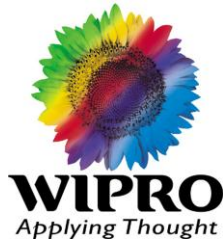




# Wipro Limited Earnings Conference Call

**January 20, 2012**

**6:45 PM IST**



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**Moderator:**

Ladies and gentlemen, good day and welcome to the Wipro Limited Earnings Conference Call for the Quarter Ended December 31, 2011. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode and this conference is being recorded. After the presentation, there will be an opportunity for participants to ask questions. Should anyone need assistance during this conference call they may signal an operator by pressing '\*' and then '0' on their touchtone telephone. At this time, I would like to turn the conference over to Mr. Sridhar Ramasubbu. Thank you. And over to you, sir.

**Sridhar Ramasubbu:**

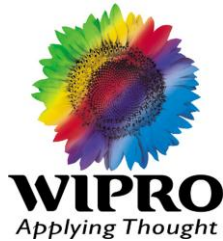
Thanks, Melissa. Good day and wishing you all the very best in 2012. This is Sridhar and I am joined by Rajendra, Manoj who is taking over from Raj and Aravind from IR team in Bangalore and on behalf of the entire Wipro team, a very welcome to all. We are pleased to host Wipro's 3Q FY '12 Earnings Call.

Regarding the materials for this call, we issued the press release yesterday late night EST and we will have time for Q&A at the end.

The format for today's earnings call is as follows: Azim Premji – Chairman will give us an overview of Wipro business, T. K. Kurien – CEO of Wipro IT business will share his perspectives on the IT business side; Suresh Senapaty – CFO will comment on the IFRS financial results for the quarter-ended December 31, 2011. They are joined by the BU Heads and other senior members of the Wipro management team, who will be happy to answer your questions.

As always, elements of this call and the management's view maybe characterized as forward-looking statements under the Private Securities Litigation Reform Act 1995 and are based on management's current expectations and are associated with 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 Securities and Exchange Commission in the US. We do not undertake any obligations to update forward-looking statements to reflect events or circumstances after the date of filing thereof.

The call is scheduled for an hour. The presentation of the 3Q FY12 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 website. Replay of today's earnings call proceedings will also be available via telephone post the call.



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During this 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, Wipro.

**Azim Premji:**

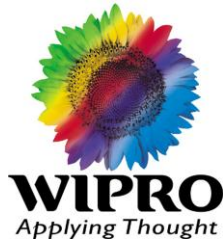
Good morning and good evening to you all. Let me talk a little bit about Wipro Limited or Wipro Corporation. We recorded revenues at Wipro Corporation level for Q3 of Rs. 100 billion, a year-on-year growth of 28%. Net income for the quarter at Rs. 14.6 billion was a year-on-year growth of 10%. IT Services business delivered a robust constant currency sequential growth and we continue to build on the momentum by incremental investments in delivery as well as the sales engine. We have seen positive movement both in employee satisfaction as well customer satisfaction.

A little bit about the macro environment. There is a lot of uncertainty in the overall macroeconomic environment, particularly in Europe but signs of growth returning in US with unemployment levels heading south. In our view, customers are prepared for slow growth in the western world and IT strategies are designed keeping this variable very much in mind. There is an increased focus on emerging markets which is leading to superior growth for us. We continue to see a lot more stability and clarity in customer organizations compared to 2008. Organizations are focused on adapting their business model to meet the changing growth outlook in their business, both on the revenue side as well as on the cost side.

A little bit about Wipro Consumer Care and Lighting. In Consumer Care and Lighting business we have seen very strong growth of 26% year-on-year for Q3. Business has shown consistent growth upwards of 20% year-on-year throughout the year. Santoor continues to grow well through a healthy mix of both volumes and value-led growth. We continue to see all-round growth across product segments. Unza business which represents our Far East business continues to do well and growth is driven by China, Indonesia, Vietnam and Malaysia.

Wipro Infrastructure Engineering – despite market softness we continue to see growth in India. We are beginning to see Europe customers' sentiment reflect in lower order intake in some segments.

Continuing our vision to expand the hydraulics portfolio, we formally signed a JV agreement with Kawasaki Precision Machines Limited in December. JV will focus on manufacturing of hydraulic pumps, which is considered the heart of the cylinder. Kawasaki brings in technology and Wipro brings in the local relationship with OEMs and extremely strong market presence.



