Final Transcript

WebEx Communications, Inc.

Wipro Limited Q4 & Year-End Results Conference Call - FY 2008-2009

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PRESENTATION

Moderator- WebEx

Good afternoon ladies and gentlemen. I am Sandhya, the moderator for this conference. Welcome to the Wipro Q4 Quarter 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. Now, I would 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, Head of Investor Relations. Along with Sridhar in US, Aravind and Lalith in Bangalore, we handle the investor interface for Wipro. We thank you for your interest in Wipro. With great pleasure I welcome you to Wipro’s teleconference post our results for the fiscal quarter and fiscal year ended March 31, 2009. We will begin with a short address by Mr. Azim Premji, Chairman followed by the financial highlights from Mr. Suresh Senapaty, CFO of Wipro Limited and follow it up with a Q&A session with the management team. We have Mr. Girish Paranjpe and Mr. Suresh Vaswani, Joint CEOs and other senior leadership team of Wipro. 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 Reforms Act of 1995. These statements are based on the management’s current expectations and are associated with the uncertainty and risks 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 statements to reflect events or circumstances after the date of filing thereof. 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.

Azim H. Premji – Wipro- Chairman

Good evening and good morning to all of you depending on where you are located. Thank you for joining us all. Financial year ending March 31, 2009 saw the most severe economic meltdown the world has seen in this generation, unmatched both in a geographical spread as well as in its severity. The crisis battered the financial services sector and moved down to the real sector of the economy, a total freeze in the current market, significant downturn in corporate profitability, loss of confidence in business prospects, and tapering of consumer spending. This resulted in the world economy and trade almost coming to a standstill. Coordinated central bank action and fiscal stimulus by key nations helped bring back some confidence in the last quarter, but emerging economic indicators lead one to believe that the world economy will take some time to
recover from the aftermath of this crisis. Our customers across geographies and industries have been affected. They want cost take-outs, capital conservation, and optimizing business processes. This should lead to increased engagement with us in the transformational journey.

In spite of all this, it has not been all gloom and doom. In these turbulent times, our results have been robust resulting in Wipro Limited posting 28% growth in revenues and 19% growth in profits for the year. We have had good deal wins and generated robust pipeline. IT services business delivered a strong year on year-on-year dollar. Revenue growth of 18.5% and PBIT growth of 29% is a considerable achievement in these tough times.

In crisis like these come opportunities to refuel and revitalize for the next phase of growth. We have taken a close assessment of customer requirement and have focused on operational excellence and delivering more than promised to customers. Successful organizations use these challenging times to gear themselves for the future and this year has been one of internal focus for Wipro as external world became unpredictable. Beginning early in the year, we identified and made changes in key focus areas. We have reconfigured our sales engine to better align it to development in business environment and we continued to strengthen the sales engine with focus on deal conversion and demand generation. Second, customers are looking for partners with consultative approach, with competencies in program management, transition management, and systems integration. We have created the global programs team beginning of last year with these capabilities and we saw some excellent deal wins in the current year. We are confident that our capabilities will be a unique differentiator and help convert our large deal pipeline to wins. Thirdly, we streamlined our operation. Financial year 2009 has been a year of operational excellence. We had solid operational performance with increased focus on productivity and realignment of cost structures in our global delivery model. We moved the lever on fixed price projects, moved the lever on productivity, utilization, and offshore mix significantly over the past one year. This has given us operational flexibility to offer multiple models to give better price to customer and least impact on realization for Wipro. This also sets us for a robust performance going forward.

The lack of overdependence on either a customer, or a Vertical or a Service line or a geo has also come as a great advantage to Wipro. This further reinforces our view that a business portfolio should deliver both in good and bad times and not just in one environment. Overall, while the demand generation looks good, converting to wins remains challenging. We will continue to invest in our front-end and retain customer proximity.

As part of global delivery model, we have also been investing in near-shore centers including in the US and UK and we have plans of scaling them. There is a strong push to hire and deploy locally where competitive local talent is available. We will globalize the spread and localize the talent.

We have expanded our services portfolio to tackle situational concerns. The slowdown in 2001 saw us introspect and thrust several service lines such as Consulting, Technology Infrastructure Services, Package Implementation, Testing Services, Business Process Outsourcing and Product Engineering Services which have been our key engines for growth and now accounting for 55% of our revenues. We have been
investing and strengthening current offering and also incubating new verticals, penetrating new markets, focusing on new technologies which will give us a sustainable competitive edge. Our engagement level at the CXO level has increased significantly giving newer insights to their business problems and how we can partner in their transformational journey in addition to establishing a much stronger brand presence in the customer sets.

Our other business units have not been immune to the challenge posed by the cross prices. They have shown increasing resilience. Our early focus and investments in emerging economies which have been relatively less impacted through organic and inorganic measures have held us in good stead. Santoor brand continues its journey of increasing market share and in January-February 09 became the biggest brand in rural south India as measured by AC Nielsen. Unza continues to grow ahead of the market growth rate for Southeast Asian markets.

Our financial stability coupled with our highest order of corporate governance and our commitment to ethics and transparency gives us tremendous confidence in our ability to ride out this wave of uncertainty and emerge much stronger than before.

In line with our commitment to the idea of Triple Bottom Line focusing on three parameters of People, Planet and Profit, as a means of sustainable profitability, we adopted GRI (Global Reporting Initiative) framework for reporting on these three aspects - Ecological, Social, and Economic performance for the year 2008. Our first sustainability report was released recently after detailed internal exercise over nearly 9 months. We see this initiative as part of the continuous process for organizational development that reinforces sustainability into every aspect of our operation, and this commits us to a 5-year timeline to becoming carbon neutral by the end of 2013. We as an organization are aware of our responsibilities to the environment, are on our way to becoming an ecologically conscious organization.

We are entering unchartered territory in the global economy at the IT sector. While environment is challenging, the value proposition of outsourcing in general and offshoring in particular is only strengthening. Our anchor in such times is rooted in providing strong business value to customer. We are confident we are making the right investments for a bright future.

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

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Suresh C. Senapaty – Wipro – Executive Director & CFO

Good afternoon ladies and gentlemen. Let me take you through some of our performance highlights for the quarter.

