

Final Transcript

WebEx Communications, Inc.

Wipro Limited - Q3 Earnings Conference Call - FY 2008 - 2009

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PRESENTATION

Moderator - WebEx

Good morning ladies and gentlemen. I am Sandhya, the moderator for this conference. Welcome to the Wipro Q3 quarterly results conference 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 Mr. Rajendra Shreemal. Thank you and over to you sir.

Rajendra Shreemal – Wipro - Head – Investor Relations

Thank you Sandhya, and thanks everyone for joining us today. Good morning and good afternoon from Team Wipro to all people joining in from different parts of the world. As the operator just mentioned, I am Rajendra Shreemal. I head the Investor Relations. Along with Sridhar in US and Aravind and Lalith in Bangalore, we handle the investor interface for Wipro. We thank you for your interest in Wipro and it is with great pleasure, I welcome you to Wipro's teleconference post our results for the fiscal quarter ended December 31, 2008. We will begin with a short address by Mr. Azim Premji, Chairman, followed by financial highlights from Mr. Suresh Senapaty, CFO of Wipro Ltd., and follow it up with the Q&A session with the management team. We have Girish Paranjpe and Suresh Vaswani, joint CEOs, and other senior leadership team of Wipro. The call is scheduled for one hour. Before Mr. Premji starts his address, let me draw your attention to the fact that during the call, we might make certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the management's current expectations and are associated with the 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 Securities and Exchange Commission of USA. Wipro does not undertake any obligation to update forward looking statement to reflect events or circumstances after the date of filing. This conference call will be archived and a transcript will be available in our website www.wipro.com. Ladies and gentlemen, let me now hand over the floor to Mr. Azim Premji, Chairman, Wipro.

Azim Premji – Wipro – Chairman

Good morning and wish you a very happy new year. Thank you for joining our call. Wipro Ltd. recorded revenue growths of 25% while profit, after tax, grew 18% year-on-year. Revenues from our IT services business crossed the 50-billion dollar mark this quarter with a strong year-on-year growth of 31%. Year 2008 saw a fragile global economy, a brittle domestic security environment, and a probing investor outlook on corporate governance practices. Year 2009 will be a tough year. Consumer confidence is down significantly, and leading indicators suggest that the bottom is not in sight. This will impact every economic activity leading to capital conservation and OPEX reduction. IT budgets for the year are likely to get finalized this quarter,

but customers will decide, quarter by quarter, until they get certainty on micro environment. In such tough times, all our stakeholders are impacted, be it customers, employees, investors, or partners.

Let me focus on our customers first. Our customers are not looking for vendors, but for business partners, partners who know their priorities and collaborate with them. Challenging times differentiate great companies from good companies. This is an opportunity that we want to take with both our hands. I believe customers want a business partner to have four key strengths. Wipro is well placed on all the four key areas. Customers first look for a one-stop shop to reduce their overheads in managing relationships. A wide service portfolio covers consulting, application development and maintenance, R&D engineering, technology infrastructure services, package implementation, testing services, and business process outsourcing. Our ability to provide integrated solutions cutting across multiple service lines positions us well among our peer groups.

Secondly, customers do not want fair-weather friends who care only for their own interest. In 2001, we stood by our technology and telecom customers when some of our competitors looked elsewhere. We are in this business not just for this quarter or the next, but also for the decade and the next.

Three, Customers are looking for partners who can address their current needs of capital conservation and operating expense reduction. We are addressing this with our suite of offerings under process optimization, application optimization, infrastructure consolidation, and emerging business models.

Lastly, customers expect their partners to be financially strong and sustainable. While the past is not indicative of the future, we have the experience in riding economic waves in our last six decades of history and coming out in each of these waves as a stronger company. Finally, a relationship needs to be built from the foundation of the highest standards of integrity. This holds true not just for customers, but for all our stakeholders too. We have always prided ourselves for getting the highest standards of business ethics in our dealings with our stakeholders.

We have built a strong culture which upholds compliance in letter and spirit. Over the years, we have proactively adopted governance and disclosure standards long before they became mandatory, be it segment-wise and consolidated results in 1985 or voluntary compliance with SOX 302 certification requirements in year 2002. Additionally, in 1998, we were the first internal audit function in India to get ISO 9002 certified. A partnership with customers is not at the cost of our investors. A focus on operation efficiencies will ensure that our investors are not short-charged, both in the short or the long term.

Employees are the lifeline of any organization. I am confident that every Wiproite will stretch to the hilt to squeeze every ounce of productivity and provide concrete value to customers to enable us to become partners of choice. Recessions do not last, resilient companies do. I am confident that Wiproites are resilient to withstand the near-term challenges posed by an uncertain environment and come out stronger than ever.

I will now request Suresh Senapaty, our CFO, to share the financial highlights of the quarter, following which your management team will be happy to take questions.

Suresh C. Senapaty – *Wipro– Executive Director & CFO*

Good morning everyone. Let me take you through some of our performance highlights for the quarter. Our IT services revenues for the quarter was 1.1 billion dollars, a growth of 3.5% in constant currency and decline of 0.9% sequentially on a reported basis. Our guidance of 1121 million dollars was based on exchange rate as of September 30, 2008. The current quarter revenue – we stated for exchange rate of September 30, 2008 – 1126 million dollars, which is ahead of 1121 million dollars guided. We had a strong growth in the retail and transportation vertical with constant current sequential growth of 11.4%, and similarly, a year-on-year growth of 38%. Our communications and media service providers grew 5.5% sequentially on constant currency terms. Our financial services verticals showed strong constant currency year-on-year growth of 28% in the quarter ending December 2008. Technology Infrastructure services and testing services have shown growth of 20% and 24% respectively on a year-on-year basis. Package implementation services clients also exhibited small sequential growth of 3.7%.

From a geographic perspective, we saw strong growth in Europe on a constant currency basis of 7.5% sequential and 24% year on year. India and Middle East business had another strong quarter with sequential growth rates on constant currency terms of 5.5% and year-on-year growth of 52% on constant currency. We continue to win large deals. We won four multi-year multi-million dollar deals in the current quarter which is December 2008. We added 31 new customers. Our accounts with revenue greater than 1 million increased from 426 in quarter ending September 2008 to 436 in the quarter ending December 2008. Our accounts with revenues greater than 20 million dollars increased from 50 in the quarter of September 2008 to 52 in the quarter of December 2008.

We have completed our acquisition of Citi Technology Services. As part of the deal, Wipro gets committed business from Citi Group of at least 500 million dollars over a six-year period apart from certain specific arrangements like exclusivity for technology infrastructure services for sourcing of Citi Group from India and also a preferred vendor status for application development and maintenance to be delivered out of India. The revenues of Citi Technology Services will be consolidated with Wipro beginning this quarter. We have had strong volume growth of 2.2%. Our mix of revenue from fixed price project increased by 4.4% and offshore mix went up by 0.9%.

Our price realization improved by 120 basis points sequentially in constant currency through higher productivity. However, we are seeing pricing pressure as customers are pushing hard to save costs. Excluding the one-time provision made in respect of the receivables of a customer, we were able to expand margins by 10 basis points. The impact of salary increase and drop in reported rate realizations were made up by benefits from currency and other operating parameters. Due to changed economic reality since September 2008, there is a considerable uncertainty in decision making by our customers. The financial services, technology, media, and telecom SBUs are most impacted by the change in the environment. Our IT product business showed strong year-on-year growth of 25% in the current quarter. We improved margins in the business by 70 basis points and PBIT growth on a year-on-year was 45%.