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Wipro EcoEnergy – we continue to see demand for intelligent, sustainable alternatives for energy generation. We won the mandate to implement and manage an energy management system for 1105 store locations of a large retailer in US. We have successfully delivered accumulative capacity of about 40 MW of utility scale solar PV plants which has been connected to the national grid. Overall, we continue to be very positive about this business.

I am confident that we are on the right path. I would now request T.K. Kurien to give a brief overview about the IT business, followed by Suresh Senapaty to give you financial highlights.

**T.K. Kurien:**

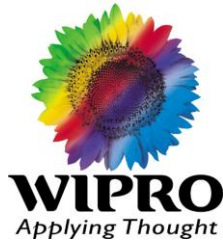
Thank you, Mr. Premji. Good morning, ladies and gentlemen and thank you for taking the time to join us today. Over the past couple of quarters we have talked about change and we have always believed that change is terrific but without it being backed by execution, it is a pretty hollow statement. Having said that, in our business there are only two constituents that we need to manage, one is our customers and the other is our employees and in the past quarter, we have done some work which kind of makes us believe that we are in the right direction.

First, our customer satisfaction for strategic accounts continues to improve. Year-to-date, our improvement in customer satisfaction is running at around 9%. Customers appreciate the solutions that we provide, more importantly, they also appreciate responsibility and accountability at the account level, which really has been a big driver for our growth over the past couple of quarters.

On the employee front, we have reduced our quarterly attrition by over 9% in the last two quarters. In fact, if you look at our attrition numbers, they are probably one of the lowest in the industry, which is based out of India as we speak. This is a reflection of the fact that employees have embraced a new direction and our engagement measures are making a difference. The result of all this is that we grew 4.5% sequentially in constant currency and exceeded the top end of our guidance in the last quarter.

At the end of the day, our goal is to be a business value player, especially in a market which like ours is primarily driven by disruption. We truly believe that the next technology disruption will be at the intersection of Cloud, Analytics and Mobility and that is where we would like to play with intellectual assets and platforms that can really provide differentiation for us to make an impact in front of the customer.

Now, let me talk about the three themes that we have and let me give you a sense of what happened in the past quarter. In the Cloud business we had 20 new wins across various industry segments. We see strong growth in our Cloud-based IT transformation and our process transformation using public **SaaS SI** services which makes it a legitimate option for enterprise clients. We have built key IP assets in areas of Public Cloud Management, ERP as a



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utility and offering Cloud along with Mobility, Big Data and Analytics. For example, for a telecom major, we are enabling process transformation in CRM and core enterprise processes to bring true variability in operational costs. Along with this, we are also driving consolidation of disparate systems and driving standardization across the organization. Overall, the cost of operations for this particular customer would reduce by over 40%.

The other big area that we have invested in is Analytics where we continue to show good traction with focus and differentiation and more importantly linking that back into performance insights which helps us serve customer better.

We have launched two Cloud offerings on two Analytical Solutions, market mix modeling and customer attrition and we have clients in both these solutions. We have also set up a high performance computing lab for developing In-Memory Analytical Solution and we are among the first of the leading global service providers to have this facility.

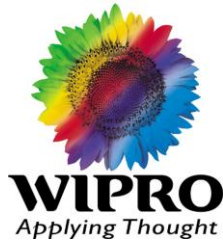
On Mobility, it has been an action packed quarter for us. We saw the headcount, in that track increase to 1,700. We have done plenty of work in this area for many customers, including multimillion dollar turnkey deals to design tablet computer based applications, with lots of work being done behind that in terms of process reengineering.

More importantly, we have launched another initiative internally, which we call Wipro AppLife. This initiative is helping our employees to collaborate to build solution ideas for our clients as well as improving our internal operations. It provides employees an opportunity to utilize the creative energy outside his/her normal day of work. We have already qualified 1,000 employees who have signed up to create applications for Wipro from 3,000 who applied for this. The app store in apps were improving efficiency of operations, including travel management, sales CRM, field engineering transformation, time and absence. Some applications developed include a mobile solution genie, which is transforming field engineers' support to customers.

We believe that this is the way forward and we are making investments and enabling internal measures to drive in this direction. Bottom-line we are executing to a well laid out plan to build a company that will lead the next wave of business opportunities. Thank you. Over to Senapaty.

**Suresh Senapaty:**

Good evening to those in India and good day to all of those who are in the US. Ladies and gentlemen wish you a very, very happy and prosperous new year. Before I delve into our financials, please 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 30, December 2011 for cable transfers and Indian Rupee as certified by the Federal Reserve Board of New



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York, which was \$1 equal to Rs. 53.01. Accordingly, revenue for our IT Services segment that was \$1505 million or in Rupee terms Rs. 76 billion, appears in our earnings release as \$1435 million based on the convenience translation.