Our IT Services revenue, based on constant currency, for quarter ending December 31, 2008 was 1058 million dollars, ahead of our guidance of 1045 million dollars. On a reported basis, our IT services revenue was 1046 million dollars.
We have had strong growth in challenging times in manufacturing and healthcare verticals with constant currency sequential growth of 2%. Retail and transportation continues to have strong deal traction and exhibited YoY growth in constant currency of 33%. Our differentiated service lines of package implementation and testing services showed strong growth in the quarter with year-on-year growth of 19% and 15% respectively. We have always identified opportunities in emerging market and aggressively invested in them. Our India and Middle East business grew strongly in the quarter with 31% year-on-year growth on constant currency basis. Our Other Emerging Markets also showed robust growth of 33.5% on constant currency terms and we will continue to invest in newer geographies.

Our customer relationship continued to be strong. Our accounts with revenues greater than 20 million dollars increased from 52 in quarter ending December 31, 2008 to 53 in the quarter ending March 31, 2009. Our accounts with greater than 50 million dollars have increase to 17 last quarter compared to 16 in the previous quarter. We have 2 accounts with revenues greater than 100 million dollars for the year ending March 31, 2009. This was a quarter of strong operational performance. Our mix of revenues from fixed price projects increased further by 210 basis points sequentially to 38.1%. Over the last four quarters, we have moved the lever on fixed price projects by 8.9%. The productivity benefit from fixed price projects reflects the movement of our rate realization. Our onsite rates have moved up 2.6% on a year-on-year basis while offshore rates have moved up 3.1% on a year-on-year basis. We have been able to mitigate the impact of pricing pressure substantially in the current quarter - Sequentially, our onsite rates moved up by 0.9% while offshore rates declined marginally by 0.1%. The offshore mix moved up 195 basis points sequentially in the quarter.

The strong operational performance has resulted in a good performance on margins in the quarter. We have sequentially improved margins by 120 basis points, adjusted for one time PDD impact in last quarter, margins have moved up by 60 basis points, despite the pressures posed by steep volume drops.

Our IT products business showed a year-on-year growth of 11% for the quarter despite the reduction of capital expenditure and investments by Indian corporates.

Wipro Consumer Care and Lighting business continued to see good momentum with a year-on-year growth rate of 7% in the quarter. We have improved margins sequentially by 150 basis points and our PBIT growth sequentially is 11%.

On the foreign exchange front, our realized rate for the quarter was 47.15 versus a rate of 46.17 realized for the quarter ended December 2008. On a quarter-on-quarter basis, forex gave a positive impact on the margins of 0.4% net of cross currency. As at period end, after assigning to the assets on the balance sheet, we had 1.3 billion dollars of forex contracts (1.9 billion dollars total contracts on a gross basis) at rates between 39.50 and 50.51. As of March 31, 2009, our DSO was 60 days for IT services business as against 67 days in the same period previous year and our net cash balance on the balance sheet is about Rs.12.8 billion. We generated free cash flow of 5.4 billion rupees during the quarter, Y-o-Y increase of 151%. For the full year, we generated free cash flows of 19.7 billion rupees, a Y-o-Y increase of 112%.

From June 09, we will migrate into IFRS reporting as that is closely aligned to India GAAP except for accelerated treatment of stock compensation charge. For the benefit
of the investors and analysts, we will provide US GAAP numbers as well for the quarter for sequential and Y-o-Y comparison.

For the quarter ended June 2009, we are focused on, and expect to maintain, short-term stability of margins.

We will now be glad to take questions from you.

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 ma’am.

Divya Nagarajan- JM Financial- Analyst

Hi. Just wanted to understand what has gone into……for the first quarter, whether we are looking at some kind…

Rajendra Shreemal- Wipro - Head – Investor Relations

A little louder, Divya.

Divya Nagarajan- JM Financial- Analyst

Hello…can you hear me better?

Rajendra Shreemal- Wipro - Head – Investor Relations

Yeah, this is better.

Divya Nagarajan- JM Financial- Analyst

Yeah, I was just trying to see if you could decompose the quarter guidance 1Q into the sectors where you see some kind of growth or stability and the sectors where you see some continued trouble please.
Girish S. Paranjpe - Wipro - Executive Director & Joint CEO, IT Business

Hi, Girish Paranjpe here. So, the sectors where we think there is still some kind of continued momentum and positive growth are retail, consumer products & manufacturing. Those are the sectors which are still kind of positive. Where we think that it will take another quarter or two for things to start looking positive is in financial services, technology, and telecom.

Divya Nagarajan - JM Financial - Analyst

Right. We have also done very well on the pricing front this quarter, the reported realizations have an uptake on the onsite front. How have we been able to achieve this? Are we looking at some kind of an innovative pricing scenario where we are able to get better realizations. Could you just throw some color there please?

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

This is Suresh Vaswani here Divya. No, what we have clearly driven this year is a higher percentage of fixed price projects with our customers. So in terms of the shifts, the shift in terms of fixed price projects has been as much as 650 basis points for the year. The more fixed price projects you have, the more flexibility you have in terms of driving operational efficiency and, you know, driving non-linearity in terms of delivery. Also, while having fixed price projects or larger percentage of fixed price projects, you are able to achieve two things - one is you have more flexibility in terms of, you know, giving better cost to the customer and two, you have more flexibility in terms of driving your operational efficiency; and that really has been the single, and one of the key reasons as to why we have been able to show significant price realization this year over the previous year i.e. 3% onsite and 3% offshore.

Divya Nagarajan - JM Financial - Analyst

Does the reported price realization include the impact of cross currency forex movements as well?

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

Yes, it does.
Divya Nagarajan - JM Financial - Analyst

Alright. And lastly, what do you expect to do as CAPEX for the full year FY10, are we looking at a substantially lower CAPEX number this year?

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

That is correct.

Divya Nagarajan - JM Financial - Analyst

Could you give me a sense of the kind of CAPEX you expect to do?

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

So…Girish here…you know, the primary CAPEX that we had was in building new facilities, and acquiring land for building new facilities. So, we think based on the land acquisition that we have done so far, we are kind of well positioned there. Only that we want to phase the construction depending on how the demand environment is.

Divya Nagarajan - JM Financial - Analyst

Thanks and all the best.

Moderator - WebEx

Thank you very much ma’am. Next in line, we have Mr. Rishi Maheshwari from Enam AMC. Over to you sir.