Wipro Consumer Care and Lighting business continued to see good momentum with industry leading growth rates; overall business grew 21% on a year-on-year basis.

On the foreign exchange front, our realized rates for the quarter were 46.17 versus a rate of 42.80 in the earlier quarter. On a quarter-on-quarter basis, Forex gave us positive impact to margin and at period end, after assigning to the assets on the balance sheet we had about 1.8 billion dollars of contract at rates between 39.50 and 49.90.

As of December 31, 2008, our net cash balance on the balance sheet was 10.7 billion rupees. We generated a free cash flow of 5,850 million rupees during the quarter.

In the light of issues on financial reporting, we have decided to enhance the disclosure level. We are starting to give the break up of the investments and cash and bank balances by bank funds in balance sheet. I will also take a minute to highlight that our internal control processes are very robust and we have sufficient check and balances in the system. Our cash and bank confirmations are done by external auditors directly with the banks and this process has been going on for many years. We will now be glad to take questions.

QUESTIONS AND ANSWERS

Moderator - WebEx

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 telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. First question comes from Ms. Divya Nagarajan from JM Financial. Over to you madam.

Divya Nagarajan – JM Financial- Analyst

Congrats on the quarter. I am trying to understand how the revenue break up has come in constant currency and impact of the currency exchanges as well as pricing in constant currency please.

Suresh C. Senapaty - Wipro– Executive Director & CFO

Yes, if you look at the communication and media service providers, the constant currency sequential growth is 5.5%; technology is -3.8%; telecom is +4.6%; financial services is 2.1% positive; manufacturing and healthcare is 1.5% positive; retail and transportation is 11.4% positive; energy and utilities is 3.5% positive; and so, on a gross total IT services, 3.5% sequential positive on constant currency.

Divya Nagarajan – *JM Financial- Analyst*

Right, right, and what is the currency impact, if you could quantify that? Because there was an offshore shift as well of 90 bips; if you could just break this down into your impact because of that and currency?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Yeah, we are not sharing all those details. All I am saying is that on a reported basis, it is 0.9% sequential decline, and the constant currency basis, it is 3.5% positive.

Divya Nagarajan – *JM Financial- Analyst*

Right. Your guidance for the next quarter also includes the contribution from the Citigroup acquisitions. Could you just separate out that contribution for me please?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

The Citigroup, as you know, has a little under 80 million dollars of run rate in 2008 calendar, and we would expect a similar kind of a run rate to continue because it is in line with the committed revenue, and because it is an existing customer, it will be a mix of business coming from here or there, but the run rate that they had in quarter four or the 2008 calendar is expected to be continued in quarter four.

Divya Nagarajan – *JM Financial- Analyst*

And the integration will be effective for what period in the current quarter?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Straight away from this quarter.

Divya Nagarajan – *JM Financial- Analyst*

For three months, is it?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

This quarter.

Divya Nagarajan – *JM Financial- Analyst*

Sure, sure, and your other segment has reported a loss this quarter. Could you highlight what is happening there, and what kind of breakeven you expect going forward from here?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

You know that is largely our Wipro Infrastructure Engineering business. As you know, the global slowdown in terms of the infrastructure spend, credit crunch, etc., both in Europe as well as in India, it has severely impacted and that is where we have created capacity, both in Europe as well as in India, to be able to address the enlarged requirement, and we would think that for at least few more quarters, we will be still in kind of losses, but we hope towards the second half of the next fiscal, we should be within positive.

Divya Nagarajan – *JM Financial- Analyst*

Right just one last question. In your cash flow, you have also had some impact in the deferred cancellation losses related to rollover hedging of around 752 crores for this quarter. Could you just break that down into various components as per the cost related to this please?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

No, these are like hedges for future period, which fell for renewal or which expired during the particular quarter, and which therefore, you need to settle that with the bank for the difference

between the spot and the rates at which they went. So, it is an amount of about 700 odd crores which has been paid and has been dwelt with in the P&L or the balance sheet depending upon for which period that particular hedge was assigned for.

Divya Nagarajan – *JM Financial- Analyst*

Sir, what is the underlying dollar amount of the hedge that was rolled over?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

I would not say rolled over, but I do see that the overall position that we had as of September 30, 2008, to December 31, 2008, apart from what we have assigned to the balance sheet exposure has come down to 1.8 million dollars.

Divya Nagarajan – *JM Financial- Analyst*

All right. Thanks and all the best.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Thank you.

Moderator- WebEx

Thank you very much sir. Next in line, we have Mr. Kunal from Edelweiss. Over to you sir.

Mr. Kunal - *Edelweiss Capital Ltd. – Analyst*

Yeah, hi. This is Kunal. Mr. Suresh, if you can just throw some more light as to how much of forward contract did mature for the quarter and how much were basically rolled over?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

You know, we have not shared the details of which month what matures and so on. We will communicate a total hedge that we have, and we will continue to do that in terms of quarter ending position as opposed to giving split of every month.

Mr. Kunal - *Edelweiss Capital Ltd. – Analyst*

Okay, may be if you can throw some more light with regards to the incremental loss that you have booked in OCI. I believe that is 120 crores of additional loss. Could you help us how that has been arrived at?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

You know, if you look at the OCI, it is on the basis of capturing the difference between the hedge rate to the spot rate. From 30th September, this quarter rate was much lower than the quarter rate of 31st of December. So, I believe with that same hedge position, the amount goes up if the spot depreciates. So, more or less, you will find that the delta is accounted for based on these spot rate movement on 30th September to 31st December last year.

Mr. Kunal - *Edelweiss Capital Ltd. – Analyst*

Okay, if you can share on the incremental hedging policy if you have changed your hedging policy or given the fact that you know the currency is moving adversely?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

The thing that we did start thinking and what we are currently doing is that existing one as you know we have stated before that this is spread out over a three to four year period, so which means every quarter, we will get about 15% to 20% of these current hedges coming into the P&L account every quarter for the next few years, and the balance would be based on the new hedges to be done or the spots as the case may be. So far as our overall positioning is concerned, we will continue to look for higher level of certainty on a certain term, and also some of these hedges are also pertaining to over a long-term contract that we have.

Mr. Kunal - *Edelweiss Capital Ltd. – Analyst*

Okay, my second question pertains to the pricing. Pricing, onsite pricing has declined by almost 4% as it appears. Obviously, there would be some amount of cross currency movement, if you can share constant currency decline quarter-on-quarter?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

The constant currency has actually gone up by 120 basis points, Kunal.

Mr. Kunal - *Edelweiss Capital Ltd. – Analyst*

Okay, onsite pricing, right?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

On a blended basis, it has gone up by 120 basis points, but on a reported currency, it has declined by 310 basis points.

Mr. Kunal - *Edelweiss Capital Ltd. – Analyst*

Okay, and last question from my side is with regards to the telecom exposure basically the OEMs, given the fact that we have 20% exposure, what are the trends that you are seeing and also because, you know, directly affected by the consumers spending may be you know Nokia, Siemens, Motorola, Cisco, so what is the outlook out there?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Yeah, while I will request Girish to share the outlook, but just to tell you the mix is about 9.6% for quarter three of 2009. The telecom OEM, the service provider comes along with the communication, media, and service provider space which is about 8.3% of our revenue and the telecom OEM is about 9.6% of our revenue.

Mr. Kunal - *Edelweiss Capital Ltd. – Analyst*

Okay, sure.