Let me start by saying that the Board of Directors have declared an interim dividend of Rs. 2 per share in the current quarter.

Moving into the quarter performance, our IT Services revenue for the quarter ended 31 December 2011 was \$1505 million on a reported basis, a sequential growth of 2.2% and year-on-year growth of 12%. On a constant currency basis, we delivered a sequential growth of 4.5%, which is ahead of the upper end of the guidance.

We have seen all-round growth in the current quarter. Healthcare led growth with 6.9% sequentially on a constant currency basis followed by Retail 5.4%, Global Media and Telecom 4.8%, BFSI 4.6% and Manufacturing 4.2%. We continue to be positive on our momentum verticals; BAS, Analytics and ADM led the way from a service line perspective. We saw a pickup in growth in US, some amount of re-emergence of growth in Japan and continued growth momentum in India, the Middle East and APAC.

We moved the needle further on our focus area of client engagement. In the current quarter on a trailing 12 months, we have six accounts which are more than \$100 million in revenues, up from one last year. We are happy with our progress and we continue to make investments in this area. We saw improvement in revenue productivity in the quarter with a claw back of productivity in fixed price projects. Offshore realization improved 3.6% and Onsite realization improved 4.3% sequentially on a constant currency basis. We continue to characterize the pricing environment as stable. Sequential volume growth in the current quarter was 1.8% impacted by additional leaves taken by employees during the quarter and effort optimization in fixed price projects. Operating margin improved by 80 basis points largely driven by currency and pricing, which also funded additional investment in SG&A and strategic bench.

As of 31<sup>st</sup> December 2011, our DSO showed marked improvement and was at 71 days, down from 76 days in the previous quarter. Our Return on Capital employed for the IT business improved by 4% sequentially to 38% while Return on Capital employed for the overall company improved by 2% to 21%.

Our IT Products business showed EBIT growth of 16% year-on-year in the current quarter. Consumer Care and Lighting business continue to see good momentum with revenue growth of 26% year-on-year and EBIT growth of 22%.



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On the Foreign Exchange front, our realized rate for the quarter was Rs. 50.53 versus a rate of Rs. 46.38 realized for the last quarter. On a quarter-on-quarter basis, Forex gave us a positive impact of 70 basis points to operating margin. Our OCI as of period end stood at Rs. 5.5 billion and we had about \$1.7 billion of Forex contracts outstanding. The effective tax rate for the quarter is 20.7%. Our net cash balance on the balance sheet was Rs. 53 billion. We would be glad to take questions now.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We have the first question from the line of Joseph Foresi from Janney Montgomery Scott. Please go ahead.

**Joseph Foresi:** My first question here is just I was wondering if you could dig a little bit deeper on the overall demand environment. We have heard some of your competitors talk about how the discretionary spending is not coming as quickly as you really expect heading into 2012? Could you just talk about what you are seeing on the discretionary spending side, maybe this side of the business to see if it seems consistent with some of your competitors?

**T.K. Kurien:** Joe, this is T.K. Kurien and I will answer that question. So here is what we have seen. It is difficult for me to kind of give you a broad brush answer to that because I think it is very related to the industry segments that we play in. So, for example, what we have seen is that if you look at investment banking, clearly, we have found that they are under stress as far as discretionary projects are concerned. As far as the lights-on business concerned in the IB segment, we clearly see pressure coming in from that particular segment in terms of cost and if you have a particular run business, you will see that run business under competitive pressure, there is no doubt about it. If you look at Retail Bank, what we see there is that in-flight projects which are already started which are critical for the company or for the bank continues. There maybe cases where in certain geographies the bank may not decide to kind of go ahead, but overall it continues. There is also in Retail Banking we have seen another big trend, which is around process reengineering. We have seen a big change in terms of the way people are addressing the problem by starting a whole bunch of process reengineering projects. So to that extent while the discretionary budget may not be allocated towards application development, but that money is being spent somewhere else in terms of process reengineering. If I look at Retail there has been a slowdown at the end of last quarter. We believe that the budgets have already been allocated, but the way the budgets have found its way into the organization and its kind of a little spotty right now, we expect to see some discretionary projects starting end of January or beginning of February. If you look at Energy itself, long-term projects for Energy have not gone on hold. They have continued, especially on the upstream side where the typical cycles are slightly longer than you would find for typical application management or lights-on kind of business that you may have. The same thing is true for natural resources. If you look at Healthcare, I think Pharma presents a big opportunity. There again budgets are almost flat. I do

