



Wipro Limited Q4 2013 Earnings Conference Call

2 P.M. IST, April 19, 2013



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Moderator: Ladies and gentlemen, good day, and welcome to the Wipro Limited Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Manoj Jaiswal. Thank you and over to you, sir.

Manoj Jaiswal: A very warm welcome to Wipro's Q4 Earnings Call. My name is Manoj Jaiswal, and I manage Investor Relations along with Aravind and Sridhar. We will begin with an overview of Wipro Corporation financial performance by our CFO -- Mr. Suresh Senapaty, followed by IT business highlights and overview by Mr. T.K. Kurien -- CEO, IT business. Post this, the operator will open the bridge for question-and-answers with the management team. We have the senior management of Wipro here to answer your questions.

Before Mr. Senapaty starts his address, let me draw your attention to the fact that during this call, we might make certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are associated with uncertainties and risks, which may cause actual results to differ materially from those expected. These uncertainties and risk factors have been explained in a detailed filing with SEC of USA. Wipro does not undertake any obligations to update forward-looking statements to reflect events and circumstances after the date of filing thereof. This conference call will be archived and the transcript will be available on our website, www.wipro.com. Ladies and gentlemen, let me now hand over the call to Mr. Suresh Senapaty.

Suresh Senapaty: Good day, ladies and gentlemen. 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 31, March 2013, for cable transfers in Indian rupee as certified by the Federal Reserve Board of New York, which was US\$1 equal to Rs.54.52. Accordingly, revenue of our IT Services segment that was \$1,585 million or in rupee terms, Rs.86 billion, appears in our earnings release as \$1,569 million based on the convenience translation.

The scheme of arrangement of the demerger of diversified business is effective from March 31, 2013 with an appointed date of April 1, 2012. Therefore, under IFRS, the diversified business would be shown as a discontinued operation till March 31, 2013 while it is not considered under Indian GAAP.

Total revenues for the quarter were Rs.110.26 billion, an increase of 12% year-on-year. Total revenue for the year was Rs.433.6 billion, an increase of 16% year-on-year. Total net income for the quarter was Rs.17.3 billion, an increase of 17% year-on-year. Total net income for the



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year was Rs.66.4 billion, an increase of 19% year-on-year. In IT Services, our revenue for the quarter ending 31st March 2013 was \$1,599 million on constant currency, a sequential growth of 1.4% within our guidance range of \$1,585 million to \$1,625 million. For the full year, we delivered a year-on-year growth on constant currency of 7.4%.

From a vertical perspective, we had a strong performance sequentially on constant currency terms in Energy, Natural Resources and Utility, Manufacturing and Hi-Tech, and Healthcare and Life Sciences. From a service line perspective, Infrastructure Services continued to perform well, growing 4% on a sequential basis. Volume growth in the quarter was 2.5% on the back of ramp-up from new deal wins. However, realization declined, impacted by cross currency, lower working days and change in business mix. The disconnect between the traditional way of looking at revenue growth in terms of person month and rate is increasingly becoming obsolete in the current environment. Hence, going forward from the next quarter, we will discontinue providing rates and volume growth data.

Margin declined by 60 basis points, primarily on account of currency, which had a negative impact of 70 basis points. Our realized rate for the quarter was Rs.53.96 versus a rate of Rs.54.54 realized for the last quarter. As of period end, we had about \$2.1 billion of FOREX contracts.

Our IT Products business grew by 15% on a year-on-year basis. Consumer Care and Lighting business, as part of our discontinued operation, continues to see good momentum with revenue growth of 15% year-on-year and an EBIT growth of 18% for the quarter. The effective tax rate for the quarter is 20.2% and 21.5% for the year. For the quarter, we generated an operating cash flow of Rs.18 billion, which was 105% of the net income. For the year, we generated Rs.70 billion of operating cash flow, which is 106% of the net income. Now, I request T.K. Kurien to give an overview on the IT business.

T.K. Kurien:

Good afternoon, everyone. Our results for the fourth quarter and for the full year have been with you for some time now. We have delivered a dollar revenue sequential growth of 1.4% in constant currency for the quarter, which is in line with our guidance. Let me start by talking about the demand environment the way I see it. On one hand, we continue to see opportunities in the market. There is more positive customer commentary on IT spends, especially in the US. On the other hand, we have seen certain areas of our portfolio which have been impacted by delays in discretionary spending. This factor, coupled with seasonal weakness in Q1 of our India and Middle East business has resulted in the current outlook for Q1. However, we see demand environment picking up from the quarters thereof.

On the backdrop of the demand environment, we continue to build differentiation and value creation at the customer end and driving operational efficiency at the core delivery function. All our current initiatives on customer growth and execution are driven by this long-term approach.