Rishi Maheshwari - Enam AMC - Analyst

Hi. Congratulations, good quarter. A little while ago, on air, you had indicated that consulting can be a lead indicator to showcase the business growth in other practices. So, my question is, have you observed this trend as recent as end March or April?

Girish S. Paranjpe – Wipro - Executive Director & Joint CEO, IT Business
Yeah, this is Girish Paranjpe here. This is indicated based on what we saw relative movement from, you know, every month last quarter versus every month this quarter, you know, things which were looking pretty bleak in the last year when a lot of contracts or projects actually got cancelled to a stage where we are beginning to see some pickups and some conversations happening on new consulting projects which is the first time we think of some turnaround.

Rishi Maheshwari - Enam AMC- Analyst

Fine, but if you have a look at the reported numbers of consulting, they are actually showing 13% quarter on quarter decline; and this is on the back of Q3 which had also shown quite a reasonable decline. So, is there some kind of reconciliation which is not showing in the number so far?

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

Yes, because those are billed revenues right. Typically a consulting engagement will take 3 to 6 months to get delivered, so I think Kurien, my colleague who made this comment earlier, based it on the engagements that we are kind of signing up or we are close to signing up.

Rishi Maheshwari - Enam AMC- Analyst

The benefit of which you may see in the next 3 to 6 quarters?

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

Yes, 2 quarters.

Rishi Maheshwari - Enam AMC- Analyst

Ok. Also, on the ADM services, a sharp decline there. If you could also bifurcate the revenue between application development and maintenance; where exactly are we looking at this decline?

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

No. This is Suresh Vaswani here Rishi.
Rishi Maheshwari – Enam AMC- Analyst

Yeah.

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

You know, if you really look at our entire IT services business in terms of service lines, including ADM as a service line, clearly the growth over the last couple of years has been much more on the package implementation side, much more on the TIS side, the BPO side and the testing services side. While ADM has been traditionally muted in terms of growth and that is fairly logical because customers are moving on from legacy systems to package implementation, and to new areas of opportunity like TIS. They are looking at stronger cost transformation, and have to start looking at the process area as well. So, you know, what you are seeing is a trend which has really nothing to do with last year inasmuch as it is with the broad industry trend in terms of more new-generation application versus these.

Rishi Maheshwari – Enam AMC- Analyst

Right. Just broadly, if you could break up between what could be the development portion of, say, if you had done around 420 million dollars in the last quarter? What could be the development and maintenance portion out of it?

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

See, I would say that implementation versus support tends to be roughly 40:60, but I am talking about package implementation.

Rishi Maheshwari – Enam AMC- Analyst

Right.

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

On ADM, it is more maintenance, you know, substantially more maintenance than transformational type of development.

Rishi Maheshwari – Enam AMC- Analyst
Right and what is the forex loss? Say, if rupee had to stay at the same level today, what would be the extent of the loss that we could assume for this entire year?

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

Based on the OCI that we have, I think for the year 09-10 it would be about one-third.

**Rishi Maheshwari - Enam AMC - Analyst**

One-third of the total OCI that we have in the balance sheet?

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

Yeah.

**Rishi Maheshwari - Enam AMC - Analyst**

Alright. Thank you, thank you so much and all the best.

**Moderator - WebEx**

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

**Viju George - Edelweiss Securities - Analyst**

Thanks for taking my question. I am a bit confused about the commentary on pricing. You attributed it to fixed price, but even some of your peers are noticeably showing an uptake in fixed price in this environment, yet they don’t seem to be showing these quarterly pricing trends that you have shown, particularly in this quarter. Is there any other factor behind this beyond fixed price?

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

We were at a very low rate earlier. So, you know, eventually various drives of productivity that we do, we had our share of issues in the past, as a result of which the realization had been lower, but all it means is that when you have a large pool of fixed price projects you have a complete free hand to be able to work on it, and I think the
biggest change that we have done in the re-organization last April is global delivery coming a bit more under one leadership, and therefore strategically on the best practices, the way the fixed price projects are being monitored, I think some of those things have really seen results as you have seen in these last few quarters.

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

Let me just sort of elaborate on this a bit. This is Suresh Vaswani here. See, fixed price projects give you flexibility, but really driving price realization up in fixed price projects is completely a factor of how we execute. If you execute well, your price realization goes up and if you execute poorly, you stand to lose out and what Senapaty was alluding to is that we have strengthened our delivery engine substantially, strengthened our quality engine substantially and therefore, we have been able to guide productivity which has given us price reduction.

Viju George- Edelweiss Securities- Analyst

Okay, just one more question here on the verticals. You think that financial services could be one problem area for you as you look at FY10, but manufacturing is an area of growth. Again, you know, I just want to find a contrast here, just with the commentary of some other players who say that financial services may be stabilizing, but manufacturing could continue to be a problem vertical.

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

This is Suresh Vaswani here. Broadly looking at the sectors, looking at our pipeline, which we have already indicated, looks robust, going forward, it is really not necessarily very sectorally concentrated. So, our pipeline is good and our pipeline is good across sectors. Now, what will, you know, impact the revenue in terms of growth, relative to last year, is how quickly does, let's say, the BFSI segment close on the deals that we are talking about vis-à-vis any of the other segments. So, the broad outlook in terms of demand, in terms of pipeline, is consistent right across. We have worked with customers very closely to generate demand and I think that is holding us in good stead, and this is the situation we find ourselves in. So, what has really gone to determine the performance of one sector versus another sector is faster decision-making and how much we win in that sector really.

Viju George- Edelweiss Securities- Analyst

Thank you so much.
Moderator- WebEx

Thank you very much sir. Next in line, we have Mr. Ashwin Mehta from Mangal Keshav Securities. Over to you sir.

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Ashwin Mehta- Mangal Keshav Securities- Analyst

I had a question related to our cash flows. We have an item for deferred cancellation losses relating to rollover hedging which is of almost 1220 crores and shows an increase of almost 467 crores in this particular quarter. What is this item related to and for which quarters have the hedges been cancelled?

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Suresh C. Senapaty - Wipro– Executive Director & CFO

No, these are hedges that have matured during the current year, but they were designated for future period. So consequently when they come up for renewal, you have to pay the differential and it is that particular amount which is carried through and forms part of the OCI.

