“Wipro Limited Q1FY11 Earnings Conference Call”

July 23, 2010
6:45 pm
Operator:

Good morning. My name is Sarah and I will be your conference operator today. At this time I would like to welcome everyone to Wipro first quarter earnings for period ending June 30, 2010. All lines have been placed on mute to prevent any background noise. After the speakers’ remarks there will be a question and answer session. If you would like to ask a question during this time simply presses star then the number one on your telephone keypad. If you would like to withdraw your question press the pound key.

Thank you. Mr. Sridhar Ramasubbu you may begin your conference.

Sridhar Ramasubbu:

Thanks, Sarah. Good day to all of you. This is Sridhar and I am joined by the IR team in Bangalore. We are pleased to extend a very warm welcome to all the participants and to host Wipro's Q1 FY11 results earnings call.

Regarding the materials for this call we issued the press release yesterday late night EST and We will allow time for Q&A at the end. We have with us today Mr. Azim Premji, chairman; Mr. Suresh Senapaty, CFO who will comment on our IFRS results and our key take always for the quarter and for period ending June 30, 2010

We are joined by joint CEOs of the IT business, Suresh Vaswani, Girish Paranjpe and other senior members of Wipro management team will be happy to answer questions. As always elements of this call and the management's view may be characterized as forward-looking under Private Securities Litigation Reform Act of 1995 and our based on our best view of the world and our business and our businesses as we see them today.

Those elements can change as the world changes, please interpret them in that light. Those statements involve a number of factors that could cause actual results to differ materially. These statements are based on management's current expectations and are associated with uncertainties and risk which could cause actual results to differ materially from those expected.

These uncertainties and risk factors are being explained in detail in filings with Securities and Exchange Commission in the U.S. We do not undertake any obligations to update forward-looking statements to reflect events or circumstances after the date of filing thereof.

This call is scheduled for an hour, the presentation of the Q1 FY11 results will be followed by Q&A. The operator will walk you through the Q&A process. The entire earnings call proceedings are being archived and transcripts will be made available after the call at our company's Web site. A replay of today's earnings call proceedings will also be available via telephone post the call. During the call I am also available on e-mail and through mobile, as well, to take any questions and table it to the Wipro team in case you are unable to ask questions for any technical reasons.

Ladies and gentlemen, over to Mr. Azim Premji, chairman of Wipro.

Azim Premji:

Good day to all of you. Wipro reported another strong quarter with 16 percent year-on-year growth in revenue and industry leading growth in profits after tax of 31 percent year-on-year.
Despite all of the chaos, we have seen during the Greek crisis and the overall macro environment which keeps getting interpreted differently at different series of time, we are seeing a much stronger demand environment across all of our different business segments. And this is significantly broad-based.

Let me talk about the IT business. Another good quarter where we beat the top end of our guidance in constant currency terms with a sequential growth of 4.4 percent. We have had the highest increase in our net billable head count ever this quarter. BFSI, CMSP, Manufacturing and RCTG led growth for us among all the verticals. Product Engineering Services, Package Implementation, and ADM led growth among the horizontals.

India, the Middle East and APAC continue to see a strong growth with the U.S. also seeing an uptick this quarter. Europe grew at 3.4 percent on constant currency basis and 21 percent year-on-year. We have seen yet another quarter of margin expansion. Margins have increased by 30 basis points to 24.5 percent despite evidences of rate increase and decline in our price realization. Margins have expanded by 2.4 percent year-on-year.

Wipro took over the data center in Germany, from Citi, which will enable us to offer a full portfolio infrastructure management solution to all European clients. Our need which has been expressed is all our large TIS contracts. We continue to uncompromisingly invest in our business for the future. Our focus is on our technology themes. We particularly focus – with particular focus on green and cloud. Our Horizon 2 and Horizon 3 teams driving productized solutions across horizontals and verticals.

Now, non-linearity, which is today 10 percent of our revenue and these are targeted to average 14 percent of our revenues in the current financial year. We are investing in strong consulting and systems integrations, transformational capabilities and significant investment in sales and consulting. We remain committed to driving globalization and globalizing our teams. We continue to scale up on delivery centers across the globe. We have crossed the 500 person mark in China this quarter as well as the 500 person mark in the Atlanta. We continue to localize our team overseas. Our target is to increase the percentage of locals in our work force overseas to 50 percent in the next two years. As of quarter 1 it was 38 percent. As of a year back is was about 29 percent.

Let me talk about our consumer care and lighting business. Santoor, which is the number 3 brand in India, remains the main driver of our India household business. But we continue to diversify this segment with strong growth across Glucovita our energy drink, diapers and CFL.