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On the customer front, we have done well in driving customer value and revenue growth through effective account management. Our \$100 million customer account has increased from 7 to 10 over the year. Our top 10 accounts have grown 17% over the year, much higher than the company average. Our focus and the next step is to drive similar results in our large-, strategic mega gamma and key growth accounts.

As mentioned earlier, while we see delays in discretionary spending in BFSI, we have seen good momentum in Energy and Utilities, HLS and Manufacturing. From a service line perspective, we saw growth in Infrastructure Services and Consulting. Infrastructure Services continues to be the biggest driver of growth in the marketplace. And we focus on increasing our footprint and ensuring winnability of these deals.

On customers, we are seeing an increased value which we are delivering. We have seen a significant improvement in our Net Promoter Score, up 13.6%, and overall customer satisfaction scoring up 7% during the year. We have added 192 customers in fiscal year '13 as against 173 customers in fiscal year '12.

On the execution front, the focus is delinking revenue growth from headcount via non-linear initiative and leveraging processes and tools in order to raise productivity, quality and flexibility. Our initiative in automation and standardization allows us to deliver greater customer value through faster execution cycles, increased productivity and more creditable cost take out. Revenue productivity for the year increased by 4.2% onsite and 2.7% offshore.

We have focused on emerging areas and new technologies to address customer needs to optimize the technology spend and for driving better business outcome. A couple of examples, in the On Cloud space, Wipro has won multiple deals, including a multi-country cloud-based CRM rollout, covering 15,000 users in 50 countries, and a cloud-based human capital management solution touching close to 10,000 customers. We have secured an end-to-end cloud operation management deal from energy majors we delivered out of our Cloud Command Center. In the Big Data space, key engagement include building up a machine learning based recommendation engine to drive personalized recommendation and an architectural blueprint to drive real time analytics to prevent fraud. We continue to score wins with significant work executed on customer analytics and asset pricing validation.

Finally, we recognize we are the people's business, and our strategies will work as well as the quality of the people that we have, the training and the level of engagement. Voluntary attrition stood at 13.7% for the year, 3.7% drop from last year, and annualized attrition of 12.5% for Q4, which is the lowest rate in the last two years.

On wage hikes, our annual compensation review is conducted every June and we will stick to it. The quantum of increase will be determined closer to the date of the announcement.



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On sale transformation, we have followed up on the structured assessment process that I have mentioned last quarter with creation of individual development plans and focused training and coaching. I want to conclude by saying that we continue to focus on execution and that is primarily what Wipro is known for. Thank you. Open to questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from Ravi Menon of Equirus Securities.

Ravi Menon: I would just like to get some bit of color on what you are seeing in the ADM side. Is there any sort of softness? And what about Product Engineering and R&D, do you think that has bottomed out?

T.K. Kurien: Ravi, very quickly, the ADM business that we have, the way we classify, it is primarily driven by the maintenance work that we do in the Telecom space and the work that we do in mainframe. So Telecom, as you can see over the past year, had a secular decline, especially on the equipment vendor side. And that is primarily what is driving the softness. On the Product Engineering side, have we hit the bottom? As we sit today, the answer is, yes, and we think that growth will come back in that segment.

Ravi Menon: You said the Technology Infrastructure space, you have a leadership position in terms of revenue and you aspire to keep that position. And you had also talked about some investments in BPO. Any specific areas in both these and what sort of deals that you are chasing?

Anand Sankaran: So, Ravi, on the Technology Infrastructure Services space, as you rightly said, we continue to maintain our leadership position. We are working on two broad areas over there; one is in the area of Managed Services, where we are really looking at, trying to see how we can improve productivity significantly by using some of the autonomies tools that we have been developing over the last few quarters. So we have experimented with these tools in a few client locations of ours, and the results are quite encouraging in terms of us being able to drive productivity towards a completely different level. So what we will do is really to look at broad-basing this across a lot of other customers of ours. The second is in the area of transformation. So while customers work with us on Managed Services, they also expect us to deliver a whole lot of transformation in the areas, which we are involved in. So we would be focusing on really driving transformation in the area of data centers, servers, and also cloud-based solutions for our customers. So it is a combination of really looking at driving productivity on the Managed Services side and being able to up our capabilities while driving transformation for our customers on data centers, network, end users, and also looking at how we can move some of the applications that the customer has into a cloud environment from an infrastructure standpoint. So, with this we believe that we would be able to continuously deliver value to our customers. The good news is that we have a fairly strong funnel in place, and we hope that we would be able to maintain our leadership position in the Infrastructure Services space. And we



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have had a fairly good last year in terms of our growth, and we hope to sustain it both in the developed markets as well as emerging markets.

Ravi Menon: And on BPO, what sort of investments are you planning? Any specific areas that you plan to focus on?