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Ashwin Mehta- Mangal Keshav Securities- Analyst

Okay. So, this is largely for FY10, the one that we are saying that one-third of our OCI would come in if the rupee were to stay at these levels.

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Suresh C. Senapaty - Wipro– Executive Director & CFO

That is correct.

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Ashwin Mehta- Mangal Keshav Securities- Analyst

Just one another thing, what has been the contribution from CITOS in this particular quarter?

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Suresh C. Senapaty - Wipro– Executive Director & CFO

CITOS for the quarter is 20 million dollars
Ashwin Mehta - Mangal Keshav Securities- Analyst

Okay. And last thing, in terms of revenue from others continues to decline for us of the order of in excess of 20% sequentially. When do we think that particular business will start to move again?

Suresh C. Senapaty - Wipro- Executive Director & CFO

There are two pieces there, one is the India piece and the other is the Europe piece. So, I think quarter one was good for both. In quarter two, we saw softness in one. Quarter three and four saw complete collapse of both the markets. As we are seeing, we hope quarter one to be superior for India, which means hopefully, now on India would look good in relative terms on a Q-o-Q kind of thing, but Europe might take another few quarters.

Ashwin Mehta - Mangal Keshav Securities- Analyst

Okay, thanks a lot.

Moderator - WebEx

Thank you very much sir. Next in line, we have Mr. Tarun Sisodia from Anand Rathi Securities. Over to you sir.

Tarun Sisodia - Anand Rathi Securities- Analyst

Hi, I just wanted to understand the restructuring of the cost measures which have been taken. To what extent is the potential for further cost reductions available in the company, number one, and number two, could we get some sense of, in terms of employee cost, what is the portion of the total employee cost which would be given as variable component?

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

Hi Tarun, this is Girish Paranjpe here.

Tarun Sisodia - Anand Rathi Securities- Analyst

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

I think the opportunity of being more cost-efficient is available in several areas. One is with some of the acquisitions that we have made, there is opportunity to kind of minimize cost there. There is also opportunity to be more efficient in some of our G&A related activities, and even in some operational parameters, in terms of onsite, offshore or the utilization percentage that we have, two or three or four big levers. So, that is what we are going to work on. As far as the variable pay is concerned, it actually varies by grade; so at junior levels, it is much lower at around 10% to 15%, and at very senior levels, it is as high as 40%.

Tarun Sisodia - Anand Rathi Securities- Analyst

As high as?

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

40%.

Tarun Sisodia - Anand Rathi Securities- Analyst

Okay fine, thank you very much.

Moderator - WebEx

Thank you very much sir. Next in line, we have Mr. Vihang Naik from Motilal Oswal. Over to you sir.

Vihang Naik — Motilal Oswal Securities Ltd. – Analyst

Hello, thanks for taking my question. I was just intrigued about why you had such a high volume degrowth in this particular quarter at about 6.3%?

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

The volume degrowth is particularly severe, and it was really led by the clients in two sectors, one is in hi-tech and the other one in financial services, where we had more or less held out throughout the year, and you will see our relative performance against competition, overall we had done better, and we were able to hold out much stronger for
the first two or three quarters, but at the end of ’08 in terms of calendar year, we had to wind down some projects, which is what has led to the volume decline.

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**Vihang Naik** — *Motilal Oswal Securities Ltd. – Analyst*

Okay, so will the effect of winding down of these projects, I mean, could it be seen in the next few quarters also or couple of quarters?

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

If further declines happen, is that what you are asking?

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**Vihang Naik** — *Motilal Oswal Securities Ltd. – Analyst*

Yeah.

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

Clearly, at the beginning of ’08-09, when clients took decisions about projects, it was not as if everything was switched off on January 1. It was done in a phased manner, so some of it got kind of stopped immediately. Some of the other projects will get wound up over the next 1 or 2 quarters, so we would not rule out decline in volumes either this quarter or the forthcoming quarters.

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**Vihang Naik** — *Motilal Oswal Securities Ltd. – Analyst*

Okay, and secondly, you know, we seem to be quite positive about things, our expectations for FY’10, I mean, are we seeing markedly different pricing performance than what some of our peers have commented, namely TCS that has indicated single digit pricing decline and Infy expecting about 6% to 6.5% decline. Are we seeing pricing holding up for us in a much better way than these two companies?

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

This is Suresh Vaswani here. Maybe we are not seeing it as high as they are seeing it, but we are certainly seeing challenges insofar as pricing is concerned, and you know, we would roughly estimate price realization challenges so to speak in a band of zero to five percent. We have been able to, like I covered earlier, hold off, actually increase our pricing in the last year, and you know, broadly we will drive the same strategy in terms of trying giving our customers away by moving them towards fixed price projects, and
therefore giving them lower cost, at the same time, driving our efficiency so that we are
able to sustain margins. To give a quick single-point answer to your question, we would
not look at anything lower than 5%; so, in the band of 0 to 5%.

Vihang Naik — Motilal Oswal Securities Ltd. — Analyst

Okay, that was helpful, and lastly, have our assumptions for FY’10 and FY’11, as far as
the tax rate is concerned, changed because of the lower growth assumption or
something?

Suresh C. Senapaty - Wipro— Executive Director & CFO

We think based on what we have seen and how the projects are picking up, etc., etc.,
the deltas which are the ETR, effective tax rate, will be within 100 to 200 basis points.

Vihang Naik — Motilal Oswal Securities Ltd. — Analyst

For FY’10?

Suresh C. Senapaty - Wipro— Executive Director & CFO

Yeah.

Vihang Naik — Motilal Oswal Securities Ltd. — Analyst

Okay and post the sunset clause?

Suresh C. Senapaty - Wipro— Executive Director & CFO

There will be, it is difficult to predict it now, but objectively, it should be around similar
ranges and thereafter.

Vihang Naik — Motilal Oswal Securities Ltd. — Analyst

Okay, okay thanks. That’s it from my side.
Moderator- WebEx

Thank you very much sir. Next in line we have Mr. Anthony Miller from Tech Market, over to you sir.

Anthony Miller- Tech Market View- Analyst

Hello gentlemen. I have got a couple of questions around Europe, if I may please. Firstly, if you were to look at Europe in constant currency terms, can you let me know what the growth was in the quarter please, and then over the year?

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

You see the growth in Europe on a constant currency basis has been close to 20% on a…..the way we reported it is 12%, and if we factor into account for constant currency it is significantly high.