In our international business we continue to grow driven by markets like China, Malaysia, and the Middle East. Commercial business has seen significant pickup though not back to peak levels yet. Yardley is fully integrated and tracking ahead of plan. It is proving to be a more exciting brand than even we anticipated at the time of the acquisitions. Wipro Infrastructure Engineering, the business environment had significantly rebounded, In Europe things are much better but far from being great. We are yet back to 50 percent of peak level versus 33 percent about 4 months back. In India, we are back to 90 percent plus of peak levels.
In Eco-Energy we continue to believe that this should be a big business in the future. The huge area of growth is energy managed services. We've won two deals on this. Our confidence in our business model has increased significantly validated by the market and our wins.
I now hand over the mike to Suresh Senapaty, our CFO, to share financial highlights of the quarter.

Suresh Senapaty: Good evening ladies and gentlemen and good morning to all of you overseas. Before I go into our financials you would also note that for the convenience of readers, our IFRS financial statements have been translated into dollars at the noon buying rate in New York City on June 30, 2010 for cable transfers in Indian rupees, as certified by the Federal Reserve Board of New York, which was $1 equal to Rs.46.41.

Accordingly, revenues of our IT Services segment was – that was $1,204 million, or in rupee terms Rs.55 billion, appears in our earnings release as $1,185 million based on the currency translation. Our IT Services revenue for the quarter ending June 30 was $1,204 million on a reported basis, a sequential growth of 3.2% and year-on-year growth of 16.6%. On a constant currency basis, our IT Services revenue was 1,218 million, a sequential growth of 4.4% and a year-on-year growth of 16.6%. We have had a good quarter of growth, driven by verticals and service lines.

Among the verticals, BFSI has led growth with 6.4%. CMSP, our Communication & Media Service Provider, was 6.4%; manufacturing was 5.5%; retail and transportation by 5.1%; Telecom and Technology verticals had third consecutive quarter of sequential growth. Package implementation and Product Engineering Solutions have driven growth in the quarter with 9.7 percent and 18.5 percent growth respectively.

Amongst the deals, U.S. has seen an uptick with 4.3 percent sequential growth. Our investments in emerging markets have continued to pay off with strong growth in India and Middle East and APAC and other emerging markets of 5.4 percent and 5.6 percent respectively. Despite the turbulent economic environment, Europe continues to be a growth market for us with constant currency sequential growth of 3.4 percent. We have 100 customers with revenue greater than $10 million. We saw another quarter of strong volume growth of 4.70 percent the third consecutive quarter of 4 percent plus in terms of growth rates in volumes.

Pricing dropped by 4.9 percent onsite and 1.4 percent offshore. It is due to impact of cross currencies, change in geography mix and investment in project starts onsite. The portion of revenues on fixed-price projects increased by 0.3 percent to 44.6 in the quarter. We executed well on operations and have been able to expand margins by 30 basis points despite headwinds of salary. As of June 30, 2010 our days sales outstanding for Wipro technologies was at 65 days due to increase in unbilled revenue, 78 percent of our debtors are less than 30 days and less than 1 percent is more than 180 days.
Our IT Products business showed year-on-year growth of 13 percent in revenue. We grew operating profit sequentially by 29 percent. The Consumer Care and Lighting business, there we would see good momentum with revenue growth of 23 percent year-on-year, and operating profit growth 11 percent on a year-on-year basis.

On the foreign exchange front, our realized rate for the quarter was 45.69 versus a rate of 45.11 realized for the quarter ending March 31, 2010. On a quarter-on-quarter basis, Forex gave us a positive impact to margins, including an impact of cross currencies of 0.6 percent. As at period-end, we had about $1.6 billion of Forex contracts and our net cash balance on the balance sheet was Rs.49 billion. We generated free cash flow of 6 billion during the quarter. We'll be glad to take questions from you.

Sridhar Ramasubbu: Sarah, you can start the Q&A.

Operator: At this time I’d like to remind everyone in order to ask a question press the star then the number one on your telephone keypad. Your first question comes from Trip Chowdry from Global Equity Research. Your line is open.

Trip Chowdry: A very good execution. A few questions here. First regarding Europe. It seems you executed very well against the competition. I was wondering if you can provide some color on that?

Suresh Vaswani: I would start answering the question and also have a global head of Sales, Martha Bejar, addressing the question. I think you know in response your question, we have done well in the Europe business. If you factor out the cross- currency impact our sequential growth in Europe has been 3 percent. If you look at the funnel you know looking forward, I think Europe represents a fairly strong part of the funnel both in terms of scale in proportion to the market as well as in terms of the complexity and the quality of opportunities that we are going to be participating in Europe. So all in all Europe looks good for us both in terms of funnel and in terms of business that we can expect from Europe. I’m going to let Martha elaborate on that.