T.K. Kurien: Ravi, we do not walk to talk about the specific areas, but here is the way we see the BPO business coming in. Ultimately, in the BPO business, it is too big for us to say, let us take a broad-based approach to everything in BPO. We cannot be everything to everyone. But we clearly are going to use BPO as a tool, where if we do not have market leadership in a particular industry, BPO could be the way by which you can go in and get the application space that lies beneath, so that is the whole approach. So I do not want to specifically call out the areas but that is again an area where we have very clearly decided that we are going to make significant investments to kind of make sure that we get a little more growth in that segment than what we have been used to in the past.

Ravi Menon: And you spoke about the cloud-based HCM engagement. So in that are you thinking about bundling in BPO, something of that sort?

T.K. Kurien: Absolutely. Every cloud-based service today goes with some form of BPO as an option.

Ravi Menon: On Europe, last quarter, we saw a big jump in revenues over there. It was just fairly broad-based across geographies if I remember correctly. And then this quarter, we saw a slight decline there. Anything that we should read into that?

T.K. Kurien: In Europe, the reason why you are seeing that it is primarily because of the currency impact that has been felt in the last quarter, there is a 0.9% impact because of that.

Moderator: Thank you. Our next question is from Manish Hemrajani of Oppenheimer. Please go ahead.

Manish Hemrajani: Can you throw further light on your guidance for the first quarter? Do you expect to reverse this peer lag in the second quarter given your overall guidance for the year?

Suresh Senapaty: Just one correction to the last statement Kurien had made, that the Europe growth on a constant currency basis was negative 0.9%.

T.K. Kurien: Yeah, it is negative 0.9%, not negative 3.2%. The currency impact really was 2.5%, not 0.9%. So Manish, very quickly, on the Q1 guidance, typically, what we have seen in Q1 in Wipro is that Q1 has been a soft quarter for us, primarily because what happens is that Q4 because of the India business and our overweight on the India business, typically, what happens is that this business goes up typically in Q4 and typically comes down in Q1. Part of the drag has been put into the estimate that we have given for the year. Now clearly, from our perspective,



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we see growth coming back after Q1 is over. And fundamentally, from our perspective, we think the lag that you see in Q1 would get reduced from Q2 onwards.

Manish Hemrajani: So in terms of growth, how do you see seasonality playing out in fiscal '14?

T.K. Kurien: So the way we see growth coming, we see growth in Q2. If you look at the Wipro traditional quarters and I cannot kind of talk about anything else, we do not give full year guidance. So I cannot talk about seasonality with numbers. But let me give you a sense of what happens typically in Wipro in the past. Q2, Q3 are normally the better quarters. Q4 is when again, we have a slight lag in terms of the global business, but the India business actually picks up during that time. So that is how it kind of plays out typically year after year.

Manish Hemrajani: And that is how you expect fiscal '14 to play out as well?

T.K. Kurien: Absolutely.

Manish Hemrajani: Then can you talk about the current discretionary spend environment? Also, where are you seeing pricing pressures regionally as well as by verticals?

T.K. Kurien: We have the SBU heads with us. So I will ask the SBU heads to kind of step in and give their commentary on what they see in their businesses. But fundamentally, if you look at the Wipro overall revenue mix, typically, the Application Management and Infrastructure Management business of ours has remained at around 50% of our total revenue approximately. The balance is primarily based upon the discretionary spend, so that is how it kind of typically plays out. So roughly about 42% of our total portfolio sits with discretionary spending to be precise. In the discretionary spend, if you look across verticals, and I can talk a little bit about the Banking and Financial Services. In the Banking and Financial Services, we find discretionary spend continuing in Retail Banking. We find it very difficult to come by in Investment Banking and we find in the Insurance business, given the portfolio that we have our mix is primarily discretionary and not annuity in any form of share. So that is where we are seeing our mix as far as BFSI is concerned. As far as Energy & Utilities is concerned, I will give it to Anand Padmanabhan to give a comment, then pass it on to N.S. Bala, who looks after our manufacturing to talk through his portfolio.

Anand Padmanabhan: So, we are not really seeing significant price pressures in the E&U market, in the sense I think there is a lot of transformation taking place in the market globally and people are getting into new production methodology, getting into shale gas, getting into new geographies and so on and so forth. So it has been driven primarily by demand of capability in the market rather than by price pressure. So I think the E&U segment, we are not really seeing a price pressure. We are seeing demand for capability in difficult geographies. And it is common across all the three verticals that I manage, which is Oil & Gas, Utility as well as Natural Resources.