Anthony Miller- Tech Market Share- Analyst

Sir, that was for the year or for the quarter?

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

I was talking about the year, I was talking about the full year.

Anthony Miller- Tech Market Share- Analyst

If you could just tell me for the quarter…

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

I am sorry, let me just correct myself, constant currency growth in Europe on year-on-year is 12.5%.

Anthony Miller- Tech Market Share- Analyst

And for the quarter?
Sequentially, on a quarter-on-quarter basis on constant currency, it is minus 4% and year-on-year, that is quarter four of the current year versus quarter four of last year is 11.3%.

So, is that minus 4% or minus 0.4%?

It is minus 4% sequentially.

Okay, thank you. I am just looking at the UK in particular. Can you remind me roughly how much of your European business comes from the UK and also whether you are seeing any different demand trends in the UK versus the US?

See, the business that comes from UK versus Europe is 60%. So, 60% of our business comes from UK while nearly 40% comes from Continental Europe, and your question was in context of demand between US and Europe?

Yes, in terms of whether there is any difference between UK and US, either by vertical or by service line demand?

I would say that the demand patterns are pretty similar, so if one looks at this, going forward, on an overall basis, it is broadly similar in terms of, let’s say, the growth that you would expect in US and Europe. So it is not that Europe is significantly higher or significantly lower.
Anthony Miller - Tech Market Share - Analyst

Okay, and finally, in continental Europe are there any sort of bright spots for you. Are you finding, or are you able to make any head way in some of the major markets?

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

Well, we have certainly enhanced our focus this year over last year, and we will continue to do that in France and Germany. So, we are investing in these areas; we are investing in these areas because we see more openness insofar as outsourcing is concerned for players like us, in terms of our model, and therefore, that is the guide from our side.

Anthony Miller - Tech Market Share - Analyst

Right, thank you very much.

Moderator - WebEx

Thank you very much sir. Next question comes from Ms. Shraddha Verma from Wizard Advisors, over to you ma’am.

Shraddha Verma - Wizard Advisors- Analyst

Hi, I just had one question to ask that what proportion of our cash reserves would be available for acquisition in future?

Suresh C. Senapaty – Wipro– Executive Director & CFO

Well, we already have about 350 million dollars of ECB and free cash of about 250 million dollars. We have a cash engine that we keep delivering every quarter. So, from that point of view, we have enough in terms of what we have planned for from an acquisition perspective.

Shraddha Verma - Wizard Advisors- Analyst

Okay, but what, could you just give me an idea of what proportion would be utilized for or available for acquisition roughly?
Suresh C. Senapaty – Wipro– Executive Director & CFO

Like I said, we have cash which is more than a billion dollars, but based on the long-term as I just said, because the free cash that we have and the external commercial borrowing which we have, typically they are long-term sources and therefore they would be available if needed for acquisition.

Shraddha Verma- Wizard Advisors- Analyst

Okay and are we planning for some acquisition in near future?

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

Well, we have not stopped our acquisition engine. We are currently focused on trying to see how we can generate more value for ourselves on the acquisitions we have done, and we are pretty selective, and our filters have been tightened, and particularly, given the current environment and given the acquisitions we have done last year, and so far the results have been good, we will continue to look for our own niches in terms of what our requirements are, looking at the strategic gaps in terms of fulfillment of the customer footprint, geographic footprint, or any kind of specialization.

Shraddha Verma- Wizard Advisors- Analyst

Okay, thank you so much.

Moderator- WebEx

Thank you very much ma’am. Next in line we have Ms. Subhashini Gurumurthy from JM Financial, over to you ma’am.

Subhashini Gurumurthy- JM Financial- Analyst

Hi, most of my questions have been answered, just wanted to know whether there has been...

Suresh C. Senapaty – Wipro– Executive Director & CFO

Louder please Subhashini.
Subhashini Gurumurthy - JM Financial - Analyst

Yeah, just wanted to know if there has been any change in the variable pay during this quarter?

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

There is no change because we decide variable pay in the beginning of the year and there is no change now.

Subhashini Gurumurthy - JM Financial - Analyst

So it has not been lowered as compared to the last quarter?

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

No, because the pay has not been lowered. What people get paid depends on how they perform against their plans.

Subhashini Gurumurthy - JM Financial - Analyst

Okay, sure, that’s all from my side. Thanks.

Moderator - WebEx

Thank you very much ma’am. Next in line, we have Mr. Yogesh from HSBC Securities, over to you sir.

Yogesh Agarwal – HSBC Securities - Analyst

Hi guys, I just have one quick question, if I may. Just following up from one previous question where for global IT services, volumes are down 6%, I would assume that would mean there is a good strength in Infocrossing and BPO segment, just trying to understand what is driving the strength in BPO, and secondly, what is the current capacity utilization in Infocrossing?
Suresh Vaswani – *Wipro- Executive Director & Joint CEO, IT Business*

This is Suresh Vaswani here. I will comment both on BPO and Infocrossing. So, our BPO business has done well this year. We have had a growth of around 20% year-on-year in BPO and our, you know, order bookings obviously, this year also have been significantly above what it was in the previous year, so that is one trend we see. Clearly as customers are looking for some serious cost transformation, they have to look beyond IT, they have to look at process and start looking at process transformation and, you know, given our thrust is really on the transaction processing side, we are seeing some good activity, some great activity, on our BPO business. Moving to Infocrossing, Infocrossing, again similar to BPO, has had a fairly healthy order booking this year. We have won significant deals of significant magnitude, and the order booking, just to give an indication there, has been 3 to 4 times of what it was in the previous year, so we see good pipeline coming in, we see good integration with our infrastructure services story and everything looks good going forward, insofar as our Infocrossing business is concerned. On capacity utilization, I am just giving you a broad number, we will reconfirm that, but it will be in excess of 60%. It will be in excess of 60%, our capacity utilization on year-on-year basis.

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

And Yogesh, when we talked about volume we talked about 6%, which is exclusive of CITOS, the acquisition that we did in the last quarter. Consequently, when you top it out at IT services level that gets added. This is the gross number, yes, it will be exclusive of Infocrossing, exclusive of the acquisition that we did in the quarter before and exclusive of BPO.

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Yogesh Agarwal – *HSBC Securities- Analyst*

Perfect, thanks.