not see any big change in budgets and there too, critical projects continue to kind of be executed. But overall, it is too early to call at least from our perspective, this is what we are seeing today. We would probably see the opening up of the budgets at the end of January or beginning of February, much more than what we see today, but long-term if I could give you some kind of sphere, it would be that long-term projects that have got long-term impact we have not seen cancellation, a lot of short-term projects clearly we have seen impact. If you look at technology platforms, if you look at analytics, analytics projects continue, because the payback is much, much shorter. Similarly, mobility programs continue. And on the Infrastructure side movement towards the Cloud continues to happen. But again these are typically within the enterprise, private cloud. So on those areas people continue to spend money and the deals are justified, payback is even justified there. Anything which has got a very long payback, I think is really being questioned.

**Joseph Foresi:** Just a second question, just relook at the three key areas that I think everyone's focused on this year, Analytics, Mobile and Cloud, can you give us maybe examples on what you are doing in each particular offering? In other words how are you adjusting the demand for Cloud? Maybe you can just give specific examples of what you are doing into those offerings?

**T.K. Kurien:** Joe, your voice is kind of cutting in and out. So if the question is what are we doing in Mobility, I can answer that.

**Joseph Foresi:** Yes, I was just looking for an example of what you do in each particular practice that you talked about the new strength in Analytics, Mobile and Cloud?

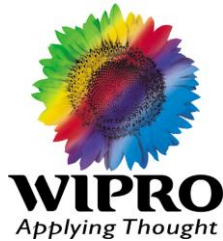
**T.K. Kurien:** In fact, Joe, happy to share it with you. I read it as part of my opening remarks on what we are doing in each one of them. But, if you do not mind I would rather do it in the end if I can rather than holding this one up, because I have already gone through it once.

**Joseph Foresi:** And then my last question is maybe could you just give us an update on the Products business and BPO?

**Suresh Senapaty:** So far as the Products business is concerned, largely they are in the nature of system integration and largely it is for India. So far as India is concerned, a lot of it being government business and also corporate business it tends to be more quarter ending September and March-centric. December is generally a weaker quarter. However, the margins that made in Q2 about 5.3% operating margin has been commendable. So we expect Q4 to be a little better. So we do not give any specific guidance, but traditionally Q4 has been better than Q3.

**T.K. Kurien:** So, Joe, the bottom-line is that it's primarily India, Middle East business for us, and typically we see two peaks; September and March, and December traditionally has been a weak quarter.





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On the BPO segment, we have a Head of our BPO business -- Manish Dugar right here with us and he can kind of talk through it.

**Manish Dugar:**

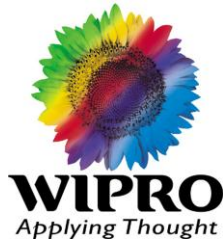
Hi, Joe, this is Manish. From a BPO perspective, first of all, the business as you know has a little longer gestation period in terms of the time we win the deal and the time the revenue starts flowing in. We have seen at least the last two quarters decent pipeline in deal flows and that gives us confidence that we should start seeing those translating into revenues. One another thing I thought I must share with you is that with our focus on outcome based productivity linked contracts and with focus on automation with an intent to reduce the cost to serve and moving more and more work to straight through processing and reduce operational cost, which is part of the integrated offering we are trying to look at a Wipro level. What it does is it translates into a continuous reduction in the operational cost, which is what we typically report from revenues in BPO perspective. So it is almost like running on a treadmill and hence the flattish or slight drop in revenue that you see is primarily contributed by our commitments to clients to bring in more automation, sales, service, our straight through processing and hence reduced operational cost. As we start seeing the revenues kicking in from the new deals that we have been winning in the last couple of quarters, we should start seeing that not only negate the drops because of those commitments but actually reflect in revenue growth as we go along.

**Moderator:**

Thank you. The next question is from the line of Trip Chowdhry from Global Equities Research.