Girish S. Paranjpe- *Wipro- Executive Director & Joint CEO, IT Business*

So, clearly some of the players in the telecom equipment vendor are going through significant restructuring, and I think you saw the news report on Nortel. There is significant consolidation which has been taking place, but there is also new management in place in many companies. So, as of now, the feeling is that there will be survivors and there will be people who will get consolidated up, who the final survivors will be may be will be clear only by end of this year, but until that time, I think everybody continues to do work with us.

Mr. Kunal - *Edelweiss Capital Ltd. – Analyst*

Okay, and lastly may be Mr. Premji if you can comment, on you know, Infocrossing. How has been the progress in Infocrossing in particular, has it been as per what you would have expected or there are still you know some of the issues that you need to fix?

Azim Premji- *Wipro- Chairman*

Now, I will request Suresh Vaswani, our Joint CEO, to comment on Infocrossing.

Suresh Vaswani – *Wipro- Executive Director & Joint CEO, IT Business*

Hi, this is Suresh Vaswani. I think we continue to maintain a position that Infocrossing has been a strong strategic acquisition for us, and this quarter particularly has been good because, when I say this quarter I am talking about quarter three, because we have announced a fairly substantial multimillion dollar, multiyear contract through Infocrossing in the US for a US business services company where we are actually now going to take over all their servers, around 600 servers and around 10,000 MIPS or Mainframe Capacity, and we are going to deliver service to them and to their customers. So, this is, as you know, typical large type of transformation infrastructure services deal that is manifested thanks to the acquisition of Infocrossing. We see the pipeline building up for these types of opportunities, and so certainly, it is beginning to play out in the context of the strategic rationale we have given for the acquisition.

Mr. Kunal - *Edelweiss Capital Ltd. – Analyst*

Okay, thank you and good luck.

Suresh Vaswani – *Wipro- Executive Director & Joint CEO, IT Business*

Thank you.

Moderator- WebEx

Thank you very much sir. Next question comes from Mr. Kawaljeet Saluja from Kotak Institutional Equity. Over to you sir.

Kawaljeet Saluja – *Kotak Institutional Equity- Analyst*

Yeah, thanks. My first question is on the operating margin performance. When looked at on a year-on-year basis your margins are down marginally despite the 15% rupee depreciation, increase in employee productivity and higher utilization rates. In this context, I would like to understand the reasons for a relatively poor margin performance?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Yeah, Kawaljeet, I think even if you see that you would see with the currency correction also, it will be within a narrow range; 50, 60, or 70 basis points. So, it is, you know, difficult to be pretty sure that it has been, you know, only on the one way because, you know, you look at investments quarter-to-quarter, look at mix of businesses, and so on, and therefore, all I am saying is that on a year-on-year basis, even if you adjust for the exchange, it will still be in a narrow range.

Kawaljeet Saluja – *Kotak Institutional Equity- Analyst*

No but, Mr. Senapaty, you know, look at all the factors that matter for margins that has been more or less you know positive for you. So, you know things like rupee depreciation, increase in employee productivity, and other factors. So, in that context, I thought that perhaps your margins will improve significantly, or the other way to look at it is that, you know, let us say going over the next twelve months if the rupee goes back to 40, whether the margins remain where they are right now?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Yeah, our expectation would be going forward for sure because the margin management are becoming much, much stronger in terms of varieties of levers that we are working on, and our objective is to be able to hold this margins going forward within a narrow range, and absolutely so, I mean we will be prepared to deal with the exchange situation unless there is a significant volatility in one particular quarter, but our objective would be to make sure that we are able to, you know, re-model our business to deal with any kind of an extreme volatility as long as it is within a reasonable range.

Kawaljeet Saluja – *Kotak Institutional Equity- Analyst*

Okay, my second question is that your ROCE, your Return On Capital Employed, has been declining and is amongst the lowest amongst the large three of that around perhaps 25%. Now, when you look at your business vertical, does the Return On Capital Employed matter and if yes how is this embedded in your decision making process?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Right, you know on an organic business, definitely the positions are very, very attractive, but when you get into an acquisition and revenue and the profitability they are from, it does dilute, and also one thing that we need to realize is that once you do an acquisition, it does not happen in one particular quarter, and technically, that we are not looking at acquisition from an organic basis, and when you are doing something which is strategic, when it is linked to synergy, linked to a bigger picture in the next two, three, four, or five years kind of a thing, the objective is to invest that money in the shorter term to be able to get upside in next two, three, or five years. We are looking at a space which we were not addressing, we are looking at a solution which we were not addressing, we are looking how can we get increased share of wallet from the customer. So in that respect, if you look at over the last two to three years, we have spend more in terms of an acquisition, but have we got the full benefit of it, no... somewhere we have got full, somewhere we are getting part, somewhere we are not getting the one that we are looking for, but eventually, all these will deliver over a medium to longer term horizon, and these are in a manner of speaking investments for the future.

Kawaljeet Saluja – *Kotak Institutional Equity- Analyst*

Right, is there a floor in the mind of management, you know, by which the ROCE should not defer, you know, there is no such target?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

No, there is. I am sure of course there is in the sense that we have what we call IRR models and we have payback models as well as ROCE models. Combination of these three, we have parameters for putting in money for acquisition.

Kawaljeet Saluja – *Kotak Institutional Equity- Analyst*

Right and my final question is that, you have the process of forecasting and coming up with a guidance, changes in any way or given the challenges in external environment, and if yes, can you elaborate what the changes have been?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Oh tremendously Kawaljeet. I think for all you know next time we speak to you guys, may be we will stop really giving guidance because given the kind of an uncertain environment particularly not only from a business perspective because on one hand you have a business which is to do with the pricing or a delivered volume, and etc., or is affecting currency movement that is happening, and we do not see an end as to when do you see a stability in the currency, because one story after the other, one country after the other, etc., so for all you know if we have support of you guys may be we will stop giving guidance from the next quarter.

Kawaljeet Saluja – *Kotak Institutional Equity- Analyst*

That's not very comforting, but any ways all the best.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Thank you.

Moderator- WebEx

Thank you very much sir. Next question comes from Mr. Vikas from Motilal Oswal. Over to you sir.

Mr. Vikas- *Motilal Oswal Securities Ltd.- Analyst*

Hi, I have a question on this hiring actually. We have seen that just on a net basis hiring is less than 2% of the, you know, workforce whereas some of the peers have actually hired 15% to 17%. I was just wondering with even, you know, it looks like we are being one of the lowest....Hello?

Suresh C. Senapaty - *Wipro- Executive Director & CFO*

Yeah, Vikas, please go ahead. Please complete the sentence.

Mr. Vikas- *Motilal Oswal Securities Ltd.- Analyst*

....more on why we are seeing you know a decline in hiring. Are we not seeing business going forward?

Pratik Kumar – *Wipro – Executive VP, Human Resources, Brand, & Corporate Communications*

Vikas, this is Pratik here. Our hiring over the last few quarters, you would have noticed which we have been sharing has been in line with our desire to actually bring up many of our levers which we have focused on, especially on the utilization, and hence the two reasons primarily one with our desire to actually focus more on picking up on utilization which has shown a constant upward trend, and the second one is how do we effectively move people across the various business roles within the IT business, there also we have been able to show, you know, considerable success. In addition to that, I think our hiring is in line with what we expect going forward. We have an engine which is there which will be able to quickly respond and ramp up if it is necessary. So, we do not think being able to proactively take many people and keep them on bench is necessarily the most prudent strategy in current times.