N. S. Bala:

From my industry standpoint, fundamentally, the recovery in the discretionary spends is happening in a few areas. One is to do with transformation that they are going through from being B2B manufacturing companies to more looking like B2C companies, so there's a little bit of investment which is happening driven by CMOs around Digital, and there is a lot of traction around that front. The second side where we see investments increasingly happening is also on the service side analytics to drive warranty cost reduction and more integrated service life cycle management. So those are some of the areas that we are seeing. The third area which we are also seeing of interest now is in terms of the whole **reverse** innovation, which they are driving for product launches in the emerging market. So the significant part which we are seeing a lot of movement is in the digital transformation space, and companies spend more and more in terms of reengineering their channels, both online and physical. We find that there is a lot of budget, like I said earlier driven by the CMOs as well as with IT companies and that is in turn driving a lot of discretionary spend in those areas. So largely those are the broad areas that I would cull out as action.

Manish Hemrajani:

It is early days yet, but can you comment on the Immigration Reform Bill? And how do you see that impacting Wipro especially from a margin perspective?

T.K. Kurien:

So I will give you some high level numbers. Today, if you look at the locals that we have in the US, that is American nationals who we employ, that number would prop up to be in the region of about **36%** of our total employee base in the US. To that extent, there is no short term impact on us. But having said that, that is just a high-level view of what we see. There are plenty of details that we are not yet aware of. And I think it is going to take us the next couple of weeks to kind of really understand that and then kind of comment on what it means from a P&L perspective.

Suresh Senapaty:

I think it is an important legislation from the US perspective, will definitely be supportive from an overall ethos of what this bill is intended to. And Wipro, as you know, over the last 5 years have always been increasing its local component in the overall deployment of resources in whichever geography. If you look at all the resources that we have outside of India, we have **40%** as the local across all the geographies.. So at this point in time, we are just studying. I think there are a lot of good features in terms of increase in the number of caps, a lot of flexibility with respect to the H1B spouses working, etc., and there are many areas which are not so good as perhaps economic implications, as perhaps some procedural implications which could delay the process. So at this point in time, we are still studying the details. The process has just begun so far as the US legislation is concerned. And I am sure our lawyers and the associations will work in detail to be able to take up this issue on an ongoing basis to seek resolution so that there is less disruption both from an economic point of view as well as a procedural point of view, whereby it will be difficult for any of the IT service providers to be able to serve its US clients, which currently enjoy a lot of competitive advantage because of this service that IT companies do.



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- Moderator:** Thank you. Our next question is from Mitali Ghosh of Merrill Lynch. Please go ahead.
- Mitali Ghosh:** Kurien you mentioned in the beginning, as we enter the year, there was optimism, that pent-up demand and some improvement in the economy in the US should see discretionary spend pick up. And yet you did also mention that you have seen delays in the last quarter in terms of discretionary spend. So would you say that the environment has changed in some way, and what is really leading to that?
- T.K. Kurien:** Mitali, fundamentally, if you look at it, to a large extent, growth in our business is dictated by two factors. The level of stability you have in your existing base is driven by the annuities stream that you bring in, and also by how discretionary spending happens in our customer base. I think those were the two things that affect growth for us. If you look at the last quarter, what has happened in some businesses, we have had a delay in discretionary budget. And to that extent, we see some of that coming back. And in certain other verticals, we see the discretionary budget being managed even now on a quarter-to-quarter basis. For example, in some of the large independent investment banks, we still see discretionary budgets being given out on a quarter-to-quarter basis. If you look at our base of customers, and if you look at where we play, in many cases, what happens is we play on the development side and on the system integration side of the business rather than on the application management side of the business and that is I think what has reflected ultimately in our revenue.
- Mitali Ghosh:** So is the pickup therefore perhaps in discretionary spend a little bit slower than what you anticipated going into the quarter?
- T.K. Kurien:** So the answer is, yes, clearly. I think what we expected was that some of the large projects that would come in, we would be able to execute, and that did not happen. I think that is fundamentally what affected last quarter, especially contracts that we assumed had been closed.
- Mitali Ghosh:** And do you sort of expect that to be closed in the next few weeks?
- T.K. Kurien:** Going into Q1, we expect that we would have certainly more closures than we had in Q4 of this year, there is no doubt about it.
- Mitali Ghosh:** Could you perhaps help us understand how the pipeline looks today versus a year ago overall? And if you could maybe just share some numbers on that.
- T.K. Kurien:** We do not share pipeline numbers, but let me give you a sense of where it sits today. The pipeline is kind of flat to up year-on-year as far as we are concerned. But I think what we are focused on is increasing the conversion rate that we see there. And I think that is where the value comes in. So if you look at where we are today, I think if you look at the farming versus hunting pipeline, today roughly about 22% of our pipeline sits in hunting, and the balance sits

in farming. We expect to see that the hunting pipeline would be transitory in nature and the farming pipeline would continue to kind of grow, if not sequentially but at least in terms of wins. That is really the focus.

Mitali Ghosh: You had mentioned a number of the pipeline being higher, 70% year-on-year last quarter. So I was just looking for any update on that?