**Trip Chowdhry:**

I have a couple of questions. First question I have is regarding the competitive environment. And if we segment the players in the IT Services we can probably segment them in three or four buckets; number one is integrated IT Services providers from the likes of IBM, HP and maybe Dell. The second segment could be companies who are totally IT focused, companies like Infosys, Wipro or Cognizant and others. And the third segment I would say is domestic outsourcing companies who are based in US but they do not have the global scale and the fourth company I would say European-centric IT Services companies. So I was wondering that the segment the space in these three, four buckets and then we think in terms of a customer, customer puts in RFP and let us assume all the players from these different segments come and bid for a project. What kind of discussions or engagements or negotiations happen? And under what situations would an integrated IT services player win and under what situation, say companies like Wipro will win? The other question was you did talk a lot about business analytics, which definitely we do think is a very strong area to have services delivered in. I had a question is there is at least in some segments in the market a new business analytics product or thing in terms of services, open-source project which is getting traction called System R, 'R' as an 'Robert,' from Revolution Analytics started by a Professor at Stanford, but in retail it is gaining some traction. My question on that would be is, do you think it makes sense to be a



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commercial entity for an open-source project like say System R, similar to what Red Hat is for Linux, maybe Wipro could be for this open-source project R?

**T.K. Kurien:**

Frankly, for a retired accountant I do not have knowledge of System R and I will ask K.R. Sanjiv, who runs our Analytics practice to come and talk about System R. Thank you, Trip for that information. I think it is something that I should probably be going and looking at. So let me answer the first question. So typically what happens is that in most of these cases, in this game ultimately, the customer buys value. Value is demonstrated not necessarily by price but by impact. So typically what happens is that impact again has a geographical connotation to it as well as the solutioning component to it. So at the end of the day it does not matter where you are from, but whether you are a pure play US player until and unless there are specific contracts where given governmental regulations you are not allowed into. Otherwise, pretty much if you look at it, there is a level playing field out there and ultimately, I think the first two meetings determine whether you are going to stay in the game or not. As far as System R is concerned, Sanjiv?

**K.R. Sanjiv:**

So, Trip, what we are doing with System R is two-fold; one is we are implementing a lot of advanced analytics with our customers where they have decided to go with System R. What we are also doing is we are OEM-ing System R because it is an open-source software to some of the solutions which we are internally building and taking to the clients. What we are not doing as you suggested is to provide Red Hat kind of services around System R because we strictly believe, we analyze that and we believe that that strictly speaking does not have the kind of revenue volume, which we would expect from that service.

**Trip Chowdhry:**

Do you think System R is causing some disruption in retail or some established companies maybe feeling a pressure because of this or is it too early?

**T.K. Kurien:**

Trip, I hate to kind of disturb you, but can I do one thing Trip? Maybe what I will do is I will set up a separate call for you with Sanjiv and maybe he can answer all those questions.

**Moderator:**

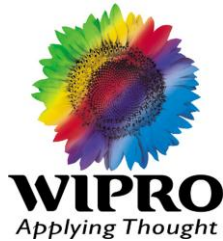
Thank you. The next question is from the line of Edward Caso from Wells Fargo.

**Rick Eskelson:**

You touched about it a little bit earlier but I was wondering if you could talk about what you are seeing from client IT budgets, what sort of they are looking at flat to up or and when you expect them to close?

**T.K. Kurien:**

I think most of the budgets that we see are flat to in some industries with a negative bias. Again, in some specific industries, for example, in natural resources and in upstream oil we have seen an increase. But overall I would say, if I had to kind of generally guide, I would say flat. That is what we are seeing. In terms of allocation, like I said, strategic projects allocation



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is already finished. I think people have already got their budgets. They may not have released them out in terms of the book of work but after they do that, whatever is left out would get allocated, I guess in smaller components to projects that are not on the critical path. We have not seen that happening yet. We expect to have that happening some time in early February or end January.

**Rick Eskelson:** I was wondering if you could comment on wage inflation expectations for the next year, two of your competitors have already come out.

**T.K. Kurien:** We have not yet kind of made up our mind. We need to see the market post-March. Our wage announcement is going to happen only in June. So, we have a little bit of time before we kind of take any kind of action. Right now, if you look at the indication that seems like the wage inflation is going to be in single-digits but again it is going to be a function of demand. If we find that demand is suddenly going to go up in this quarter and towards next quarter, I am sure there will be pressure on all of us. Otherwise right now it is pretty muted.

**Rick Eskelson:** And then just last question quickly on the pricing. What are you seeing in the pricing environment and what are your expectations going forward?

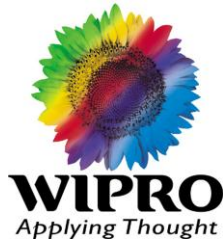
**T.K. Kurien:** Again, that is an industry slant to it. IB challenged, but option of different business models to recover whatever price you give away through optimization. On the others, no change in coupon price.