Mr. Vihang- *Motilal Oswal Securities Ltd. – Analyst*

Thanks, this is Vihang. I had a question, I mean, we have seen lower utilization this quarter despite lower headcount and headcount declining, but we have seen a recent volume growth. So, is it that we had a higher than average attrition in the fag-end of the quarter, I mean, is that a fair understanding?

Pratik Kumar – *Wipro – Executive VP, Human Resources, Brand, & Corporate Communications*

Vihang, this is Pratik again. Our utilization, if I would look at net, excluding rookies, is pretty much there, in fact it has shown a marginal improvement, and as far as our attrition is concerned, that has shown a slight increase from what we have reported last time, which is on voluntary basis, so we have seen that actually going up, so therefore, I am not being able to relate to your question on the utilization because the utilization if anything has shown actually a slight improvement.

Mr. Vihang- *Motilal Oswal Securities Ltd. – Analyst*

And I was talking about the net utilization including trainees in fact, anyways, I mean, my another question is that what are the pricing assumptions that we have taken in the 4Q guidance, some color on that.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Actually, we have given you the guidance as 1045 million dollars, so we have not split that out into volume, range, mix, etc, etc, because we have not been doing, and if you recollect the question before you somebody asked, how do you see the comfort and the discomfort vis-à-vis going ahead on guidance in this kind of situation, and he was so sympathetic that we are very hard-pressing between guidance, and he was asking for even more finer points on that, we have so far stayed away from giving those specific line items for guidance.

Mr. Vihang- *Motilal Oswal Securities Ltd. – Analyst*

Okay, fair enough, and just one last question, I mean, can you give a margin breakup, I mean, the improvement Q-o-Q, can we break that up into the write-back and write-off and everything else.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Basically, two things, firstly is this exceptional provisioning that we did was about 0.5%, 0.6%, but for that margins are exactly like a flat, so there is some gain on pricing, exchange, some decline somewhere else, so in a combination it was, but for that it was very flattish.

Mr. Vihang- *Motilal Oswal Securities Ltd. – Analyst*

Okay, fair enough, thanks, that is all from my side.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Thank you Vikas

Moderator- *WebEX*

Participants are requested to ask only two questions in the initial round and come back for follow up question. Next question comes from Mr. Ritesh Rathod from UTI Mutual Fund. Over to you sir

Ritesh Rathod – *UTI Mutual Fund- Analyst*

Hello Sir, you said you had a constant currency pricing uptake of 1.2%, if I am not wrong, this quarter?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

That is correct.

Ritesh Rathod – *UTI Mutual Fund- Analyst*

So, if I see Wipro for the last three quarters, we have got price uptake continuously, so what it has been driven in the past few quarters which has given this price uptake, and going forward, how do you see pricing pressure. How severe it could be, would it be in the range of 2 to 5% or could it even be in the double digits.

Suresh Vaswani – *Wipro - Executive Director & Joint CEO, IT Business*

So, this is Suresh Vaswani here, you know, customers are asking us for price decreases, and our approach really has been is rather than just looking at a coupon rate pricing decrease, to really see how we can work collaboratively with the customer, to drive some more productivity, to drive some more efficiency, and share those gains with the customer. So, net-net, you know, like Senapaty said we have been able to retain our price realization at constant margin, but we have been able to retain that because we have driven productivity, so you know, you pointed out the right factors in terms of fixed price projects have gone up by 440 basis points, offshore mix has gone up by 90 basis points, and we will continue to do this. In fact, at the end of the day, the customer just don't want the coupon sort of pricing discount as much as they want a cost transformation, and our entire approach so far has been that and will be that for the next couple of years.

Ritesh Rathod – *UTI Mutual Fund- Analyst*

But still do we see price to fall very sharply in the next quarter or would you see it taking with distributed impact in the coming two to three quarters?

Suresh Vaswani – *Wipro - Executive Director & Joint CEO, IT Business*

No, we can't share specifically Ritesh, but would it likely to be impacted, we can't rule that out.

Ritesh Rathod – *UTI Mutual Fund- Analyst*

Second question on Citos acquisition, we paid 127 million dollars with the 80 million dollars Citos yearly, so what sort of commitment or guarantee do you have in terms of, is it more in terms of mutual understanding between you and Citos or do you have some sort of bank guarantee which would get invoked if the revenue run-rate does not come in as far as the yearly run rate committed within your agreement?

Girish S. Paranjpe – *Wipro- Executive Director & Joint CEO, IT Business*

Just a clarification that first this deal is with the banks, so any guarantee coming from the other party is always a bank guarantee. Secondly, this is about 101 million dollar net of cash, that is the cash on the books that we bought, and consequently the consideration on the net of capital would come to that, and this is a six-year period, and apart from that, we have an exclusive arrangement with respect to infrastructure services to be sourced from India, and also some

kind of a preferred vendor status so far as application development and maintenance is concerned.

Ritesh Rathod – *UTI Mutual Fund- Analyst*

So, it would be correct to assume that if the committed revenue run rate annual does not come in due to some Citi integration or disintegration which ever works out, so you would invoke the guarantee and would take your payout which you have given upfront?

Girish S. Paranjpe – *Wipro- Executive Director & Joint CEO, IT Business*

Well, while I can say that it is not unfair to assume so, our objective is to get business rather than money, and it is a big institution, and we have confidence in that institution based on what they have gone through the restructuring including the support from the Federal Government and the Government of United States, even if it has to go through restructuring, I think the business traction and the business opportunity that we see in that plus the current types of services that is being offered by the existing captive unit or their unit there, and the talent of people that is there in their particular unit is very exciting for us to be able to get more business in Citi and also elsewhere.

Ritesh Rathod – *UTI Mutual Fund- Analyst*

So, has there been any agreement change post restructuring with the Citi like the split which has taken place, so have you had a talk with them and is there some change in the agreement?

Girish S. Paranjpe – *Wipro - Executive Director & Joint CEO, IT Business*

We are continuously on dialogue, yes, and we had a dialogue post the announcement of their reorganization structure, and we discussed in our board.

Ritesh Rathod – *UTI Mutual Fund- Analyst*

So, is the agreement structure changed very substantially or is it just in dialogue and it may change going forward.

Girish S. Paranjpe – Wipro - *Executive Director & Joint CEO, IT Business*

Yes, because, this agreement that we have is with Citicorp, and Citicorp only in this environment has become more healthy because Citicorp now will generate more positive cash flow and positive profits as compared to Citi Holdings. From that perspective, the position is only strengthened as we see it.

Ritesh Rathod – *UTI Mutual Fund- Analyst*

Okay, thanks. That is from my side.

Moderator- WebEx

Thank you very much sir. Next question comes from Mr. Yogesh Agarwal from HSBC Securities. Over to you sir.

Yogesh Agarwal – *HSBC Securities- Analyst*

Hi, I just have one question if I may ask, putting together your headcount growth progression in the last few quarters and a muted fourth quarter guidance, it seems like Wipro is much more bearish in the near-term compared to some of the players, and this is even stark considering the fact that IMS is such a strong vertical for Wipro and TPI suggested a very strong ramp-up in the services last quarter. So, is there something going on related to some client specific risk or project cancellations which is leading to this bearish outlook?

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

You know, whether bearish or not is a function of the guidance that we have given, and if you have seen the guidance that we have given for quarter four is on a constant currency basis about 5.6% year on year, and if you total off the total based on the guidance for quarter four on the year, we will have a growth rate of 18.5% on a year-on-year basis, and if you are strictly restrict it to only organic growth, it is in excess of 15%, so we would like you to see whether bearish or not based on that guidance rather than headcount addition because given the current situation of the supply versus demand, it is not very difficult to be able to attract the talent, whether freshers or experienced from the market place based on business needs.

