“Wipro Limited Q3 FY2014-15 Earnings Conference Call”

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Moderator:
Ladies and Gentlemen, Good Day and Welcome to the Wipro Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aravind Viswanathan. Thank you and over to you sir.

Aravind Viswanathan:
Thank you, Inba. Good Evening and Good Morning to all of you. Wish You All A Very Happy New Year. A Warm Welcome to our Quarterly Earnings Call. We will begin the call with Business Highlights and Overview by TK Kurien – Executive director and CEO, followed by the financial overview by our Executive Director and CFO – Suresh Senapaty. Post that the operator will open the bridge for questions-and-answers with our management team. The senior management team of Wipro is present here to answer your questions.

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

Ladies and Gentlemen, let me now hand it over to Mr. Kurien.

T.K. Kurien:
Good Evening and Good Morning to everyone across the world. Thank you very much for joining this meeting. For us this quarter has been a quarter of execution, the results of which are reflected in our performance. Our IT Services revenue grew sequentially by 3.7% in constant currency towards the upper end of our guidance. Overall, the demand environment continues to hold steady with opportunities across key markets in North America and Europe. We see recovery in demand in Retail and Manufacturing sectors. Banking and Financial Services continues to demonstrate strong business demand, especially in US and in Europe. One area of caution is the Oil and Gas industry where we expect the plunge in crude prices to impact Capital expenditure and discretionary spends in near-term.

Now let me give you a sense of our quarterly performance. Healthcare, Life Sciences, and Services Business Unit continued to grow strongly with a 7.5% sequential growth and a 20.3% year-on-year constant currency growth. After many quarters, our Retail, Consumer Goods, Transportation, and Government business has grown sequentially by 5% on a constant currency basis. The momentum in Infrastructure Services continues with strong deal wins and with a growth of 20.5% year-on-year. Our BPO business on a constant currency basis grew 4.6%
sequentially. Our efforts in revamping our delivery structure for efficiency and value creation continue to yield results, customer satisfaction scores have improved by 4% year-on-year.

From a strategy perspective, nothing really has changed in the way we are going after market. We remain focused on building our Digital story to drive Business Transformation and also further leveraging Open Source, Data, and AI to drive innovation and cost rationalization.

On the Digital front, our ability to pull together range of competencies across Content, Analytics, AI and Agile development for execution has been recognized by both customers and industry analysts. Wipro has won 10 deals in the Digital space around driving transformation and supporting our customers in additional journey all the way from conceptualization right through to implementation. On the Open Source and AI space we are building scale through industry-specific reference architecture, migration toolkit, and more importantly, by building a strong partner ecosystem. We scaled our operations and trained over thousand resources in these areas. This practice has scored 12 significant wins and built a robust pipeline during the quarter.

We will continue to focus on building intellectual property in a way by which we can differentiate ourselves. We have filed 143 patent applications over the last 9-months.

In a dynamic business environment, people remain our primary assets. Our quarterly attrition rate has dropped from 16.9% to 16.4%. We continue to deepen employee engagement and make significant investments in training and skill development. Last quarter, we trained over 6,000 employees in new delivery methods and techniques. We are gratified that our teams are responding positively with employee engagement scores improving over the previous year.

Lastly, before I close I would like to recognize Mr. Senapaty for his contribution over the years. Senapaty joined the company when the top line of the company was roughly Rs.40 crores or Rs. 400 million. From thereon till today he has been part of the journey, where Wipro has evolved from being a domestic company to being a global leader that its today. This will be the last time he will be with us for discussing quarterly results. On behalf of Wipro, I would like to thank him for his contribution. Thank you.