**Rick Eskelson:** Okay. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Nabil Elsheshai from Pacific Crest Securities.

**Nabil Elsheshai:** I guess I like to start at the top - it does look like some of the transformational stuff that you guys have been doing internally is making progress but maybe if you could update us on what stage you are in that process and what are the next metrics we should look for, you guys looking for to judge progress there?

**T.K. Kurien:** Nabil, here is what it is. When we started this whole process, we basically said that we have three phases of this. The first phase was really getting the organizational alignment and making sure that across the organization, all of us had our ducts aligned and all of us were kind of focused on one objective which is the customer. I think we have achieved that. The second and the third phase I guess is the more difficult phase. And that includes changing, basically going back into our processes, looking at our processes carefully, figuring out what impacts the customer and what does not. Looking and seeing what we can do in terms of technology to make sure that we are able to deliver better using more and more technology and delivery and fundamentally kind of living up to what we had messaged sometime ago, which was high



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differentiation in the front and then a high degree of standardization in the back. That is a second phase. In between, we have a third phase, which is running parallel across the first, second and what I call a third phase, which is really getting folks aligned in terms of culture to a common objective and that is a slightly longer term thing. So those are the three phases that this game is being played out on. Today, I guess we have kind of gone through the first phase. Lots of work to do before we get to the second and the third.

**Nabil Elsheshai:** And then switching gears a little bit, can you update us a little bit on SAIC acquisition? Has that generated new customers and opportunities and do you see additional kind of tuck-in acquisitions as we go forward as growth drivers?

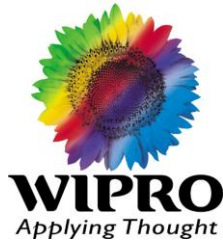
**T.K. Kurien:** Since Anand is not there in the call maybe I will take it up and Jatin Dalal, our CFO, can kind of add on. We think these interactions as far as the SAIC acquisition is concerned, if you go back to the rationale of the SAIC acquisition, the idea really was that we had the software competency, but we did not have the upstream domain knowledge. Putting these together, we believe that we could really create a powerhouse in the space and that is what we have been going after. So, first indications are extremely positive. We have gone out there and done joint calls on customers. We have won a couple of new customers in the space, especially on the upstream side and we expect to see more upstream work coming to us from our existing customer base. So overall, if you ask me I would say positive. Given the fact that our business is a Consulting business, and primarily T&M, last quarter because of the holidays we did not have the kind of revenue that we would normally expect from our business but we expect that in our Q4, which is Q1, it would come back. So overall, very positive.

**Nabil Elsheshai:** And then I guess last question from me. When I listened to your commentary about budgets and macro, it seems okay, not great, not bad. Last two quarters you had fairly healthy net adds; I think around 5,000 this quarter. Do you feel like you are taking share given that that you are adding a little bit more to some of your competitors or what is the reasoning behind that?

**T.K. Kurien:** So here is what is happening. Couple of reasons; one is that we are going after more and more integrated deals. We are probably going back to our customer base and mining a little better. I would not say this is a secular trend of share change. We would love to get there but today I do not think we are seeing that.

**Nabil Elsheshai:** So primarily you think you are taking better advantage of the installed base and that has the potential to drive better volume growth?

**T.K. Kurien:** That is primarily what we are doing. Even though I must admit that the new logo wins that we have had have been interesting over the past quarter, but again, that is not reflecting on our top-line. So to that extent, while there is an opportunity and while we have made some



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progress, I do not think it is making an impact. Even though one number that I would like you to kind of watch is our accounts over \$100 million. Last year same time we had one account which is over \$100 million. This quarter we have had six and that kind of reflects to some extent the mining that we are doing.

**Moderator:** Thank you. The next question is from the line of Swami Shanmugasundaram from Morningstar.

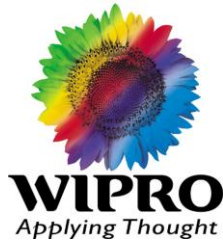
**Swami S:** I think my first question is related to the budget and sorry to touch upon it. I think TK mentioned that budget has finalized but not yet allocated. Compared to October and November, we continue to see signs of growth in the US economy. So did that lead to any positive impact on the customer budget activity? In other words, do you see any upside to, customers spending intentions down the road?