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Moderator- *WebEx*

Thank you very much sir. Next in line we have Mr. Kunal Dayal from Merrill Lynch, over to you sir.

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Mitali Ghosh- *Merrill Lynch- Analyst*

Hi, good afternoon, this is Mitali. I was just trying to get a sense of what the visibility is, at this point, in terms of the demand environment and in that context it will be very helpful if you could share, you know, may be what proportion of your customers have actually closed their budgets, what they are looking at in terms of, you know, the sort of
growth and spend, including the growth in offshore, and is there a commitment of work taking place, and I guess you know what is the nature of work that is being discussed.

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

Okay Mitali, this is Suresh Vaswani here. Like we commented earlier, we do certainly see a lot of customer activity with us. We see a fairly healthy robust funnel going forward into this year, let’s say compared to what we saw last year, we see it across all the sectors, so it is not sectorally restricted to one or the other, even in some of our slower sectors last year like telecom and technology, we are seeing a good healthy pipeline and, you know, that is the broad paint-brush so to speak on the demand side. Now, mind you, we have worked very closely with customers, that was a conscious strategy last year to generate demand, so we have invested consulting resources, we have invested resources from our global programs team, we have enhanced client engagement capability, so all those investments have gone in and we have beginning to see a manifestation of that in terms of our funnel, looking forward.

Mitali Ghosh- Merrill Lynch- Analyst

Suresh if I can just follow up on that, you know, so in terms of the customers you have spoken to, you know, what is the situation on whether they have closed budgets and how many have closed budgets and what is the growth they are looking at, we have any data on that?

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

You know, I will tell you, one broad answer could be, yes, the customers are looking at budget cuts. They are looking, at let’s say, between 0% to 10% budget cuts vis-à-vis what they would have planned for last year. So, they started cutting budgets on quarter-on-quarter basis as we finished last year, but broadly, the mood is slightly different from what it was three or six months back, I mean they have to get ahead with business, they have to get ahead with implementing IT systems, have to get ahead with newer business models. So the requirement one is getting is “look, I want more for less”, so many, many customers we have met, they have kept their budgets slashed, and they want more work at the same budget, some customers are met who actually have enhanced their budget because they want to invest a lot more in customer facing systems, you know systems that enhance customer experience and CRM and so on and so forth. So people are beginning to look at more demand generation system from their perspectives than they were otherwise looking at, so there is no consistent pattern, some customers are talking about enhanced budgets, some are looking at flat budgets, more for less, there are a segment of customers who are looking at budget declines but that is anyway between 0% to 10% and one is not thinking anything more than that, and I am particularly talking about IT services. I am not talking about the hardware budgets and the infrastructure budgets which tend to get attacked with sharper knives so to say. If you talk to Girish Paranjpe, my colleague, and if you ask him about his IT budgets, he has probably cut
down the hardware budgets, a lot more than he will be cutting down on the services budget.

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Mitali Ghosh - Merrill Lynch - Analyst

Sure sir, are you seeing offshore spend actually increasing within that, you know, in absolute terms?

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

You know, we have been able to drive, if you look at our last year numbers in terms of operating metrics, the offshore mix has...

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Mitali Ghosh - Merrill Lynch - Analyst

Sorry to interrupt. I meant in terms of offshore spending by the customers.

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

Okay, let me try and answer that question. I am not sure if I have completely understood it, but the drive is towards reducing cost and logically therefore the drive is towards driving more business offshore and you know when customers come to us with fixed priced projects and we talk about cost takeouts, then one of the parameters that we have or one of the levers that we have is really planning more business offshore.

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Mitali Ghosh - Merrill Lynch - Analyst

Right. Okay, and just in terms of, you know, the kind of work that is being discussed. Is there any, you know, trend we can talk of in terms of, are you seeing more interest in, for instance, infrastructure-related work or you know maintenance-related work, you know anything at all to take away from that?

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

You know, as one looks at our deal inflows last year, you know, I would say one significant change is the number of “transformational system integration” type of deals that we have won have been fairly significantly higher than what we have won in the previous years. So for example, Origin is an end-to-end deal, it is all about implementing SAP-ISU which transforms their customer experience. We are also
implementing a full-fledged back office with SAP for them. Morrisons was a similar deal. If you talk about the deal that we went ahead on the R&D side, Harman, again that was a lot more co-innovation on the R&D side. So, basically customers are beginning to look at just much more beyond, you know, off-shoring to India or outsourcing to India, they are really looking at much more value, and therefore looking at players who can give that sort of value to them. So, it is much more about more value-driven sales rather than just driving offshore to India and therefore getting cost benefits on account of rate arbitrage. Customers are looking for much beyond that.

Mitali Ghosh - Merrill Lynch - Analyst

Right, and this I guess one quick question because I probably overstretched, but….

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

Go ahead Mitali.

Mitali Ghosh - Merrill Lynch - Analyst

Just I quickly wanted to check that for fiscal 2010, what proportion of revenues is covered, and what is the rough realized rate that one should look at?

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

If you could repeat that question Mitali, I have not completely understood it….

Mitali Ghosh - Merrill Lynch - Analyst

This is for Suresh, you know, what proportion of revenues is hedged for FY’10 and what is the average sort of realized rate that one should look at?

Suresh C. Senapaty – Wipro – Executive Director & CFO

If the currency remains as it closed on 31st March, one-third of that OCI, which will flow into 09-10.

Mitali Ghosh - Merrill Lynch - Analyst
Okay, okay thank you so much.

**Moderator**- *WebEx*

Thank you very much ma’am. Next in line, we have Mr. Harmendra Gandhi from Nomura. Over to you sir.

**Harmendra Gandhi**- *Nomura- Analyst*

Hi, just wanted to ask you to what extent we can increase the fixed price projects, and based on your past experience, what is the quantification of margin or pricing lever you get for every 100 basis points of revenue share from T&M to fixed price?

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

I think fixed price is the indicator because there are two types of fixed price that we do. We do development type of work on fixed price basis and we do application management type of work. Where we do application management type of work and that too, where we have managed to get the clients to do it on our platform or on the shared-services model, the margins are significantly superior to what we do on a time and material basis. Where it comes to development project, on fixed price, there the margin is there, but it is really the premium rather than any superior margin.