Suresh C. Senapaty

Thanks, TK. Good Day Ladies and Gentlemen and Good Evening to those of you who are in India. Let me begin by wishing you a very-very Happy New Year. So like Kurien said this will be my last earnings call as CFO of Wipro Limited. After over 35-years in the company and 20-years as CFO under the Chairmanship of Mr. Premji I will retire from the company on 31st March. It has been an unbelievably exciting journey and I am thankful for all peer support over the years. Wipro has provided me an outstanding platform of our learning and growth and I will be forever grateful to the company and my colleagues for this wonderful journey. 
I also would like to congratulate Jatin on taking over as the CFO of Wipro Limited. Over the past 13-years, Jatin has handled diverse roles in Wipro and left an indelible mark on all of them. He stood out as a natural successor and I am sure you will extend the same support if not better to this bright leader. As I prepare to step down by the end of this quarter I feel very confident that Wipro is well placed to take off in its growth path under the dynamic leadership of Kurien, Saurabh, Jatin, and the entire team.

So as regards the financial performance for the quarter, kindly note that for the convenience of readers our IFRS financial statements have been translated into dollars at the noon buying rates in New York City on December 31st 2014 for cable transfers in Indian Rupees as specified by Federal Reserve Board of New York which was $1 equal to 63.04 Rs. Accordingly, revenue of our IT Services segment that was $1795.4 million or in rupee terms 113.4 billion appears in our earnings release as $1800 million based on the convenience translation. Total revenue for the quarter was Rs.119.9 billion, an increase of 6% year-on-year. Total net income for the quarter was Rs.21.9 billion, an increase of 9% year-on-year. In IT Services our revenue in US dollar terms for the quarter was $1795.4 million sequential growth of 1.3% on a reported basis. This was impacted by depreciation of major currencies against the US dollar. In constant currency IT Services revenue grew 3.7%, highest growth in last 12 quarters. IT Services margin declined marginally on a quarter-on-quarter basis in the current quarter. Utilization drop and negative cross currency has been offset by fixed price productivity and SG&A optimization. Our IT product segment delivered revenue of Rs.7.7 billion, which is about $123 million for the quarter-ended 31st December. On the currency front, our realized rate for the Q3 was Rs.63.19 versus the rate of Rs.61.66 realized for the Q2 of this year. As of period end, we had about $2.2 billion of forex derivatives contract as hedges. The effective tax rate for the quarter was 22% as against 22.8% in Q2 driven by completion of certain assessments. For the quarter, we generated operating cash flow of Rs.17.2 billion which was 79% of net income. We generated free cash flow of Rs.16.1 billion which was 73% of net income. We will be happy to take questions from here.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Anantha Narayan of Credit Suisse. Please go ahead.

Anantha Narayan: T.K., I had a couple of questions. The first was related to the Energy vertical. Is this something that you are significantly worried about in FY16 or are there other things that could offset some of the pressures that your customers are facing because of oil prices? And how much of this has factored in the 4Q guidance? Second was if you just could give us a bit more color on Europe because while this quarter has been good, they have been fairly choppy in the past few quarters, so any color will be helpful?

T.K. Kurien: So on the Oil and Gas sector itself, our view is that in short-term we will have pain; we have factored some of that pain into our Q4 guidance. Long-term in that market as oil prices continue to remain where they are we see substantial opportunities coming up across the world.
in terms of outsourcing. So while on the medium-term to long-term we expect that to be positive in the short-term we would take some pain in that particular business. But overall if you look at our other verticals, generally all the other verticals that we have including our geographies have been kind of firing and we do not expect that trend to slow down at least in Q4 and into the next year. We see demand being fairly robust, and to that extent the opportunities that we have on the table are in a way, we believe, might offset some of the negatives that we may carry in terms of Energy. On your second question, Europe is interesting for us, because if you look at the oil and gas business that we had, a large part of it was overweighed towards Europe and that has really resulted in the geographical distribution, the choppiness that you have seen there over the past couple of quarters. We made that up some extent by diversifying our portfolio outside of Europe, but that has not paid the kind of dividends that we expected at least in the short run given the fact that oil prices went down from where they were two quarters ago. So overall if you ask me I expect Europe medium-term to be positive, it will continue to grow for us. The key for us really would be in terms of where the currency finally ends up as far as euro and dollar is concerned. So while volume would continue to grow and if you look at our last quarter numbers on a constant currency basis grown by 5% and that itself is a decent growth. So overall we do not see growth actually slowing down too much, we may see temporary choppiness caused by some account in some industry, but not beyond that, secular trend is strong.