T.K. Kurien: So the 70% exit-to-exit today. The way we see is that our pipeline remains more or less flat with a slightly upward bias. There has not been a significant increase of that sort in terms of the pipeline as we exit the quarter.

Mitali Ghosh: In terms of client mining, you have done a great job in mining the top 10 clients, but the broader client base has been somewhat sluggish. So could you perhaps discuss the initiatives that you have taken, where you are on that journey and when one should expect to see results?

N. S. Bala: Particularly what we have seen in the last few quarters, not just specifically in Q4 is that we had a focus of going back into the Mega Gama accounts and the key growth accounts and investing significantly in areas that could have a significant impact on the business. Now that has been paying I would say good results. And what we have been doing in these accounts is going back beyond the CIO and focusing on three other particular groups, particular to Manufacturing. Obviously, one continues to see the VP Engineering/CTO, which has to do with product design, product development. But of late, in the last few quarters, we have also gone back to the CMO, particularly where there is a lot of digital transformation happening, and we have also been focusing on the VP Manufacturing/VP Operations and impacting things on plant harmonization, shop floor harmonization and things like that. So doing so, what has really been happening is that we have been able to tap increasingly into budgets, not just from the standard IT budgets, which we anyway go after, but also from the budgets that reside within the non-CIO functions, and that has been resulting in terms of results. The second aspect of what we have been doing is also increasing the CXO connects, which has also seen an impact in terms of increased NPS from the farming accounts. So the NPS has also shown a significant uptick in terms of where the CXOs rate us and where our normal buyers also rate us. So, on both these fronts I think we have had reasonable degree of success, which is really what is helping in terms of cementing our presence in these growth accounts.

Moderator: Thank you. The next question is from Nitin Padmanabhan of Espirito Santo. Please go ahead.

Nitin Padmanabhan: If you look at when we got into the fourth quarter, we basically had a guidance range that was broader, and our understanding was that there were a few deal closures that needed to happen, and if that would happen on time, the quarter would be better, otherwise, it would move to the next quarter. So I just wanted to understand, one, the weakness in this quarter and the guidance for Q1, is it because of these deal closures not happening on time or is it anything to do with the business with existing clients? Question No. 2 is you seem to be pretty bullish in terms of

growth from Q2. Just wanted to understand if you could throw any qualitative color in terms of what gives you confidence that it can actually be better and delays in decision making or any such thing should not really push it away?

T.K. Kurien:

So fundamentally, our belief is that from second quarter onwards, the guidance range that we have given of negative to where we are today, that band, as we sit today, we think it will go positive, it would not be negative. That is the reason why we are giving that as we sit today. Having said that, if you look at the deals that are sitting out there in terms of pipeline, do we have more closures coming up? Clearly, we have seen some closures coming up towards the end of the quarter. If we saw all the closures that we had at the beginning of the quarter that we estimated in January, some of them have not happened, some of them have been pushed out, and pushed out towards the second quarter and the third quarter. So that has been one big problem that we have had, that is the reason why the guidance range we gave, the upper end of the guidance range we could not hit.

Nitin Padmanabhan:

Just want to understand in terms of the weakness that we have seen some with the IMS and even specifically, if I just look at the ADM business, you did suggest that there are a lot of mainframes and maintenance on the telco side. Just wanted to understand, structurally, is that a declining business because 22% of the revenues. And from an IMS perspective, how would you see that? Do you see traction really improving from here on?

T.K. Kurien:

So if you look at the numbers that we have there, let me just clarify, it is not with regard to the service provider business. It is specific to the equipment vendors. If you look at our Telecom business, roughly about 25% of our business comes from the Telecom Equipment Vendor segment. If you look back 10 years earlier, 100% of our Telecom business almost used to come from that particular area. What we have seen that business does is reduces down to 25% of our total portfolio and that business has been having secular declines quarter-on-quarter, year-on-year, and that has really led to the drag that we have got in the overall business that we have had in our global media and telecom business. If you go back and look at the ADM component that relates specifically to the software that we kind of maintain and manage on the switches, and that is the majority of what sits out there. And that is the reason why you are seeing a large part of the drop.

Nitin Padmanabhan:

Next was on the ADM?

Suresh Senapaty:

So, ADM has the component of R&D services and therefore, you saw that.

Nitin Padmanabhan:

How would you look at margins overall going into next year? Anything qualitative in terms of both from post-wage increases perspective, and broadly, how do you see the margin trajectory as a whole?

Jatin Dalal: As we look at medium-to-long term, we certainly see significant opportunities to sustain and increase margins from where we are. But specifically for Q1, we will give a salary increase, and that will have an adverse impact on margins for Q1, and we will drive our operations and try and mitigate as much as we can of that adverse impact for Q1 and beyond Q1, difficult to say right now.