Yogesh Agarwal – *HSBC Securities- Analyst*

Fine, thanks.

Moderator- WebEx

Thank you very much sir. Next question comes from Mr. Srivatsan from Spark Capital. Over to you sir.

Mr. Srivatsan – *Spark Capital- Analyst*

Hi, this quarter, manufacturing and transportation doing a bit well than other sectors, just wanted to know what is your outlook, sir quickly for some of the sectors that you see some demand happening?

Suresh Vaswani – *Wipro - Executive Director & Joint CEO, IT Business*

This is Suresh Vaswani, you know, broadly, the retail, the RCTS sector, the retail, CPG, transportation, and services sector has done pretty well, particularly this quarter because the sequential growth has been double digit, the year on year growth has been close to 37%. So, some of the verticals, some of the SBUs are holding out despite the economic challenges that we have, and this is particularly because we had finalized from transformational contracts in these SBUs. So, broadly, if I have to look at, you know, do a paint brush, the manufacturing and HLS, RCTS, energy, and utilities would tend to grow or have grown, and the outlook is also pretty similar in terms of growing at above company average, while the technology and the telecom verticals are more challenged, in the current economic situation.

Mr. Srivatsan- Spark Capital- Analyst

Okay, this is another question for Mr. Senapaty. This 1.8 billion dollars of hedges we have at this point of time, is it kind of possible to give a breakup as to what would be the expiry schedule as to what would be in FY '10 or 11 block.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Well, this particular assignment is over a period of 3 to 4 years, which means you will see about 10 to 15% of this flowing through every quarter.

Mr. Srivatsan – *Spark Capital – Analyst*

At this point of time, you hedge mainly dollar revenues or do you go ahead and hedge cross currency with USD dollar or USD GBP or USD Euro also?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

So, let me re-explain, 10% to 15% of the quarterly revenues, not that 10% to 15% of the 2 billion dollars or 1.8 billion dollars. Your question was whether this 1.8 billion dollars have anything other than US dollar-rupee, yes it has, but of course, the component of US Dollar-Rupee is significantly higher.

Mr. Srivatsan- *Spark Capital- Analyst*

Okay sure, thanks a lot.

Moderator- *WebEx*

Thank you very much sir. Next question comes from Mr. Nitin from Centrum Broking. Over to you please.

Mr. Nitin – *Centrum Broking Pvt. Ltd.- Analyst*

Yeah, hi, this was regards to the overall hiring during this quarter, last quarter, and the previous. If you look at the overall involuntary attrition, I think it has been significantly high, and I think around 2.5% last quarter, 2% this quarter, so how long it is likely to remain, how long are we likely to you know tighten the noose and really cut it further going forward?

Pratik Kumar – *Wipro – Executive VP, Human Resources, Brand, & Corporate Communications*

Nitin, this is Pratik again. We expect, you know, what we have been sharing with you with regard to involuntary, involuntary basically is linked to about 3 buckets primarily. One which is driven on account of performance, the other one is based on lot of antecedents and background verification checks, which we do, and we do have a certain percentage which we have experienced over at least a last 6 quarters exiting out, and the third is for reasons of integrity, and I have to say that the biggest chunk continues to be on performance grounds, so yes I mean to that extent we have raised the threshold on what we expect in terms of performance benchmark, and we have had steady exit. Do we expect that going forward, we will have another assessment year, which is just about a quarter away, and we would expect people again from that bucket also, again based on that assessment would be falling into that bucket, so we would actually see this trend in some form continuing right up till end of first quarter of the next fiscal.

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

Just one perspective I would like to give, you know, lot of our businesses are nonlinear, and we are driving nonlinear initiatives pretty aggressively within the company, so therefore headcount is not necessarily the only measure that determines the revenue growth, so for example, you know, we just spoke about an Infocrossing win, which is the managed data center services win. There is not going to be too much of headcount addition there, but there will be a reasonably substantial uptake insofar as revenue is concerned. If you look at our domestic business, which is a significant part of our overall services business, there again we are driving nonlinear delivery models in India in context from infrastructure services, so we have been able to grow revenue quite substantially over the last year without actually increasing our headcount at all, so I think that is the perspective which I think is important to consider as you all build up your revenue perspectives.

Mr. Nitin – *Centrum Broking Pvt. Ltd.- Analyst*

Okay, now, you know, in line with that, if I look at the overall blend in volume growth is 0.4%, and you know, utilization continues to be maybe increased by 0.1%, so net-net is that why you see pricing going up in the same region?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Pricing, we will give you both onsite and offshore, both right.

Mr. Nitin – *Centrum Broking Pvt. Ltd.- Analyst*

Right, no, on the constant currency basis, you said 1.2%.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Yes.

Mr. Nitin – *Centrum Broking Pvt. Ltd.- Analyst*

While volumes have been flat and we have seen this, what you call utilization, uptake of 0.1%, so the combined effect you are saying is because of the nonlinearity that is getting higher price increase.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Yeah, that is right. It is a mix of business with nonlinearity of the price, the very fact that with increase of fixed price projects, our objective is to drive productivity higher than what we would have negotiated for, you know, so on and so forth.

Mr. Nitin – *Centrum Broking Pvt. Ltd.- Analyst*

Right.

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

And Nitin, volumes did go up this quarter by 2.2%, not 0.4 as you mentioned.

Mr. Nitin – *Centrum Broking Pvt. Ltd.- Analyst*

Okay, fine. Thank you.

Moderator- *WebEX*

Thank you very much sir. Next question comes from Mr. Kunal from K. R. Choksey. Over to you sir.

Mr. Kunal – K. R. Choksey – Analyst

Yeah, good afternoon. It is regarding the Q4 guidance you have given. It excludes the...

Moderator- WebEx

Sorry for the interruption Mr. Kunal.

Mr. Kunal – K. R. Choksey – Analyst

Yeah, hello...

Moderator- WebEx

Sir, could you please use your handset, there is echo from your voice.

Mr. Kunal – K. R. Choksey – Analyst

Hello...my question is regarding the Q4 guidance you have given. If we exclude the revenues say for instance as per our estimate, it is about 100 crores from Citi Technology Services in Q4, the growth in constant currency would come out only about 3% to 4% and sequentially we might have a degrowth, would that be a safe assumption?

Suresh C. Senapaty - Wipro– Executive Director & CFO

That is correct.

Mr. Kunal – K. R. Choksey – Analyst

Alright. Also, can you just...I think I missed out the number for the forex losses in this quarter.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

We have given an overall impact on the forex translation, forex losses, mark to market all that between the forex and the pricing we had about, an uptake of about 80 basis points.

Mr. Kunal – *K. R. Choksey – Analyst*

About 80 basis points.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

On the operating margin, yeah.

Mr. Kunal – *K. R. Choksey – Analyst*

Okay, but due to forex, can you just quantify the impact just plainly due to forex losses on the margin?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Could you repeat the question please.

Mr. Kunal – *K. R. Choksey – Analyst*

Can you quantify the impact solely because of the forex losses on the operating margin due to the currency hedges?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

It is about 40 basis points....40 basis points improvement.

Mr. Kunal – *K. R. Choksey – Analyst*

Improvement?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

That's right.

Mr. Kunal – *K. R. Choksey – Analyst*

Okay, thank you.