Martha Bejar: I’ll start out by saying that we are excited about our opportunities in Europe and they’re a broad based across multiple verticals. We see a lot of excitement around the manufacturing, our retail business as well as the finance sector like Suresh mentioned we have a very strong pipeline as well. And so a lot of work, a lot of effort and we’re getting the fruits of our labor there and we’ll continue at it. So I think it’s going to be good stuff for us moving forward.

Trip Chowdry: Martha, another quick question for you. In terms of sales cycles would you happen to have an idea about how the difference in Europe versus USA. Then I have one more follow-up question.

Martha Bejar: OK, so Trip I would say that the sales cycle is pretty much similar to the U.S. and it also depends on the sector. But averages – I don’t know about 12 months, so I don’t think it’s any different than what we’re seeing in the U.S. from a sales cycle perspective.
Trip Chowdry: OK. And I saw – I was wondering the margins really improved well. Again looking at the competition it seems you did better than them. Any specific things you did during the quarter to improve the margins and that's all for me. And thanks on a very good execution.

Martha Bejar: I would say that our efforts in continuing to sell value to our customers have continued to pay off and we're partnering with our customers. We're helping customers with their strategy, shaping their strategy, becoming trusted advisors with them. You know that we've been investing in the sale organization for a bit. And we continue to invest. Mr. Premji mentioned that in earlier comment and I think a combination of our traditional work with work that we continue to do in adding value to them and creating solutions that go across our multiple service lines that address specific customer needs. We're seeing the results on that end. And the last piece that I will add is that a very strong country focus from a strategy perspective becomes key to us when we look at businesses through Europe because we understand there are many different countries there. And the country strategy is also paying off.

Trip Chowdry: Thank you.

Martha Bejar: Thanks Trip.

Operator: Your next question comes from the line of Joseph Foresi from Janney Montgomery Scott. Your line is open.

Joseph Foresi: Hi. I guess my first question here is just- it seems like maybe pricing was a little bit weak this quarter and I know you talked about it being sort of stable going forward but I wonder if we could talk about that a little bit further. What caused the price decrease you know is this client specific thing or is it something that happened last quarter and maybe you could talk about what you think is going to happen with it going forward?

Girish Paranjpe: Well, hi, Girish here. So let me first talk about the underlying price environment and then explain what happened to the realization. So we feel that the underlying price environment, it remains positive as far as we are concerned and there have been several opportunities and we have had chance to negotiate with clients and reset upwards the price that is there in the market. So there is flexibility in pricing are mostly upwards from the clients. So we fixed the price, given the fact that we have been good partners to them during the downturn and also we see the cost push that we're suffering because of wage increase etc. So broadly speaking, the price environment for us remains positive and we are positive that we'll be able to renegotiate the price upwards as the appropriate opportunities that come up in our interaction with them.

Then it comes to the price realization that we report. It is arrived as, the revenue generated divided by the effort that is extended in the quarter. And that number for us has showed a decline this quarter both in terms of our on-shore realization as well as offshore realization. And that is largely being driven by two factors -- one being a certain impact that has been
suffered because of cross currency, which hurt us negatively, which has affected the realization here in the quarter.

And the other is that a large part of our growth has come about by starting new projects. And all those new projects that they start involve a certain amount of effort, either in transition or a new project start, which doesn't get paid for right away. And therefore when you do the math of the revenue of the cost expended it looks like they dropped some realization. But the reality is that if you look at the coupon price, actually there is a quality price environment and we are able to take the price up on the appropriate time which is simply that way we report realization, it shows that it has gone down.

**Joseph Foresi:** And so do you expect the pricing to turn positive next quarter? I mean assuming currency stays stable. Or it a couple of quarters out?

**Girish Paranjpe:** I would be more confident in saying that the underlying price environment remains positive. And as long as that remains so and we are able to negotiate the prices upwards to the coupon price I am sure to have better realizations.

**Joseph Foresi:** OK, very helpful. Then my question here is just sort of about the demand environment in general. How you seen any slowdown in discretionary projects at all? And maybe you could talk about– it sounded like obviously new projects had an impact on the pricing. Has there been any change in the environment in any of the discretionary spending or the new project work?

**Suresh Vaswani:** We are clearly seeing an uptick in the discretionary spending by customers. Customers are investing in their future. They're looking at reengineering their existing cost structure and that's shows up an opportunity for us and they're looking at re-engineering the business. To align with the new market, you have to innovate and so far as the business model is concerned. And that also shows up new opportunities for us, particularly given the fact that we're very comprehensive in terms of our service offerings and we still have business structure outsourcing as a key part of our value proposition along with the traditional IT segments.

So here the discretionary spending is going up. Yes our funnel does represent a lot of high value-add projects which take into account our full service capability. Some of the demand that we generated is actually demand that generated on working and investing with customers over the last couple of years. And the fruition of that is a very healthy pipeline that we see today.