Moderator: Thank you. Our next question is from Divya Nagarajan of UBS. Please go ahead.

Divya Nagarajan: You have spoken about deal closures this quarter. Could you kindly give us some color on the kind of vertical segments and service quality of the deals that you have signed in the last quarter?

Anand Padmanabhan: So basically, specifically, to the ENU segment, we had a consistent year last year in terms of deal closures. So we had consistent deal closures across all the 4 quarters, which were running, and I think we broke into a couple of more oil majors, which was one of our focus areas last year as we enter into the year. And we have also expanded into new geographies. So that was the focus areas that we got into Latin America, we got into the Northern African belt, and we got into the Southern Russian belt. So we got a few deals from those geographies, which will help us expand further into those geographies as well the new deals will help us grow this year. So all the four quarters had similar type of deal closures, and it was more uniformly spread across the year.

N. S. Bala: In our industry segment, the closures have been largely both like I said earlier, around digital transformation and cloud transformation, and that has been happening across, we have had some deal closures around companies wanting to transform both the infrastructure as well as applications to the cloud. And from a geography perspective, we have had an increased number of closures also from the Asia Pacific region for this year, which has also been shift from the way we have seen business in the past. We have been more successful now in the Asia Pacific region apart from Europe where we have seen the rest of the deal closures. So by and large, from my industry's portfolio, I would say, Europe and Asia Pacific have been drivers, particularly in the run up to the last quarter.

Divya Nagarajan: And T.K., just some color on the deal win rates. A couple of quarters back, we had said that in a lot of the deals we were definitely now participating increasingly in the top three. Just trying to see if you had any improvement on those rates in terms of the win rates, 3, 4 quarters ago, and what it is in terms of win rates in the deals that we participate now?

T.K. Kurien: So basically, what we have seen is that in terms of win rates, we have not seen any significant change over the past two quarters. I think there are two parts of it. If I break up into two parts, if I have to break up into existing accounts of win ratios that is significantly higher. In hunting account, which is really where we have not made a significant change in terms of the way we have been able to kind of grab share, that is the one area of concern as far as we go. So existing

base, we are able to preserve and hunt and our win rates are significantly high. I would say excess of 50%. When it comes to hunting for new geographies, new territories, new accounts, that is where our win ratios significantly lag.

Divya Nagarajan: I know in the past, we have not discussed a margin guidance because we had multiple businesses. Now that we have kind of demerged the non-IT businesses and have a very straightforward IT only model, is there any thought of kind of giving us at least some indications of how margins can proceed for the rest of the year?

Jatin Dalal: Right now, that is not a part of any active consideration of giving any additional guidance. We have consistently over the last decade given quarterly guidance on revenue, and we see that continuing.

Moderator: Thank you. Our next question is from Pinku Pappan of Nomura. Please go ahead.

Pinku Pappan: T.K., I am just trying to understand your comments about the pipeline, because last quarter you were saying that it was a 70% increase year-on-year in the pipeline that you saw. And today, you are saying it is just flat to marginally higher. I am trying to understand, is there a shrink in the pipeline or what is happening that caused such a big decline in terms of your year-over-year pipeline increase?

T.K. Kurien: Exit December to December, our pipeline was up. Exit 31st March to 31st March of this year, it is flat.

Jatin Dalal: So, it is not really a decline in the current quarter. In Q4 of last year we had seen a significant increase in the pipeline, and that is sitting in the base, and therefore, we are saying there is no significant difference between last March to this March.

Pinku Pappan: But sequentially how would you classify the pipeline momentum, sequentially, has it increased? I am not talking year-over-year.

Jatin Dalal: Yes, from December quarter to March quarter, it has increased, but it is not a 70% kind of increase. It has remained stable with a positive bias and the variations which happen because of win and loss.

Pinku Pappan: And my next question is on your expectations for the next year FY14. Which verticals and which service segments do you think would drive growth?

T.K. Kurien: If you look at each of our businesses and the performance last year, if you look at businesses that drag beneath the company average, it will be BFSI, it would be Retail, it would be Manufacturing. Now this year, we have seen in Q4 of this year that Manufacturing has picked up.



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N. S. Bala: From the Manufacturing perspective, we expect to see an increased activity around discretionary spending in a few areas, and plus there is also a lot of activity around infrastructure Services. So, I would say from a pipeline perspective, you look at what is coming ahead, we see a lot of deal renewal activity in these two spaces. So we see a healthy pipeline. It is hard to say whether the year will be terrific, but we are much more confident than we were last year in terms of where we see the year heading.

Pinku Pappan: And you mentioned that you expect Telecom to grow. Could you just give us some more color on that?