Moderator- *WebEx*

Thank you very much sir. Next question comes from Mr. Anthony Miller from Tech Market Share. Over to you sir.

Anthony Miller- *Tech Market Share- Analyst*

Yes, hello gentlemen. I have got a question about a couple of the wins that you mentioned in your release and the one that you have spoken about. Firstly if you take infrastructure outsourcing deal you won in the US, can you tell me whether that customer had an incumbent or whether this is first time outsourcing?

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

The customer was doing it largely inhouse. You are talking about the US outsourcing win, isn't it?

Anthony Miller- *Tech Market Share- Analyst*

That is exactly right.

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

The infrastructure outsourcings win. So, we are transitioning from the customer to us.

Anthony Miller- *Tech Market Share- Analyst*

Then assuming that was an open competition, who was that you beat to win that deal?

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

Well, largely the global players. So, this was fairly strongly contested opportunity so to speak and the competition was not really the Indian offshore service providers.

Anthony Miller- *Tech Market Share- Analyst*

Okay. There were a lot of traditional global players.

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

Yes.

Anthony Miller- *Tech Market Share- Analyst*

Right, and finally on that particular deal, will all the work be continued to be done onshore or would you be able to bring any of that work offshore?

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

Well, again most of the work will be done out of Infocrossing facilities in the US, across multiple Infocrossing facilities, but the major facility that we will leverage on is Obama. So, this is not "a traditional offshoring type of opportunity." A large portion of the work or substantial part of the work will remain onsite.

Anthony Miller- *Tech Market Share- Analyst*

Right. Have you seen any trends in any of the deals you are running at Infocrossing, have you seen any opportunity to move any of that work offshore yet?

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

Infocrossing really is a different model. It is all about manning data center services where we have substantial infrastructure investment, substantial tools investment, and a large part of the work is done onsite. So, Infocrossing model is not necessarily about driving work offshore. Now, there will be some part of the work that can be driven offshore, but the model is certainly leveraging a lot more onsite work, offshore work.

Anthony Miller- *Tech Market Share- Analyst*

Okay. And on the other big deal, you mentioned...you said a large UK-based food retailer you won a deal, again did they have any incumbent and is this a new client for Wipro?

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

It is a new client for Wipro and the client is going in for, you know, a complete round of implementation of the Oracle retail application. So, it is a system integration opportunity that we won. It is a new client for Wipro and this again was contested and won against global players.

Suresh C. Senapaty - *Wipro- Executive Director & CFO*

And this is one of the biggest leverage that we had with Enabler acquisition which we had done and combination of Wipro and Enabler has made us win this large deal.

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

So, the strong domain capability that we got through the Enabler acquisition was one of the key factors that positioned us very strongly. It is a fairly transformational win where we have actually quite substantially revamped retail processes for the customer for the next expansion plans.

Anthony Miller- *Tech Market Share- Analyst*

I see, okay. And then just finally just broadening the picture to the rest of Europe, are you seeing any new opportunities for offshoring for Wipro and offshoring open up in continental Europe as a result of the economic downturn.

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

You know, just to give you a perspective on our Europe performance, actually Europe at constant currency has done pretty well with a 24% year-on-year growth last quarter and you are right, Continental Europe is beginning to open up in terms of opportunities. So, we are beginning to focus even more strongly in France and Germany, and we will write some investments there. So, your observation is right that continental Europe is beginning to open up more aggressively to outsourcing.

Anthony Miller- *Tech Market Share- Analyst*

Right. Okay gentlemen, thanks very much.

Suresh Vaswani- *Wipro - Executive Director & Joint CEO, IT Business*

Thank you.

Moderator- *WebEx*

Thank you very much sir. Next question comes from Mr. Sandeep Shah from ICICI Securities. Over to you sir.

Sandeep Shah- *ICICI Securities- Analyst*

Yeah sir, just one thing if you look at our services mix, technology infrastructure and BPO which are largely an annuity kind of revenue, which is roughly 28% to 30% of the revenue. So, package implementation is lower than the peers, even though the financial service exposure is lower than the peers and our telecom OEM issue has been already affecting us for the last four to six quarters. So, what has been additional besides the global slowdown leading to this muted fourth quarter guidance, is there something which has not been looked at earlier?

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

I think if you look at the segment, I think the financial service and telecom vertical definitely in the current uncertain situation are more vulnerable and we need to take cognizance of that. So far, we have been able to hold ground, we have been able to show sequential growth, but fourth is definitely a more uncertain quarter than quarter three, so it is important that we acknowledge that and take that into account while giving our guidance.

Sandeep Shah- *ICICI Securities- Analyst*

So, apart from the global slowdown, one can assume that the client specific issues are not fully over for Wipro particularly.

Girish S. Paranjpe – *Wipro- Executive Director & Joint CEO, IT Business*

Hi, Girish Paranjpe. No, I don't think Senapaty is saying this is about client specific issues. It is broader view on the industry that we serve and while we have been able to withstand slowdown in some sectors, you know, I would say admirably, we can't predict that the same thing will continue in the future.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

If you look at financial services for us on a Y-o-Y basis, it has grown significantly, about 11% on constant currency basis.

Sandeep Shah- *ICICI Securities- Analyst*

Okay. And second in terms of pricing, can you comment in terms of the pricing competition from your peers.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Which means what, you are asking us to find...okay, so are you seeing the peer competition on pricing?

Sandeep Shah- *ICICI Securities- Analyst*

Yeah, yeah.

Girish S. Paranjpe – *Wipro- Executive Director & Joint CEO, IT Business*

Hi, Girish here. You know, some of it is real, some of it is imaginary because clients always want to kind of suggest that somebody offering lower price, but in the end we understand the overall cost model and nobody has a very different cost model. So, it boils down to a more mature conversation about what is in it for the client and how can we restructure their cost base rather than having a price discussion.

Sandeep Shah- *ICICI Securities- Analyst*

Okay. But is it like for the fourth quarter you are confident that...

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Sandeep, can we have the next question from somebody else.

Sandeep Shah- *ICICI Securities- Analyst*

Okay sir. Okay, thanks.

Suresh C. Senapaty - *Wipro– Executive Director & CFO*

Thank you Sandeep.

Moderator- *WebEX*

Thank you very much sir. Next question comes from Mitali Ghosh from Merrill Lynch. Over to you madam.

Mitali Ghosh- *Merrill Lynch- Analyst*

Hi, this is Mitali Ghosh from Merrill Lynch. Just, you know, on the muted growth that we are looking at in the fourth quarter or rather the decline that we are looking at about 7%, if you could, you know, help us understand are there any project cancellations you are seeing and, you know, also the trends in product engineering area and also in BFS, I think you touched upon telecom OEM a little bit and finally also retail, I mean showed a very strong growth. So, you can just talk a little bit about that.

Girish S. Paranjpe – *Wipro- Executive Director & Joint CEO, IT Business*

Sure. So Mitali, Girish here. You know, January is new fiscal year for most of our clients. So, when the New Year started, clearly they have started with limiting the spend in the first one or two quarters till they see stability returning to the market place. So, many of the run-offs really happened in the first two weeks, three weeks, and, you know, reset to a new budget and a new spend environment. So, we have to be cautious given that kind of a situation and as I was

saying in the previous...answer to the previous question that in some sectors while we have held out so far in Q3, it is unreasonable for us to expect that the same situation will continue for the future. We have to be cautious about what is happening to the client and where they are likely to spend or not to spend and that is what really factored in our guidance. On our CPG, we won several multiyear fixed price outsourcing contract and that is really driven growth and that is one sector on which both me and Suresh are pretty bullish because we think that is the sector which has been less aggressive on offshoring and outsourcing and given the economic pressures, they are willing to embrace it and come out and do this.