**Joseph Foresi:** Okay. And just re-completes versus new, are you seeing a pickup in new business start, is that the takeaway from sort of what you're seeing on the pricing side?

**Suresh Vaswani:** Yes, again – OK I'm just talking about new business sources and existing business. I think we see a very healthy mix off existing business getting renewed or getting enhanced as well as a fairly strong funnel of new business and new opportunities. And this is particularly true as it
relates to some of our service lines like package implementation, infrastructure services and business process outsourcing.

Joseph Foresi: OK and then just one last question from me. As we go into the back half of the year clearly, the market has been a little bit tough here. What could be swing factors that you know either provide upside to the numbers or downside to the numbers in the back half of the year as you see it excluding currency of course?

Suresh Vaswani: I didn't get the last part of your question. Could you please repeat it for us?

Joseph Foresi: Yes, so I'm wondering as you look at the back half of the year what you would see as swing factors that would cause you to maybe outperform or under perform in just versus what your expectations are as you see the market today.

Suresh C. Senapaty: You know we have given a fairly strong guidance for the current quarter. We have given the guidance of between 4.1 to 6.1 percent in current sequential growth. And that is higher than the guidance we've given last quarter. We've if you look at our performance last quarter again; it was based on strong volume growth. And this has been the situation over the last three odd quarters. So net/net we don't guide for the year we guide for the quarter but clearly the demand environment is positive. Our confidence in terms of being able to grow more than the demand environment is fairly high and we have a very strong funnel going forward.

Joseph Foresi: Ok thank you.

Operator: Your next question comes from the line of Ed Caso from Wells Fargo Securities your line is open.

Edward Caso: Hi, good evening Ed Caso from Wells Fargo.

Edward Caso: Sure, my first question is around employee attrition could you sort of give us the status of where you stand, what the trend is, what steps you are taking, and maybe as part of that remind me of your – when you give raises. And I believe you gave some special equity stuff recently so if you could just update us on the human resource side of the equation.

Saurabh: Hi, this is Saurabh here so we have seen a uptrend in attrition from the last quarter. And that's been an area of concern for us. We have been taking number of actions we have taken in terms of looking at this. But I must also say that it may be repeated when we see across industry given the uptick in the demand over the past few quarters.

From a step perspective we have done a broad-based salary increase for all our employee going way back in February and after that in this quarter itself we have taken certain employee actions, be it in terms of mass promotions of people, the restructuring of some banding, restructuring of some junior employees so that they can move faster into their careers as well as giving stock options to our senior executive management teams. So we continuously look at
what's happening externally. We look at what's happening internally and then access the situation and move forward. I personally feel and we believe that we have a number of levers from attrition perspective, be it in terms of careers, in terms of growth, in terms of opportunities, in terms of learning, in terms of compensation and we need to work on all these areas continuously to manage attrition. And this year we're working towards this. I think also it's not been time for panic, we know what stuff we're getting into and we're making sure that our supply chain from a people point of view is good to manage the spike that we have seen.

Edward Caso: And you offer a hiring target for this year or maybe if not that, then how much you've been increasing your hiring target and how much of that increase reflects a brighter outlook for demand and how much reflects the higher attrition?

Sambuddha Deb: Now, if you look at now we have just in time hiring system for laterals and a bench for fresher depending on what are the annual plans. In case there is higher attrition the recruitment team gets a signal to recruit. If you see the recruitment number, we are actually geared up. We've added more than 15,000 people in the last 3 quarters. and that's net adds, so we don't have an annual target. We react to what is exactly happening and since most of the employees have a 2 month notice period, it is possible for us to replenish that as quickly as possible.

Edward Caso: My last question is I believe the government has mandated 25 percent float for the stock and I believe you're roughly around 20 percent. Can you offer some insights in how you're going to address that mandate thank you?

Suresh Senapaty: Yes, if you look at this, currently it will just in the form of a notification by the Central Government by enacting the necessary amendments that has to be done by the Securities and Exchange Board of India. It hasn't happened as yet so to respond that has to come in place, there is a lot of representation from the industry for making sure that they should take into account the non promoter holding outside of India. There are representation that the timeline that has to be given has to be much higher than what it is today et cetera, et cetera. So and also in terms of that it should not be 25, but it has to be lesser than that. So we don't know, I think the government is in consultation on this so we are looking forward to some better clarity in this from the Government of India as well as SEBI.

Edward Caso: Thank you and congratulations on the quarter.

Suresh Senapaty: Thank you.

Operator: Your next question comes from the line of Nabil Elsheshai from Pacific Crest Securities your line is open.

Nabil Elsheshai: Hi guys thank you for taking my questions. First I guess if you could give an update on what your plans are for channel investment or sales investment both in Europe and U.S. over the next say two or three quarters?

Martha Bejar: Hi, Nabil, this is Martha Bejar again.
Nabil Elsheshai: Hi, Martha how are you?