**T.K. Kurien:** Swami, very good question and let me answer it this way. If you look at the economic indicators and if you relate that back into IT spending, frankly, I think that is an indicator that has got very little correlation. My own sense is that customers today spend or decide to spend discretionary component of their budget depending upon their quarter compulsions, or more importantly, what they see in terms of long-term impact. I think that's where the differentiation is coming. I have not seen long-term project stop but I have seen a bunch of short-term projects actually go on to the back burner. So, it really means you have to go customer-by-customer, industry-by-industry and look at that. So, as long as you are aligned to projects that are long-term projects that really are going to create impact for the customer, then you are okay. If you do not have that you are in trouble.

**Swami S:** My next one is about the customer satisfaction and I think in the opening comment you mentioned that there has been a 9% improvement. Would you mind going little granular on the process behind this?

**T.K. Kurien:** So we do an independent customer survey across our customer base and we do it every month. Just to make sure that I do not know whether you know about this, Swami, but what we have done is that we have linked the compensation of all our account managers and all the folks who work on the account to customer satisfaction. That is a gate that we have to make before they qualify for their variable pay and this is done across I think 16 parameters. I am not exactly sure of the number of parameters and it is based upon that that the customers rate, the project that they have done with Wipro, and the experience they have had and the value addition that we have finally given them.

**Swami S:** Sure. I think my last question is on the margin side. You reported 80 basis points, I think sequentially but it is still below your historical 22% plus range. So given the incremental



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investments that you guys are making, I want to get a little more clarity on the margin momentum down the road. What are we looking at over the long-term, looking going back to 22% levels or is this is kind of a new normal?

**T.K. Kurien:**

So Swami, here is what it is. There are a couple of things that we will do and there are a couple of things we will not do. So let me tell you what we will not do. We will not cut back any investment that we have to make on building capability to compete, which fundamentally means that we will not do anything to cut back sales and marketing, we will not do anything to cut back the domain expertise that we need to create in specific areas and certain key competencies that we believe are absolutely critical for us to kind of really have dominant market position, which is architecture and program management. These skill pools we will continue to invest in and probably grow. So those we will not cut back. The other big areas where we believe that we will not cut back any expenditure would be in intellectual property components and also platforms. So those are pretty much sacrosanct. What we will do though is that we will look into the way we operate because we believe that there is still enough a head space in that particular area and that is what we go after. Because if you look at us as a company, our stated motive is that we really are going to hand over the power at the frontend to the client manager, person who faces up to the customer and at the execution site back to the project manager. These are the only two places where decisions can be taken, where impact can be had. Everybody else in the middle is really just helping the process. So we believe there is enough opportunity for us to do work there to make our delivery model more effective. So net-net at the end of it, long-term we expect that our margins would improve, short-term, difficult to call because we will not cut back on investment in areas where we believe that we should be investing in.

**Moderator:**

Thank you. The next question is from the line of Keith Bachman from Bank of Montreal.

**Keith Bachman:**

If you could talk about how you see the difference between pricing and volumes playing out for the upcoming March quarter?

**Suresh Senapaty:**

We do not give specific guidance with respect to a split like that, but we will definitely report to you once the quarter is over.

**Keith Bachman:**

Can you suggest whether you will get a benefit from pricing or can you give any, at least directional comments?

**Suresh Senapaty:**

While we do not give any specific guidance in terms of the split of the growth coming from where, our expectation is largely the guidance that we have given for Q4 will be volume-driven.



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**Keith Bachman:** Can you talk about what your headcount objectives are as you look out over the next couple of quarters?

**Suresh Senapaty:** Once again, we stop at guidance for the IT Services revenue for the quarter with currency stated and we do not give any specific guidance with respect to headcount additions, but if you have seen the track record of ours, last quarter, we added about 5000 plus people on a net basis and even the quarter before and we have guided and we are talking about this guidance more and more coming from a volume-driven kind of a growth. So, we are sticking to the plan because we have a significant component of our hiring coming from campus, which are almost on track. And so far as the lateral hiring are concerned they are more just-in-time depending on the requirement. But we do not give any specific guidance for what exactly the adds would be, but we do report that.

**Keith Bachman:** The last one from me then is, your utilization rates were down from Q2 to Q3 and I wanted to try to get your sense, not the absolute numbers, but directional numbers, how you see utilization rates unfolding in the next quarter. So will that stay stable, will it improve or go down? If you could just talk a little bit directionally on where you think utilization rates will be over the next couple of quarters? That is it from me. Thank you.