Mitali Ghosh- Merrill Lynch- Analyst

Right. And in terms of...did you say this was the retail or was this for...

Girish S. Paranjpe – Wipro- Executive Director & Joint CEO, IT Business

It is basically CPG, that is consumer products.

Mitali Ghosh- Merrill Lynch- Analyst

Okay, okay. What about the product engineering space?

Girish S. Paranjpe – Wipro- Executive Director & Joint CEO, IT Business

So, the product engineering space, you know, it is all new development work that we do. Significant part of the work that we do is for new product development and in an environment like this, you know, I can understand where clients want to pull back and not launch many new products given that demand environment is so uncertain. So, the product engineering business is definitely affected by the economic slowdown. What we have tried to do to mitigate that risk is to extend the capability of product engineering to multiple industry sectors. So, while at one point of time it was only addressing the technology vertical, today it does work for medical devices, it does work in the engineering area, that is in industrial engineering and automobiles, in aerospace, and hopefully soon in energy and utilities as well. So, the moment we diversify product engineering from a single vertical to multiple verticals, I think our risk and volatility should come down.

Mitali Ghosh- Merrill Lynch- Analyst

Right. And just, you know, quickly on the hiring number, I believe initially you had given a campus offer number for FY09 of about 14,000. So, just what has been the gross hiring from this number and the natural gross hiring as well this year?

Pratik Kumar- Wipro- Executive VP – Human Resources, Brand & Corporate Communications

So, what was the...Mitali, this is Pratik here. What was the latter part of your question? One was about the gross hiring which we have done out of the 14,000 campus.

Mitali Ghosh- Merrill Lynch- Analyst

And also the lateral, so basically the total gross hiring broken into campus and lateral.

Pratik Kumar- Wipro- Executive VP – Human Resources, Brand & Corporate Communications

Okay. So, specific to this quarter, we had about...so, we had total of about 1944 which was a gross hiring and of that we had...yeah, out of that we had about 1400 campus joinees and the remaining were lateral. So, we have at this stage Mitali, we would have another about overhang about 6,000 more joinings we expect from the pending and we expect, you know, some of it to actually spill over to next fiscal as well.

Mitali Ghosh- Merrill Lynch- Analyst

So, sorry, what is the year to date gross hiring number?

Pratik Kumar- Wipro- Executive VP – Human Resources, Brand & Corporate Communications

One second. So, we will actually...we will give you that data quickly, so you have any other related question, in the meanwhile I will give you the overall gross hiring for the year.

Mitali Ghosh- Merrill Lynch- Analyst

Yeah, I mean just on HR, I am little curious to understand why the voluntary attrition actually went up this quarter which has been slightly...it is slightly counterintuitive in this environment.

Pratik Kumar- Wipro- Executive VP – Human Resources, Brand & Corporate Communications

Yeah, actually, you know, I have been just looking at the trend of voluntary attrition of some of the other organization as well and I was curious to know myself whether it is something unique happening at our end and we found that...so what I...the way our sense is that there are still some people who are still looking at this as an opportunity to pick talent despite the environment being what it is, but I do not expect this to actually remain. So, we are really at the fag end of some of those, you know, brisk voluntary attrition which we have experienced pretty much right through the year and from here on, we would expect the number to be climbing south. So, what the environment looks like currently and also a lot of our peer companies, what they have spoken out about our hiring plan is difficult for us to visualize where people would be going and getting those opportunities. So, that is precisely what it is. So, we have not been able to realize the full value of what the environment is indication which is getting adequately reflected in the voluntary attrition at least till in Q3, but going forward, we do expect that to come down. And we will give you the overall gross numbers. Yeah, so the overall gross hiring number so far Mitali has been 7,300. This is for only the IT services and not for the BPO.

Mitali Ghosh- Merrill Lynch- Analyst

Okay, right. And if I may, can I ask a question, the margin outlook for Q4, otherwise I can take it offline, I was just wondering that with the Citi integration and the onsite wage hike, how should we be thinking about Q4?

Suresh C. Senapaty- Wipro - Executive Director & CFO

Yeah, Mitali, the onsite wage hike, I think it came up for consideration and post such consideration it was decided to be pushed out. So, there will be no onsite increase that will happen in the current fiscal.

Mitali Ghosh- Merrill Lynch- Analyst

Right. And any integration sort of related expenditure we should expect for Citi Technology?

Suresh C. Senapaty- Wipro - Executive Director & CFO

Yes, we could, but we would still think that, you know, overall the variation will be in the narrow range.

Mitali Ghosh- Merrill Lynch- Analyst

Okay, thank you very much.

Moderator- WebEx

Thank you very much ma'am. Next question comes from Mr. Dipesh Mehta from Khandwala Securities. Over to you sir.

Dipesh Mehta- Khandwala Securities- Analyst

Hello sir. Can you provide campus offers provided for FY10 and the second is about tax rate, it appears to be a little lower than earlier quarter and third thing about margin of Infocrossing business, what is the movement in the last couple of quarters?

Pratik Kumar- Wipro- Executive VP – Human Resources, Brand & Corporate Communications

What was your second question, can you repeat that?

Dipesh Mehta- Khandwala Securities- Analyst

Tax rate appears to be little lower than earlier quarters.

Suresh C. Senapaty- Wipro - Executive Director & CFO

Okay. So, I will just give you on the first one, we shared the number last quarter which was about 10,000 campus offers...8,000 campus offers were made for FY09 and 10 and we have not increased that number what we had shared with you last time.

Dipesh Mehta- Khandwala Securities- Analyst

Okay.

Moderator- WebEX

Are you done with your question sir?

Suresh C. Senapaty- Wipro- Executive Director & CFO

The tax rate...yeah, so I think the tax rates are going to be in the similar range going forward also.

Dipesh Mehta- *Khandwala Securities- Analyst*

Around 13-14 percentage.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

That is correct.

Dipesh Mehta- *Khandwala Securities- Analyst*

And the third is about Infocrossing margin, in the last five-six quartets what is the movement?

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

I think some of that are still work in progress in terms of trying to seek margin expansion.

Dipesh Mehta- *Khandwala Securities- Analyst*

So, it is more or less In the same range when we acquired it.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

No, I think there are investments happening in terms of some of the healthcare people in building on some of the products and also from a transition in terms of some of the offshoring pat. So, from that perspective, it may not be appropriate to assume that the margins were same, but it will take some time for it to revive at that stage because these are the investment stage.

Dipesh Mehta- *Khandwala Securities- Analyst*

And lastly about Unza, what kind of traction we are seeing because this quarter almost muted sequential growth in that business. So, what kind of traction we are seeing in Unza business?

Girish S. Paranjpe- *Wipro- Executive Director & Joint CEO, IT Business*

Yeah, we will request Vineet Agrawal to answer that.

Vineet Agrawal- *Wipro- President, Wipro Consumer Care and Lighting*

In Unza, we have grown 15% year on year for the first nine months. We are seeing good traction in Vietnam and Indonesia and also in the Middle East. The traction is muted I would say in Malaysia which is the most developed country and therefore, especially in the modern trade, we are expecting or we have seen a slew of store brands which is the own brands of the modern trade which has started impacting the branded business, but broadly till now we are on track and on a constant currency base in the first 9 months we have grown 15%.