Martha Bejar: I'm doing terrific, thanks. So in terms of our investment and I'm going to break it out in about three pieces for us in our discussion. First, we continue to invest in our sales process and the tools that we have to manage our business. Whether we're talking about account planning or we're talking about opportunity management we continue to invest in that and making sure that we have tools and processes that are very easy for the sales force to manage and deal with.

Secondly we continue to look at best in class ways to recognize the sales organization and their performance vis-à-vis how we're doing you know with our customers. Here we are tied to the hip with the work that we do with our delivery organization so we show that we deliver on our commitment and our promise to the customer.

And then the third one is on training. We have initiatives throughout the different geos where we focus a very targeted training. When it comes to sales management all the way to domain training, management associated with solutions that can bring value to the customer And today we continue to expand the sales organization to address the demands of the market across the Geos and again this depends on the growth that we have and by deals. And in some cases we are doing investments where we feel that the future is there in for example Latin America or the work that we're doing in China, certain areas in APAC. We continue to invest in those areas because we know that we have a strong value proposition to our customers.

Nabil Elsheshai: OK, great. I wanted to also follow up a little bit on the different dynamics between Europe and U.S. both in terms of pricing and if you're seeing different types of projects. You know maintenance versus discretionary that type of thing between the two regions?

Martha Bejar: I think they're behavior is very similar. Our customers are certainly doing a lot more on discretionary transformation projects are big things within both Geos where customers are really looking at fundamentally changing the way that they do business from an IT perspective. So I think it's a very common thread.

So I would say there is a no big differences, No, Pretty much everybody is talking the same language from an IT services perspective. What value can you add to us here now, not only on taking costs out, but also helping us grow, how do we transform our business. A lot of our customers are expanding from a regional focus to a pan-Europe focus and so we're working with them and the best way of doing that. They're merging, so we're working with them on optimization of the networks that are coming here. So I think that there's a lot of commonality there in terms of the customer.

Nabil Elsheshai: And any difference in the pricing environment in Europe versus the U.S.?

Martha Bejar: I would say that not really, not something that would stick out in my mind. I think that customers do want, as always, more for their money. So you know we always talk a lot about that. But they're looking at companies like ours to add value to their business and I think that become a very common trend in our discussions with them. And they're willing to pay a
premium for that, you know and they want the quality to be best in class. So I think that there continues to be opportunities. I won’t say there is a fundamental difference between Europe and the U.S. in terms of pricing.

Nabil Elsheshai: OK, great. Thanks and then just in general you know for whoever if you look at I guess size of projects and tactical versus transformational you know how do you see those projects trending? You know I think we saw from a very large U.S. multinational that their bookings disappointed because they were seeing more short-term type of projects. Are you seeing a similar trend or what are you seeing in terms of maybe larger deals? Larger transformational deals going on in the market place?

Martha Bejar: I will tell you that our pipeline has increased and a lot is because of these transformational deals. I think our customers are re-building doing their entire businesses and are making some bold decisions in those regards. But at the same time there are a lot of projects that are in our pipeline that are very tactical. So I would say it’s mixed but our pipeline, again, has increased significantly because of the transformational deals that we have in there. And a lot of that is also self motivated you know by us and knowing the customer and taking a look at the business and looking at ways in which hopefully we can strengthen their P&L and in turn increase bigger, larger businesses for us.

Nabil Elsheshai: OK, great. Last question for me, I was interested in the strength in the package implementation both how sustainable that is, if any type of particular projects or applications out as areas of strength in that service line?

Suresh Vaswani: Yeah, I think package implementation clearly has led growth from the customer service line perspective last quarter. There is clearly a pent up demand that relates to certain applications. Package implementation we are seeing demand as it connects to a range of certain applications and that is really to manifest itself in terms of the growth that we are seeing. There are substantial investments happening by customers in the area of plant solutions and in CRM, in the area of social computing solutions, in the area of sustainability and that is bringing up momentum to the package implementation business.

And then, we are fairly strong in this area. We are fairly strong in terms of a partnership in SAP, Oracle and Microsoft and just to give an example, we won the SAP Pinnacle Awards in two categories, for IT outsourcing and for Run SAP, which is the Application Support Solution, which Wipro and SAP worked together. So it’s a combination of all of these the pent-up market demand due to low discretionary spending, lots of upgrades, there are potential coming up, new areas coming up. And here is the fact that we are fairly strong in terms of alliances and partnerships and capabilities and innovations in the package implementation area.

Nabil Elsheshai: Do you have a sense of these customers are buying new software or is it stuff that they – that was shelf ware or it’s upgrades or how that mix plays out in terms of what kind of projects you’re seeing?
Suresh Vaswani: I think there is a lot of, like I said, pent-up demand for upgrades. So a lot of the demand is coming through from upgrades but again, customers are investing for the future. So there are certain package implementations, particularly as it relates to demand-generating areas like CRM, which are beginning to clearly pick up. So it's a combination of both.