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

Under fixed price, you negotiate a pricing with a particular productivity that you see versus what you actually deliver, so just because it is a fixed price, does not necessarily mean that it could be good because there is a risk there, it could be worse. So all one is saying is that one has invested a lot in this particular process and therefore, some amount of benefits are flowing through.

**Harmendra Gandhi**- *Nomura- Analyst*

So what we see is existing T&M projects getting changed to fixed price, and not new projects, that are contributing to the increase in fixed price projects for the company?

**Girish S. Paranjpe**- *Wipro- Executive Director & Joint CEO, IT Business*
You should understand this. It is not only the existing T&M engagement getting into fixed price, but winning new deals on a full fixed price, totally outsourced basis, so that is contributing to fixed price percentage, and in some cases where it was T&M conversion, there we have refactored the work, so instead of having slivers of work, we have pulled it all together, made it into a managed service, and then sold it on fixed price basis, so whichever way you look at it, if you do application management on a fixed price basis, and it is sold and included in the right way, it is margin accretion.

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**Harmendra Gandhi - Nomura Analyst**

Okay.

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

You know, I just wanted to give one clarification here. Anthony had raised that question on growth in Europe in terms of constant currency versus the reported currency, so growth in Europe on reported currency basis is 12.7%. The growth in Europe on a constant currency basis is 20%, is what I had indicated earlier. Europe is going 20% on a constant currency. Just thought I would clarify that because that was to do with Europe demand and so on, and I had commented that the markets in both US and Europe are quite similar.

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**Harmendra Gandhi - Nomura Analyst**

Okay. I just want to ask you one more question. Are you done with the price negotiation for majority of your top clients, or you think there could be a negative renegotiation. Some clients may be busy in their own business problems and at some point of time, they may come back to you asking for price cuts, which you are not seeing right now but may happen later?

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

You can never kind of predict these things because if the economic pain really gets worse, clients will look around to see who can help them share it. So you cannot say that just because you signed a MSA one week back, there cannot be any renewal before the next 12 months, but broadly speaking, and this is why we are little bit more optimistic, in the affected sectors, much of the pain has already been kind of weathered, and we have kind of either done with the negotiations or in the process of doing the negotiations. We think the uncertainty is little lower in this respect for 2009-2010.
Harmendra Gandhi - Nomura - Analyst

Thank you.

Moderator - WebEx

Thank you very much sir. Next in line, we have Mr. Yogesh Parekh from Alchemy Shares. Over to you sir.

Yogesh Parekh - Alchemy Shares and Stocks - Analyst

Sir, can you elaborate a bit on the numbers of Infocrossing, as now you are something like 7 to 8 quarters into the acquisition?

Rajendra Shreemal - Wipro - Head – Investor Relations

Can you speak up a little bit, Yogesh?

Yogesh Parekh - Alchemy Shares and Stocks - Analyst

Sir, can you elaborate a bit on the numbers of Infocrossing?

Suresh C. Senapaty – Wipro – Executive Director & CFO

You know, Infocrossing was integrated into our overall IT Infrastructure business, so it is no more a separate kind of a thing, because we fix up an order whether it’s gotten here or there. So, if you have seen the organizational change that we have done, the healthcare piece gets into separately, but otherwise their ITO piece is now part and parcel of Infocrossing.

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

So, the TIS revenue that we reported, Technology Infrastructure Services, includes Infocrossing, includes our India Infrastructure Services Business, and includes our Global Infrastructure Services business. So, we are looking at that segment as one integrated service line. We reported a revenue growth on it of 35% year on year, last year.
Yogesh Parekh - Alchemy Shares and Stocks - Analyst

Okay sir, thank you.

Moderator - WebEx

Thank you very much sir. Next in line, we have Mr. Pankaj Kapoor from ABN Amro. Over to you sir.

Pankaj Kapoor - ABN Amro - Analyst

Hi sir, congratulations on the good numbers. Just a question on the next quarter guidance. Can you just elaborate on what kind of pricing and volume assumptions you have built-in in the next quarter guidance please?

Suresh C. Senapaty – Wipro – Executive Director & CFO

All we are saying is that we see the impact of both in quarter one.

Pankaj Kapoor - ABN Amro - Analyst

Sorry sir, if you can repeat that please, I was not able to understand.

Suresh C. Senapaty – Wipro – Executive Director & CFO

We will have the impact of both in quarter one because like Girish stated we have seen some of the ramp downs, particularly in the base structure as well as in the financial services in quarter four, where full impact of that has not come through so far as quarter four is concerned, therefore we will see a full impact of that in quarter one from the volume perspective. Pricing perspective, we have not got impacted so far, but we will get some impact of that in quarter one.

Pankaj Kapoor - ABN Amro - Analyst

Would it be possible to quantify that?
Suresh C. Senapaty – Wipro – Executive Director & CFO

It will be part of the overall decline that we have.

Pankaj Kapoor - ABN Amro - Analyst

Okay, and is there any revenue build-up there from the small Nokia acquisition that we did, and if you can just give a sense of what we paid for it, if possible?

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

So, first of all I think there is some misunderstanding here, it was not an acquisition. To state the fact, Nokia was developing a technology platform for streaming TV on mobile handsets and other mobile devices. We felt that somebody like us who is not aligned to any particular vendor or industry would be in a better position to develop and sell this because they would not be able to resell it to any of their competitors, which is why we have agreed to take over some of the people that they had working on this platform. We had our own team, so jointly that team is going to do development of this technology and then license it through multiple people including service providers as well as equipment vendors. So, that is broadly the agreement. If the revenues from that business exceed a certain threshold, then Nokia is entitled to some royalty from this business.

Pankaj Kapoor - ABN Amro - Analyst

Is there any kind of upfront payment for the IPs that you would have purchased?

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

No.

Pankaj Kapoor - ABN Amro - Analyst

Okay, thank you and all the best.

Moderator- WebEX

Thank you very much sir. Next in line, we have Mr. Deepesh Mehta from Khandwala Securities. Over to you sir.
Deepesh Mehta- Khandwala Securities- Analyst

Thanks, my question has been answered.

Moderator- WebEx

Thank you very much sir. Next in line, we have Mr. Sandeep Shah from ICICI Securities. Over to you sir.

Sandeep Shah- ICICI Securities- Analyst

In FY’09, if you look at the growth in India and Middle East and the BPO.....