Dipesh Mehta- *Khandwala Securities- Analyst*

Thanks.

Moderator- *WebEx*

Thank you very much sir. Next question comes from Ms. Subhashini from JM Financial. Over to you madam.

Ms. Subhashini- *JM Financial- Analyst*

Hi, most of my questions have been answered. Just wanted to know what is the current capacity utilization in Infocrossing?

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

We still have enough headspace there for increasing utilization without adding cost.

Ms. Subhashini- *JM Financial- Analyst*

Right. But do we have a figure for that?

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

Well, last time when we talked about, it was about 50% to 60%.

Suresh Vaswani- *Wipro- Executive Director & Joint CEO, IT Business*

It is around 60% capacity that is currently occupied. So, we have enough room for expansions to take care of even some of the new contracts. So, 60% is capacity utilization.

Ms. Subhashini- *JM Financial- Analyst*

So, it has gone up from 50%.

Suresh Vaswani- *Wipro- Executive Director & Joint CEO, IT Business*

On the data centers. I am talking about the data centers.

Ms. Subhashini- *JM Financial- Analyst*

Yeah, right. So, it is gone up from the earlier 50% which we used to have.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

That's right.

Suresh Vaswani- *Wipro- Executive Director & Joint CEO, IT Business*

Yes.

Ms. Subhashini- *JM Financial- Analyst*

Okay. And the 1.8 million dollar hedges which we have in dollar, I mean could you give us the average rate for that?

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

It is a range between 39 to 49.

Ms. Subhashini- *JM Financial- Analyst*

39 to 49, okay. And just...I just wanted to check up with you on the cross-currency assumptions which we have made for our guidance for the next quarter.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

No, the guidance that we have given is on the basis of a constant currency that means whatever currency relationships we have in quarter three, on that basis, our guidance will be about 1045 million dollars.

Ms. Subhashini- *JM Financial- Analyst*

Okay, sure. Thanks a lot, that's all from my side.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

Thank you.

Moderator- *WebEx*

Thank you very much ma'am. Next question comes from Ms. Erica Kenneth from Associated Press. Over to you madam.

Erica Kenneth- *Associated Press- Analyst*

Hello...thanks for taking my call. I just had a quick question for you about some of the guidance you have given for IT services revenue for next quarter. You said that 1045 million and I am just trying to make sure I am dealing with currency conversion issues, is that comparable to this quarter's number of 1100. Thank you so much.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

That is correct.

Erica Kenneth – *Associated Press- Analyst*

It is?

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

It is.

Erica Kenneth – *Associated Press- Analyst*

Okay, perfect. Thank you so much for your clarification.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

Most welcome.

Moderator- *WebEX*

Thank you very much ma'am. Next question comes from Mr. Ajay from India Capital. Over to you sir.

Mr. Ajay- *India Capital- Analyst*

Hi, good afternoon. Question about your other liabilities on your balance sheet. Your liability is approximately 2800 crores under other current liabilities, could you just specify what that is?

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

Yeah, these are the losses on the derivatives because of the cash settlement that got done. You know, when you do a mark to market, it gets translated in OCI's, so OCI's get to the net worth reduction and the other side gets a liability creation. So, it is basically the bigger amount which has gone into the derivative unrealized loss.

Mr. Ajay- *India Capital- Analyst*

This is the unrealized loss that has not gone through your P&L, yeah.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

I am sorry.

Mr. Ajay- *India Capital- Analyst*

This is the unrealized loss that has not gone through your P&L.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

That is correct.

Mr. Ajay- *India Capital- Analyst*

And if you would settle them today, this is the amount that you have to pay out.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

Yeah, part of it has been paid and part of it is yet to be and part of it is yet to be in the sense is what remains at 31st December rate.

Mr. Ajay- *India Capital- Analyst*

And the amount that is paid, where do you record that?

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

Where do we record that?

Mr. Ajay- India Capital- Analyst

You know the amount that is paid but...

Suresh C. Senapaty- Wipro- Executive Director & CFO

I think that goes on to OCI side.

Mr. Ajay- India Capital- Analyst

On the other current asset side?

Suresh C. Senapaty- Wipro- Executive Director & CFO

It will not go to other current asset; it will get reduced from the reserves.

Mr. Ajay- India Capital- Analyst

Okay.

Suresh C. Senapaty- Wipro- Executive Director & CFO

So, both are on the liabilities side as a contra, one gets into the reserves reduction and one gets into an addition to the liability.

Mr. Ajay- India Capital- Analyst

Sure. How much is the amount that you have paid but not recognized as a loss?

Suresh C. Senapaty- Wipro- Executive Director & CFO

About 700 odd crores.

Mr. Ajay- India Capital- Analyst

700 crores.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

Yeah.

Mr. Ajay- *India Capital- Analyst*

So, basically this 700 crores is what you have net of that?

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

Yeah.

Mr. Ajay- *India Capital- Analyst*

Thank you so much.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

Thank you.

Moderator- *WebEx*

Thank you very much sir. Next question comes from Mr. Harshad Deshpande from Ambit Capital. Over to you sir.

Harshad Deshpande- *Ambit Capital- Analyst*

Thanks for taking the question. The question is about the top clients and your top 10 clients have degrown this quarter, any comment on that?

Girish S. Paranjpe- *Wipro- Executive Director & Joint CEO, IT Business*

Hi, Girish here. You know, this is quarter-to-quarter movement and no specific reason as to why there has been any decline in one or the other.

Harshad Deshpande- *Ambit Capital- Analyst*

Sorry, can you just repeat the last sentence.

Girish S. Paranjpe- *Wipro- Executive Director & Joint CEO, IT Business*

No, I am saying there is no particularly client issue. This is typical quarter-to-quarter variation which happens in one or the other client.

Harshad Deshpande- *Ambit Capital- Analyst*

Okay. And also active client headcount has gone down.

Rajendra Shreemal - *Wipro - Head – Investor Relations*

Basically, you know, what we have done is we have increased our rigor in terms of the customers that we want to work with and, you know, looking at the credit quality, everything. So, some of the customers, you know, we have just allowed it to lapse.

Harshad Deshpande- *Ambit Capital- Analyst*

Okay, okay, thanks a lot.

Suresh C. Senapaty- *Wipro- Executive Director & CFO*

And just to clarify, I am not too sure when Girish question was...Ajay...Ajay, the point I was making is the total OCI is about 1400 odd crores, of which about 700 and odd crores is paid for, but it is the total OCI not put into this P&L is about 1460 crores and it includes 700 and it is not to be added further to the 1400 crores. I just wanted to be sure that there is proper understanding on that. Thank you. Let's go to the next question.

Moderator- *WebEx*

Thank you very much sir.

Rajendra Shreemal - *Wipro - Head – Investor Relations*

Operator, could we have the last question please.

Moderator- *WebEx*

Sure sir. The last question comes from Mr. Sagar from ICICI. Over to you sir.

Mr. Sagar- *ICICI- Analyst*

My questions have been answered. Thank you.

Moderator- *WebEx*

Thank you very much sir. At this moment, I would like to hand over the floor back to Mr. Rajendra Shreemal for final remarks.

Rajendra Shreemal- *Wipro - Head – Investor Relations*

Thank you Sandhya. We thank you all for participating in this call. Should you have missed anything during the call, the audio archive of this call will be available on our website and we would also be putting up a transcript of this call very soon and, of course, should you need any clarification, myself and my team would be delighted to talk to you. Have a wonderful afternoon. Thank you.

Moderator- *WebEx*

Thank you very much sir. Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.