Moderator: Thank you. Our next question is from Joseph Foresi of Janney Montgomery Scott. Please go ahead.

Joseph Foresi: My first question is around Digital and some of the newer offerings and the opportunities there. Can you help frame for us your exposure to some of the newer technologies? What kind of impact it is having now and further in the numbers and how you look at the opportunity there?

T.K. Kurien: On this Digital opportunity, Joe, right now most of the work that we are basically doing is really focusing on specific processes and figuring out along with the customers of how we can completely digitize the processes, using Analytics, Mobility, more specifically location, and how we can look at the underlying architecture to make sure that straight through processing is actually enabled. That is the real focus of what we are doing. We are doing a whole bunch of projects with customers, primarily around visioning, that is really where the big activity is happening right now. As we go through industries, we believe what will happen is that we will be able to create frameworks and intellectual property around this, which we can replicate them across the industry segments that we operate in. I think that is the objective. Digital by itself is terrific for us in terms of opportunity and that really is the future, today, it is not significant enough for us to kind of move the meter as far as our quarterly growth is concerned.

Joseph Foresi: Does the emergence of new catalysts like Digital Infrastructure, some of the work you are doing in Europe, offset some of the commoditization in Application Development and
Maintenance or do you believe that that is going to be accretive to growth rates over the short and long-term?

T.K. Kurien: I think it is going to be accretive over the short and long-term but Digital I would say medium-term but not immediate. Clearly, we are seeing far more interest in other technology components, like, for example, using Open Source in development, those are becoming bigger and bigger areas, but if you look at Digital itself, “Is that going to be a billion dollar opportunity for me over the next couple of quarters?” The answer is ‘no’.

Joseph Foresi: What are your expectations for the margin profile with commoditization and these new technologies? Over the long-term, do you expect margins to hold, are these going to be dilutive in the short and then eventually become accretive?

T.K. Kurien: Joe, it will remain in a narrow band; no great ups, no great downs, but clearly from our perspective as commoditization happens we would drive efficiency in the back, absolutely no question about it.

Moderator: Our next question is from Keith Bachman of Bank of Montreal. Please go ahead.

Keith Bachman: Could you talk a little bit about how you are characterizing and what you are seeing in Financial Solutions? Your sequential growth was significantly less than the overall company weighted average. What are you seeing there and what do you expect in the next couple of quarters?

Shaji Farooq: What we are seeing is very much reflection of what is occurring across the globe in the Financial Services area, it is a fairly mature market and a lot of cost pressures, revenues of the clients are not growing, so to sustain earnings the focus on cost is huge. So, while in fact we are seeing pretty strong volume growth and we are also seeing our successes in large deals, we expect to see continued pressure in certain areas when it comes to cost, particularly when it comes to commoditized services. That will have somewhat of a limitation on how much growth you should expect quarter-over-quarter and the numbers you see this quarter a constant currency growth of 2.2% and a reported growth of 0.2% really in line with what we had expected getting into the last quarter.

Keith Bachman: Would you expect to Financial Services to grow over the next 12 months in line with the company weighted average or below?

Shaji Farooq: I would say we will grow in line with the company weighted average. Of course, there are a lot of extraneous factors that are playing out right now, and there could be differential impact in the Financial Services areas, as TK mentioned in other areas as well, but we have to wait and see how that goes. Notwithstanding those we should expect our growth to be in line with company growth.
Keith Bachman: ADM was a weak sequential growth. How would you characterize the state of that?