Nabil Elsheshai: OK, great. Thank you guys for taking my question.

Operator: Your next question comes from the line of Karl Surefield from Kauffman Brothers. Your line is open.

Karl Surefield: Thank you. I've got two industry questions. The first is IBM on its recent call indicated that there is a bit of a new deal signing lull that began in mid-June and even TPI and some of the outsourcing advisory firms cited some sluggishness in June. I'm wondering did Wipro see any kind of extended sales cycles or signing pause during the month of June when the macroeconomic environment became a little more uncertain. Thank you.

Girish Paranjpe: We've really not seen anything like that. And perhaps it has to do with the kind of sectors that TPI has more biased to and perhaps that's the reason why their book weighs more heavily there and we get 15 to 20 percent. Frankly, we see much more business as usual, other than that, I don't think there is a change.

Karl Surefield: Okay. That's encouraging. And then, if I might ask a second one. Clearly, Wipro saw once again a strong growth in the BFSI vertical; that's obviously been the vertical that's powered the recovery, not just for you but for all of your peers. When you look forward into the second half of calendar 2010, are you as enthusiastic about a continuation of this BFSI vertical increase or do you anticipate its sequential growth perhaps slowing and other verticals catching up?

Girish Paranjpe: You know that Financial services have been growing strong this quarter, 6.4% sequential growth. And generally speaking, the momentum seems to be very strong. So I'm optimistic that growth will continue. Traditionally, in financial services, what happens in the first few quarters, this quarter and the next quarter traditionally are the stronger ones. And then, last quarter, we tend to be a bit slow but again pick up in the first half. So unless something changes this year, I would say that overall financial services should have a good year.

Karl Surefield: OK. Great

Suresh Vaswani: Just building on what Girish has said, in addition to BFSI, which we're seeing a strong growth momentum, we see a similar strong momentum as it relates to our retail and CPG business, as it relates to our manufacturing business. And there are two sectors where we are investing in very heavily, the healthcare sector as well as the energy and utility sector in terms of domain, in terms of solution, in terms of business advisory capability buildup. And we are seeing a strong momentum insofar as far as those businesses are also concerned. So in general, we see a fairly broad-based growth momentum going forward. Girish spoke about BFSI and sustained momentum. But beyond BFSI, there are other sectors which he just spoke about
which should also fuel our growth. And just sticking with the resell clients expense, the package implementation, the infrastructure services business and the BPO business which is a big differentiator for us will fuel growth particularly as it relates to integrated IT and BPO deals.


Operator: Your next question comes from the line of Rochelle Stromanoff from Nelson. Your line is open.

Rochelle Stromanoff: Good evening gentlemen and thank you for taking my call. A couple of questions really on growth rate, on filling in from what you've just said. You're talking about investment in healthcare and services. If you looked at sequential growth both are negative and can you explain growth in those two areas please.

Suresh C. Senapaty: So you – are you speaking the healthcare negative sequential growth?

Rochelle Stromanoff: Yes, and also, in terms of utilities?

Suresh Vaswani: Both these sectors had strong one-time revenues in Quarter 4 and certain project close that have been done since the group's completion of implementation. So the negative sequential growth you're seeing is a one-quarter sort of phenomenon. If you look at the year-on-year growth for both these sectors, it is fairly strong. Healthcare has grown at 25 percent year-on-year, and energy and utilities also has had a pretty substantial year-on-year growth. So the answer is, it is a one-quarter phenomenon and we clearly see these two sectors bring real values for us going forward.

Rochelle Stromanoff: Okay. Thank you very much. And it seems again this year is the major focus area for you. Again BPO there or can you just explain what were the thoughts there?

Suresh Vaswani: It is similar logic, because all these businesses sort of had very strong revenues in Quarter 4, and particularly in terms of one that we close and completions of the additions that took place in Quarter 4. So clearly here again, if you look at the year-on-year figures, the BPO figures were fairly healthy. The sequential decline that you're seeing again is a quarter phenomenon. In a revised market sort of environment where customers are looking for re-engineering of their cost structures, re-engineering of their processes, for re-engineering of their business models, increasingly the conversation that we're having with customers is very much BPO, particularly few of our customers and clearly, a lot of opportunities which are at the intersection of BPO and IT are coming up. So, I would again classify that as a one-quarter sort of net net change because of the peaks in the previous quarter.

