments that we make where we have foreign exchange fluctuation, that amount has not been captured through the profit and loss account but has been taken through the reserves where we have not sold the security and realized the exchange gain. Thank you.

Nitin, this was your question with regard to the previous year number.

Senapaty: Yes, operator let us get the next question.

Moderator: Sure sir. Next in line, we have Mr. Trideep Bhattacharya from UBS Warburg..

Trideep: Congratulations on excellent results. One question, outsourcing from Ericsson, are there any specific product lines that you will be working for or it is pretty much like you know, could you outline which are the product lines that you will be working for under covering the offshore are in debate. And going forward the entire offshore R&D as I believe from the structure of the deal, will be either done through Wipro or through the other vendors that Ericsson currently uses. So, is there a chance that some of the other vendors in the work might get consolidated into Wipro going forward any thoughts on that side?

Vivek: I terms of the technology, we cannot really say a lot more except to say it is mobile technology. I know it is kind of a broad phrase here, but that is the area we will be working in and that is true of every customer. By the way, we do not give the specifics of exactly what we are doing with customers. And in terms of consolidation of other Indian vendors, there is nothing in the contract that obligates Ericsson contractually to take work away from other vendors and give it to us, but the reality is our relationship with them will grow.

Trideep: What I meant is will there be multiple product lines which you will be working for Ericsson under specifically at this deal or it is focused on one particular product line?

Vivek: Multiple product line.

Trideep: Okay. And a part of the question is like you know this one BPO contract that you mentioned as part of your specialist, is there any special attribute to it why you said structure or may be deal side etc?

Raman: The one specific contract that we mentioned there was specifically for a fortune 100 company to do entirely with non-voice related work.

Trideep: Okay. Thanks a lot and best of luck in future.

Raman: Thank you.

Moderator: Thank you very much sir. Would you like to take further questions Sir?

Male Speaker: Ya, last question please.

Moderator: Sure Sir. We have a question from Mr. Lakshimikant of ABN Amro.

Lakshimikant: Yeah, hi, I had a small question on Spectramind. If you see the operating margin this business has improved dramatically in this quarter, could you broadly outline what have been the drivers, you know, in terms of utilization improvement, in terms of changes of price points if any. And I see that based on your full year outlook on that business, you are expecting the current kind of you know 21% or to continue the rest of the year as well. So, I would be keen to know as to you know what the utilization is what kind of target utilization you are looking at that is my question. Thanks a lot.

Raman: In terms of our operating margin there was a 17% increase during the quarter, 7% based on realization and 30% based on people utilization and increase in shift utilization operated during the quarter. While, as you correctly point out, we have had a wonderful quarter and our operating margins look wonderful, we do not get guidance on operating margin for future quarters. What we would like to state is that Wipro Spectramind's net margins would remain within the 17-23% band that we expect from this industry for the full year.

Lakshimikant: Thank you.

Raman: Thank you.

Moderator: Thank you very much Sir. At this moment I would like to hand over the floor back to Wipro for final remarks.

Senapaty: So, Ladies and Gentlemen, thank you very much for showing your interest and participating in this conference. For any reason, if we have not been able to answer some of your questions or some of you could not log in for any question specific that you had, please get in

touch with Lan or Shankar or myself so that through mail or through telephone calls, so that we can answer your question and thank you once again for your cooperation.

Bye bye.

Moderator: Ladies and Gentlemen, thank you for choosing CyberBazaar's conferencing service. That concludes this conference call. You may now disconnect your lines. Thank you and have a nice day.