T.K. Kurien: Telecom last year had a terrible year. In fact, if you look at their overall top-line growth, their growth has been negative, they have degrown. This year, we think they have kind of bottomed out as far as the equipment vendors are concerned. And if the equipment vendor just bottoms out, if it remains flat, we will naturally grow.

Pinku Pappan: And what sort of tax rate should we be factoring now that just the IT business for the next year?

Suresh Senapaty: We would expect it to be between 100 to 200 basis points around the normalized tax rate for Q4.

Moderator: Our next question is from Pankaj Kapoor of Standard Chartered Securities.

Pankaj Kapoor: I understand there is a growing irrelevance of this whole volume realization metrics. I was wondering if you will be sharing some additional metrics that can give a more clearer picture of the business?

Pankaj Kapoor: It could be in terms of TCV wins or the order pipeline, order booking.

T.K. Kurien: We have not yet thought about that.

Jatin Dalal: Pankaj, our overall endeavor would be that we provide you with data points which help you see the business the way we are seeing. So we will come back to you on that point. But we do feel that at this juncture volume and price is becoming very integrated in some form, and therefore, it is better to give one single revenue number out. And therefore, we will discontinue volume and pricing break out from next quarter and we will come back on if there is any additional thing that we can provide.

Suresh Senapaty: The point is, it is no more a signal of any nature because olden days, it used to be completely linear. Every revenue growth and the headcount growth had to be linear. That is not the case anymore because the drive that is happening in terms on non-linearity. And of course, the non-linearity is much more at the maintenance kind of business, IT Infrastructure kind of services,

etc. so all the commoditized pieces and much more value added, high-end, we continue to invest more and more. So depending on which particular quarter or which part of the business is going up or down, you get into a volume or a price and we do not want to signal to the market as if there is a collapse of the pricing or significantly up in the volume, etc. That is where the research and debate that happened on last earnings call too and more and more consensus is going towards why do you have to give that difference because it is no more a supply constraint environment, but it is more demand constraint environment. So a) we will continue to be giving you guidance with a 2 percentage range on a quarter-on-quarter basis on a constant currency. That itself should be a good indicator of saying that how this quarter is looking. And the outlook, as we see it today for the next 3 to 4 quarters, is always we share. We thought that should be good enough for you to be able to get a sense of how do we see the market.

Pankaj Kapoor:

I actually 100% agree with this view. The only thing is that since we only give a quarterly view on the top line just to create a slightly longer term view in terms of the growth outlook, it becomes important to look at some of the numbers given the B2B nature of our business. And my fear is that we should not get increasingly opaque about the business.

Suresh Senapaty:

Agree with that, and therefore you would have seen there are not too many people who are giving you quarter-to-quarter guidance which we are giving. And so far as the annual is concerned in some form, you get some kind of a statistic from NASSCOM. So that is some kind of an indication you already have. So there is no point in trying to get into a second guess as to what the industry numbers should be. That is where we thought of giving you a quarterly guidance, gives you a good stability and understanding.

Pankaj Kapoor:

And T.K., I was wondering if you can share some numbers that basically give you the confidence that things will basically start improving from the second quarter. Again, I do not know, I mean it could be terms of TCV of the deals that you have already won, maybe which will start transitioning in the next quarter onwards or any of the number that can give some quantification of this confidence. I mean we have seen slippages in terms of the decision making from one quarter to another, so that is the reason why this persistence.

Suresh Senapaty:

Pankaj, at least one data is the Q1 historically, which is weak for us, or particularly the India business which does well in Q4 and not Q1. That does not continue as far as Q2 is concerned. And similarly, we expect some of those hold backs that we have experienced in last quarter is likely to be closed in the current quarter, which will help us to be able to deliver much better numbers for Q2.

Moderator:

Thank you. Our next question is from Sandeep Agarwal of Edelweiss Securities. Please go ahead.



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Sandeep Agarwal:

If you see that we have a very strong IMS impact as well for quite a long period, and we are one of the leaders in the country and we have been seeing softness in rest of the business for competition also. But the difference between us and the competition has been for the last 5, 6 quarters if you see that competition has in spite of posting lower growth in 70% of the business has been able to manage the overall company growth by very high growth in the infrastructure management business. But what is so different in our business? We being market leaders, and pioneers probably in that business, have not been able to bring overall company's growth by driving that particular vertical when that vertical is doing so well currently. So my only question remains, are we lacking somewhere because of some strategic issues or some pricing issues or some positioning issue?