Rajendra Shreemal - Wipro - Head – Investor Relations

Could you speak little louder, we can’t hear you Sandeep.

Sandeep Shah- ICICI Securities- Analyst

Yeah, in FY’09, if you look at the BPO in India and Middle East, the growth is upwards of 20% and Infocrossing consolidation is also for addition of two quarters, so just looking at the global IT excluding Infocrossing, the growth according to me should be around 13% to 14%. So do you believe that now, entering into FY’10 with some more optimistic view, this growth in the global IT will also likely to be in line with the others?

Suresh C. Senapaty – Wipro– Executive Director & CFO

The 18.5% was our year-on-year dollar flow, and if we correct for the acquisition in quarter four and also part of the Infocrossing for the previous year, adjusted for that, the growth comes to 15%.

Sandeep Shah- ICICI Securities- Analyst

Okay, and because of the BPO, and also the Middle East and India, the growth numbers are much higher. So what I am asking is, for the pure global IT business, do you believe that the growth is likely to under-perform even in FY’10?
Suresh C. Senapaty – Wipro – Executive Director & CFO

If you look at an industry perspective, global IT includes almost all the Indian IT Services, which is not the product that you are talking about. It includes Indian IT Services, Middle East, as well as Asia-PAC, which is most of us rather than only us.

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

This is Suresh Vaswani here. We have given statements reporting on a geo-basis also. The US has grown 20% year-on-year. Europe, we just had a discussion on that, is 12.7% or 20% in terms of constant currency, and India and Middle East has one higher at 28.5%.

Sandeep Shah- ICICI Securities- Analyst

Right, right. On the cost of revenue, there is absolute decline for the IT services despite adding CITOS employees too. Can you elaborate on this?

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

There has been some reduction in the headcount on-site. As a combination of that, we are seeing a significant shift that we have got in terms of an offshore movement.

Sandeep Shah- ICICI Securities- Analyst

Okay, okay, and just the last thing. Like our comments are more optimistic, and we are seeing an uptake in the FY’10 versus our peers, who do not have much clarity in terms of the FY’10 growth, so can we elaborate on one or two USPs where Wipro is gaining versus peers? Is it like BPO with a higher relative weightage as well as Infocrossing, and is the remote infrastructure management giving us more entry dose in the new deals versus peers?

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

Few things actually, so cannot single out one thing, but broadly, we have invested in our customers last year. We have invested in demand generation, so that is that. Two, we certainly have a wider, more comprehensive service line, so to speak, compared to most of our peers, so we have BPO where we are fairly strong. We have infrastructure services with Infocrossing. We have Security, we have Testing, we have Package Implementation, and that coupled with all the SBUs and the domain capability and the solution integration capability that we have built up, sort of puts us in a good position to drive, you know, the type of business that we have spoken about, system integration as
well as ADM as well as application support. The third factor which sort of works in our favor is our geography spread. So, we gave you an indication that US is 20% growth, and Europe is 12% growth, but some of our geographies like India and Middle East, and that now no longer in a very small way, has grown 28.5%. Our other emerging markets like Australia and ASEAN where we have continuously invested over the last 3 or 4 years have shown a fairly strong fillip in terms of growth at 42%. I think we are very well balanced in terms of service portfolio, in terms of SBU spread, in terms of geography spread, and that is making us feel a lot more confident, I guess, in terms of what we see as the outlook going forward.

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**Sandeep Shah** - ICICI Securities- Analyst

Okay, thanks and congrats on a good quarter.

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**Rajendra Shreemal** - Wipro - Head – Investor Relations

Thank you, and last question operator?

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**Moderator** - WebEx

Sure sir. The last question comes from Mr. Ritesh Rathod from UTI Mutual Fund. Over to you sir.

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**Ritesh Rathod** – UTI Mutual Fund- Analyst

Sir, this question is regarding cash balance on quarter on quarter. I believe we have increased debt by 1000 crores quarter on quarter, any specific reason for that, in spite of us generating 1500 crores cash flow from operations?

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

No, they are normal short-term debts. We keep taking them and returning them as debt. It adds to the cash balance.

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**Ritesh Rathod** – UTI Mutual Fund- Analyst

Okay, but on the counter side, like the cash balance, if you see, current account of Wells Fargo Bank has increased by 1000 crores quarter on quarter, so are we planning some
onsite acquisition, or doing some acquisition, or are we planning some onsite capex or something?

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Suresh C. Senapaty – Wipro– Executive Director & CFO

Typically by 31st March, there is an extra accumulation of cash which happens, which would come to us in the April month.

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Ritesh Rathod – UTI Mutual Fund- Analyst

Okay, regarding fixed price projects, as they are increasing, are clients demanding some sort of guarantee or performance guarantee, and are you giving such kinds of guarantees to clients?

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

There are no performance guarantees, but there are SLAs, and there are kinds of bonuses and penalties associated with SLAs.

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Ritesh Rathod – UTI Mutual Fund- Analyst

Have those penalties gotten stricter over time in the last one year?

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

No, I think, more or less they are in the same ballpark, and typically we tend to do better on the SLAs than what they are, so we tend to be more on the bonus than on the penalty.

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Ritesh Rathod – UTI Mutual Fund- Analyst

Another question regarding the OCI loss, we have some 1500 crores or 1600 crores. How much would we do cash outgo of that OCI loss? Is it similar to the kind of cash outgo of some 1400 crores this year.

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Suresh C. Senapaty - Wipro– Executive Director & CFO

That has already happened.
Ritesh Rathod – UTI Mutual Fund- Analyst

1200, so how much would happen in next year?

Suresh C. Senapaty - Wipro– Executive Director & CFO

Most of it has happened, but if rupee were to depreciate more for those hedges, then…well I think most of it is spread out, so I don’t think in 2009-2010, there will be any significant amount that we’ll have.

Ritesh Rathod – UTI Mutual Fund- Analyst

Okay. Hello?

Suresh C. Senapaty - Wipro– Executive Director & CFO

So, in 2009-2010, there will be no significant amount.

Ritesh Rathod – UTI Mutual Fund- Analyst

Okay, that is all from my side. Thanks.

Rajendra Shreemal – Wipro - Head – Investor Relations

Alright, thank you.

Moderator - WebEx

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

Rajendra Shreemal – Wipro - Head – Investor Relations

Thank you Sandhya.
Moderator - WebEx

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.