Rochelle Stromanoff: Okay, great. Thank you very much. And on a more positive note, can you go to some of our acquisitions in terms of your banking investment or that's really important? Can you just share a bit more about what exactly is acquired and why you are doing this?
Suresh Vaswani: Sure. I'll just give you the brief and have my colleague Manish elaborate about it, we have acquired the data center of Citibank along with the business and there is continuity and annuity business related to the business center. The real big plus we had we've had apart from building business volume with Citibank is that we now have data center capacity in Europe, which we earlier did not have. We had acquired Infocrossing which had strong data center capacity and a strong managed data center services capability in the U.S., which enabled us to win integrated IT outsourcing business in the U.S. We have that in India. We were missing that in Europe and with this acquisition that sort of completes our story in terms of being able to bid for end-to-end IT infrastructure outsourcing deals in Europe. Specifics of the deal we have Manish to throw some light on the deal.

Manish Duggar: Yes. So just to add to what Suresh said, I think the deal comes with two differentiators. One is, it's actually a win-win relationship with Wipro and Citibank. I mean Wipro is working with Citi to provide them a better management and better quality of output at lower below cost and so far as Wipro is concerned, it gets our anchor customer to start the data center and hence a void initial cost that typically a new data center has when it is on lower utilization. From a financial perspective, this is more a acquisition of assets at book value. So it's not really a entity purchase, so to speak, and the price that we have paid is Euro 5 million.

Rochelle Stromanoff: OK, thank you very much.

Operator: Your next question comes from the line of Ashish Thadhani from Gilford Securities.

Ashish Thadhani: Yes, good evening. I have a few questions. First off, how does progress under the localization initiatives that you mentioned how would that reduce overall reliance on the H1B program in the U.S. going forward?

Sabbudha Deb: Ashish, there are two parts to the question. One is if you look at roughly about 40% of our folks abroad now are local nationals and if you look at the hiring that we have done outside and it's a pretty large number, about 85% of the recent hiring in the U.S. and other places has also been local hires. So net-net, if adding to that like Atlanta Development Center where in one year we crossed 500 numbers, now that's actually the mix and it reduces the overall dependence.

Ashish Thadhani: OK and just wanted to move on to the eco energy business if I may which Mr. Premji discussed in the recent internal interview. It would appear that the addressable global market here is comparable to the IT segment. And that Wipro has some very big ambitions for this business. So the question is how soon could this become a meaningful contributor to overall revenue? And what type of margin would be reasonable expectation and in the interim does this involve a very substantial investment phase or not?

Suresh Vaswani: I will sort of restate the question, you wanted to understand a bit more about our Eco-Energy business and you wanted to understand in terms of how soon it gets to scale and how soon that would get to profitability. Yes, it is an independent business unit but it collaborates extremely strongly with the IT business. We're building up client party propositions which
leverages on the inherent strong IT capability that we have to be able to support the energy and the sustainability business of this sector. Okay that's good. We have also Mr. Kurien who heads our Eco-Energy business, who is just coming. So he will elaborate further on the question that you asked.

T. K. Kurien: So, on the profitability question the only thing I can say is that we have right now fledgling. So before we start to play, I think it's a little early to make a call on the profitability piece. But in terms of demand, I'll put it this way, when we look at the IT budgets of the companies that we work for and when we look at the energy budgets of the companies that we work for, they are pretty much in the ballpark in terms of percentages. And I think that really presents the opportunity for us. There's lots of work to do because there are more established players in the game the way we are trying to play it, so to that extent, it's going to take some time, but the opportunity is clearly there and we think it's a fairly sizeable market that we can go after.

Ashish Thadhani: But in terms of say being a 10 or 15 or 20 percent contributor to revenue that is still many years away?

T. K. Kurien: I think it is quite a few years away.

Ashish Thadhani: OK and then a quick question on the tax rate which was quite a bit lower than we had forecast, why was that and what can we expect going forward?

Suresh C. Senapaty: Ashish, for the Quarter 1, the rate has been 15% after a write-back of about – and reduction in the effective tax rate by 2 percentage points. If we normalize, it will be about 2 percentage points more and as we go forward reaching for the year, it will be about another 2% here and there, plus or minus. We are actually looking forward to the finance bill that will come up. I think the discussion paper that has come up on the on the direct tax code has been encouraging compared to previous one where the special economic zone benefits. But there are a lot of representations from industries for the extension of that or for facilities, which have been started and to continue beyond 2011 March.

And also a clarification there. You talk about the – percentage of the people local in terms of the fresh hiring is about 75% and so far as the percentage of local

Ashish Thadhani: It certainly does and one final question on the IT operating margin which has expanded very sharply from approximately 21 to more than 24 percent during the prior year or so. From the current level is the bias still positive over the next few quarters? Or do you think it's going to be a little more difficult to sustain that kind of momentum?

Suresh C. Senapaty: We'll, I mean we cannot comment on quarter margins, but if you see in the long-term, we are comfortable that margins are sustainable at a range.