Anand Sankaran:

On the Infrastructure Services business, if I were to just break up our business into emerging geographies and developed geographies, we have had a fairly robust growth in our developed geographies. But we have a fairly large percentage of our business coming in from India and the Middle East. Now in the last year, I would say that the India business, from an Infrastructure Services standpoint has slowed down. So there was a lot of clamp-up on buying, and we all know this. So it is also reflected by infrastructure buying as in the products buying in the market. So there were segments of the market which did not buy as much as they had bought in the past, telecom being one of them and government is the other. So the India business, from an Infrastructure Services standpoint has slowed down last year, which had an impact on our overall business growth because India forms a fairly large percentage of our overall Infrastructure Services business. But, as I look into next year, I think we are seeing a positive momentum in the market in India, and I feel that the buying that happened in the past and the growth that happened in the past the India business will probably come back in the coming years. So broadly, I think the reason why the growth has not been as sharp as some of our competitors primarily because of our slowdown in the India business, which impacted us last year.

Sandeep Agarwal:

Can we say that the growth would have been in double-digits sequentially for 5, 6 quarters if India would have helped out Middle East, Middle East would have helped? Will it be a true assumption to assume?

Anand Sankaran:

I hope India business had such a big impact on our global business but unfortunately, it does not. So it would not have gone to double digits, but it would have obviously had a positive impact had the India business been more positive than what it was.

Sandeep Agarwal:

No, I am not talking about double digit for the company level. I am just talking double digit on Infrastructure Service practice.

Anand Sankaran:

I am talking about the same, Sandeep. I'm talking about the Infrastructure Services.



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Sandeep Agarwal: I know Wipro does not give guidance and we totally appreciate you are not disclosing any numbers, but only one question which I would like to ask is how do we form a view, how the next year will be because all the commentaries till now from everywhere have been very, very positive, although there is some irritant in form of the immigration bill and all. But till now, we are not seeing anything in numbers. So do you think is it a lag effect or we are still in the yes/no scenario where things can be good or may not be good in FY14 versus FY13? So how will you define the scenario today, whether it is really good versus FY13 or we are not yet clear whether it will be good or bad, it can turn any way?

T.K. Kurien: I cannot comment about the industry specifically. I can comment about Wipro. To a large extent, what happens is, slow growth or fast growth is dependent upon the base that you have in the customers that you set into a large extent and the industry that you are in. So, it is a combination of these three things. If you look at us, in our business Q1 is traditionally weak; Q2 is better; quarter 3 is better; quarter 4, again, goes back to being a little weaker. That is traditionally how our business is being run over the past couple of years. Beyond that, I cannot give you any other indication of what the year would look like.

Sandeep Agarwal: But would it be fair to assume that FY14 will be better than FY13?

T.K. Kurien: Nowadays, one thing I have stopped doing is even getting caught in any tangential way into a guidance discussion. So frankly, I would rather not comment on that one.

Moderator: Thank you. Our next question is from Viju George of JPMorgan. Please go ahead.

Viju George: You have highlighted the secular issues in media and telecom vertical pulling your growth down. But if I look at your performance on a yearly basis, except for energy, natural resource and utilities, all of your other verticals have shown low to mid-single digit growth. It is not a telecom issue alone. So it seems that you do have the task of bringing growth back to virtually all of your verticals except energy and utilities.

T.K. Kurien: Viju, the numbers speak for themselves. That is the reality. We have to get growth back in all our businesses. And as far as we are concerned, that is exactly what we are kind of focused around. And I cannot say anything else except that so that is the reality of our performance of last year.

Viju George: The other thing that strikes me also is that you have obviously achieved very good traction in the top 10 clients, and that is also evident in the increase in your \$100 million client count. But, when I look at the 50, 60, 70, each of the various bands about say a certain threshold of \$20 million, it seems that you have not been able to translate that progress down using the same techniques that you have used with your top 10 clients. So is the progress taking far too long or is the nature of the clientele different here? The progress does not seem to be filtering down?



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T.K. Kurien:

Viju, you are absolutely right, and you are spot on.. The level of investment, the timing of investments can differ. If you remember, as far as we are concerned, we have been talking about mega gama for a long time. And frankly, we never saw the large account growth happening in the mega gama. So we took a small base of accounts, invested into, tried growing that significantly. We succeeded in the top 10 category, primarily because the investments that we have made, then we picked up another 45 of them taking it up to 55 in total. In the 55, we expect to see not all 55 kind of growing significantly, but we expect to see a significant portion of that growing during the current year. As in the next year, we expect that we would have another 70 of them that we have picked up now, on which we will invest, and you see that in the next 18 months we will start getting results from there. But your point is absolutely right. If you look at the pyramid in terms of growth, the pyramid for Wipro is skewed in the 50 million to 75 million category, and that is where today we have 25 customers less than the competition in that particular segment. So that is the segment that we need to kind of grow.

Moderator:

Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to the management for closing comments.

Manoj Jaiswal:

With this, we come to the end of our conference call. In case there are any questions that we could not answer due to time constraints, please feel free to write to us and we will revert. Thank you, and have a good day.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Wipro Limited, that concludes this conference call.