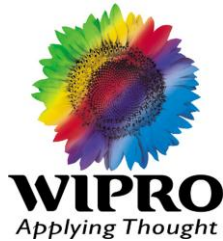
**Jatin Dalal:** We have invested in capacity in last two quarters. We have hired close to 5,000 net hires. To that extent, it would help us deliver the guidance that we have given for Q4 and the growth after that. There is also a component of utilization dilution, which has been invested in solutions, which will continue. So, our expectation is that it would certainly improve, but not necessarily that we will go back to our numbers which was there in Q1 also.

**Moderator:** Thank you. The next question is from the line of Avishai Kantor from Cowen & Co. Please go ahead.

**Avishai Kantor:** Can you talk a little bit about your supply chain initiatives and how it is going to help to grow business and improve margins?

**Suresh Senapaty:** I will request Mr. Bhanumurthy, who is our Chief Business Operations Head.

**Bhanumurthy BM:** This is Bhanu here. With respect to the people supply chain I think there are a couple of initiatives that we are running after. Obviously, Senapaty talked about our ability to go to the campuses to increase the talent pool that we have. We are also looking at some of the lateral recruitment that is required to fulfill the skill gap that is required for the growth. And the people supply chain is also focused on building the domain competencies required for building the solutions required for our customers in the corresponding verticals. In addition, we are investing in building the teams required for the customer facing relationship activities. So,



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overall, what we are looking at is that the people supply chain is made up of both the fresher intake that we have, the internal talent that we are grooming and the external talent that we are taking for additional skill sets that are required. So, that is the focus that we are putting on the people supply chain right now.

**Avishai Kantor:**

Can you expand a little bit about the impact on margins?

**Jatin Dalal:**

Yeah, what we have talked about is that we will certainly get some upside on better people utilization as well as smarter cost deployment of people but we will also continue to invest a lot on the front-end. And to that extent, it is difficult to say how this will flow through in operating margin line, especially given the context that we do not guide on margins for future.

**Sridhar Ramasubbu:**

So we have one follow-up question from Janney Montgomery. After that if there are no questions, operator, can ask for more questions, otherwise we will stop after this last question. Melissa, go ahead.

**Moderator:**

Thank you. The next question is from the line of Joseph Foresi from Janney Montgomery Scott.

**Joseph Foresi:**

Just wanted to follow-up to the one question. You had pretty two decent quarters where momentum has been I guess behind you. Can you characterize first, do you feel like you kind of addressed some of the short-term changes through that? And then maybe you could just talk a little bit about some of your longer-term objectives and maybe the timeframe around when we could expect you to return to I guess what is considered industry growth rates?

**T.K. Kurien:**

Joe, is the question about the state that we are in terms of our journey, because I just talked about it earlier?

**Joseph Foresi:**

I guess what I am wondering is that are we through the short-term changes, I am sure I think you shared that you are. And then of course, what are your longer-term objectives, when do you expect the business to return to industry growth rates?

**T.K. Kurien:**

I explained this earlier and maybe I did not do it well enough, but here is what it is. The short-term changes are all done. When we started this whole process we actually messaged saying that we really had three phases that we were supposed to go through. We have just completed Phase I; Phase I was making sure that we were all aligned and we were kind of being effective in the way we operated in front of the customer, that is done. The second phase really for us is to make sure that in the industry segments that we play in, number one, we build enough intellectual differentiation for us to really make an impact and that is the second phase. And there are four components underneath that as I explained previously, but that is really that just what we are doing. The third across both these phases is a cultural change that we are trying to





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drive, where fundamentally we need to have one culture when we actually go and impact customers. That is slightly a longer-term change. When we will kind of go back to industry leading growth rates, frankly, I do not want to hazard a guess, because industry leading means that I should really know what my competitors are going to do, and today I have no clue what they are going to do. But from a market perspective all I can tell you is that there is enough opportunity out there, and frankly, what we are doing is making sure the organization is getting geared to address that.

**Sridhar Ramasubbu**

At this time there are no questions on the queue and there is one email on some margin issues, which is from Bangalore and we will ask IR team from Bangalore to take it offline. So we will close this Q&A session with this. Thank you very much for your participation. The audio recording of the earnings call is available and the numbers also have been circulated and the transcript will be posted on the website. The IR team is available both in India and US for any offline questions. Thank you so much.

**Moderator:**

Thank you gentlemen of the management. Ladies and gentlemen, on behalf of Wipro that concludes this conference call. Thank you for joining us and you may now disconnect your lines.