Ashish Thadhani: OK, all right, thank you.
Operator: Again if you would like to ask a question please press stars then the number one on your telephone keypad. And your next question comes from the line of Nabil Elsheshai from Pacific Crest Securities. Your line is open.

Nabil Elsheshai: Hey, thanks, I just had a quick follow up on hiring and wages. You know first of all I guess if you could give an update if you expect any more wage increases this year. And then if you look at the competition and the hiring environment in India what kind of pressures you're seeing either from Indian firms or from multi nationals and what your expectations going forward in the out years in terms of a normalized wage inflation is.

Girish Paranjpe: Hi. Girish here, the environment question, we're responding to it as the situation evolves. For example, we have brought – we have created new band for young professionals, typically those between 3 to 7 years of experience to recognize the experience and the capability that they have developed. And we can focus upon them and that has allowed us to promote almost 20,000 people within the organization Similarly we issued stock grants for few management people and many of these things are present in response to this

So our endeavor is to be as responsive as possible as the situation develops, so that we can make the competitive in the fairly hot markets in intelligence, not in terms of talent pool. And I would say that we continue to make sure that we don't fall short of making our goals, even in terms of recruiting in terms of growth for us.

Nabil Elsheshai: OK what about – I mean I guess pre-recession wage increases were or wage inflation was running in the mid teens is that a rate that you expect to go back to for the next several years or higher level. Any guidance or expectations there?

Saurabh: So, you are right that it is fairly tightly linked to economic cycle. So we saw pre-recession 12 to 15% type of wage increases per annum. During the slowdown, it was a little bit and obviously a big pent up increase take place. My sense is that at the entry level, wage inflation is fairly neutral; because I think the talent pool at that level is fairly large and most companies have figured out a way to tap the talent pool and expand the talent pool.

I think the challenge there will be at the middle management level. We have given the rate of growth that is always a temptation to hire from all the segments which competitors pressure measured on the the wage. But having said that, I think – I would say we manage wage inflation in a way that our growth in industry is better.

Nabil Elsheshai: OK thank you guys for taking my questions.

Operator: Your next question comes from the line of Joseph Foresi from Janney Montgomery Scott. your line is open.
Joseph Foresi: Hi, just a quick follow-up here. I was wondering if you are seeing any differences in the size of deals. If deals are getting any bigger or if they – and just any differences in the decision process either?

Martha Béjar: Hi, Joe, it's Martha again.

Joseph Foresi: Hi, Martha.

Martha Bejar: So I spoke about this a little bit earlier and I think it's mixed. We are seeing some large deals that are truly big and transformational. And then we see the new deals that are also very tactical and major. So I think it's mixed I'm not seeing anything that caught my attention right now that is moving the needle one way or the other.

Joseph Foresi: I believe you have BP as a client. Is that true that they have slashed their budgets and have you seen any change in of the business from them.

Martha Bejar: We do, we do have BP as a client.

Joseph Foresi: Has there been any change in the business from them?

Martha Bejar: There has not been any change in the business and of course, you know we're working very hard with them. I think if anything you know the situation also has presented opportunities as well. In terms of the business, we have not seen anything.

Joseph Foresi: OK.

Martha Bejar: Thanks (Joe).

Operator: And your last question comes from the line of Rochelle Stromanoff from Nelson. Your line is open.

Rochelle Stramanoff: Thank you for giving me a second question. You made tremendous progress from the last year in Europe. And in terms given the softness in the European market, I was wondering – do you expect to see India and Middle East as emerging markets, and do you expect the emerging markets to become major players in terms of IT spend?

Suresh Vaswani: I think I got the question, you are talking about the potential of the emerging market vis a vis some of the developed markets opening up. We see strong growth in the emerging markets. You've seen our India business growing more than five percent sequential likewise the APAC business. So these are high growth markets these are markets where Wipro and strategy has invested in over the last many many years and what you're seeing in the manifestation of all that we've built up in these markets. So we do see higher growth in these markets. Having said that we do see strong growth some similar growth in the U.S. market and in some of the other. Europe had seen growth excluding impact due to cross currency. So net/net wide emerging markets for us will grow faster because of the fact that they are growing faster and that they are on a smaller base. We don't see any tectonic shifts so to
speak in terms of the composition of our business from a traditional market of U.S., Europe, and Japan. Even the U.S. market will grow strongly for us.

Rochelle Stramanoff: Thank you so you don’t expect fast growth regions to grow much beyond the current proportion.

Girish Paranjpe: In the medium term, we do not see significant shift in the composition of our business as it relates to geography.

Sridhar Ramasubbu: Sarah if there are no more questions.

Operator: There are no further questions.

Sridhar Ramasubbu: Yes, thank you very much for the participation. Play back will be available in the next two hours and the transcripts will be posted to our Web site so you can close the call.

Operator: This concludes today’s conference call you may now disconnect.