Jatin Dalal: Keith, this is Jatin Dalal. Fundamentally, we have spoken about that there are a couple of accounts where we have completed the large projects and replenishment of that work will take a couple of quarters to come through and the lower growth in ADM that you are witnessing is an outcome of that and we do hope that we will be able to reignite the ADM growth as we go forward. Also, if you see we are quite unique for ourselves that we branch out Business Application Services separately and you should see the both lines together if you are really comparing apple-to-apple with the industry trends, and we continue to grow in the healthy manner in Business Application Services, this quarter the growth is 9% Y-o-Y which is in line with the company growth rates.

Keith Bachman: The operating margin was down a little bit sequentially, call it, 20 basis points. With currencies I thought it actually might be a little bit better. What were some of the puts and takes that kept you from capturing more margin opportunities? I assume some of the wage rates were in there, but if you just describe some of the impacts to margins this quarter and how that will play out next quarter?

Jatin Dalal: So Keith this was a quarter in which operationally there was some plusses and some minuses, but if you really see the margin have been in a very narrow range of that, we declared in Q2 which was 22%, the delta is 20 basis points which in some form is the currency impact because while we had an upside on rupee-dollar leg, there was clearly downside on the cross currencies and which flew through as the overall slightly negative currency impact for the quarter. Operationally, we have remained flattish vis-à-vis Q2.

Moderator: Thank you. Our next question is from Sandeep Muthangi of IIFL. Please go ahead.

Sandeep Muthangi: On the Infrastructure Services, could you give us some color on how the Cloud is impacting Infrastructure Services? What kind of outlook do you have for the near and the long-term?

GK Prasanna: Firstly, it is an opportunity, because there is a lot of work that has to be done in terms of building the Cloud Infrastructure right now, so there is a lot of work that is coming in terms of building out that Infrastructure, also there is a lot of work in terms of moving this workloads to Cloud. So in the short term it is an opportunity and we see our share of this work coming to us, we see it as positive. Medium-term right now we all know because workloads will move out of conventional Infrastructure into Cloud, there will be an impact in terms of some of the conventional work coming down, that is how I see it.

Sandeep Muthangi: By medium-term, are we not speaking of the next three years, four years and the real long-term or is it something that is going to happen in the next couple of years?
GK Prasanna: Cloud is real, so let me leave it at that. It is no longer a concept it is real. People are doing this work fairly seriously. So a lot of work will move to Cloud apart from just office productivity applications, lot of Enterprise Applications are moving and will move, so Cloud is serious and Cloud is real.

Sandeep Muthangi: My second question is on the client mining. T.K., we have seen a period during 2011, '12, '13, where the client mining was doing really good, and after that we have kind of seen a flat lining of the top 10 account growth, etc., Can you give us some more color on what is happening and whether the expansion of the mining is really working or is there something to be bothered about over here?

T.K. Kurien: It is a very good question and I will answer that in two parts; one is if you look at our mining itself, and if you look at the top accounts and if you eliminate the stresses that we have had from large big box retailers and from large oil majors, our growth in the rest of the segment has been fairly decent, in fact, it has been little above company average. So that is the positive. The biggest work that we have to do today in terms of mining is to make sure that you are able to broaden our calling outside of the CIOs office and I think that is where the big focus is right now. I am pretty confident the next couple of quarters you will see this trend reversing and that now for the company and growth in the future.

Moderator: Thank you. The next question is from Edward Caso of Wells Fargo. Please go ahead.

Edward Caso: On the Infrastructure business, what is the opportunity set and what is the level of renewals that are coming up in the next two years? Do you see incumbents willing to adjust their pricing or the way they are doing their business to be competitive? Or is this just easy opportunity for Wipro and some of the other India-based peers?

GK Prasanna: The opportunity is big. It has been published, and depending on what you take, it is several hundred billions of dollars of revenues that are coming up in the next 2-years time. At the moment there is a fairly significant advantage that Wipro and some of our peer group companies have in this space and it is way beyond just pricing. I believe that the strength is solutioning, the experience that we have in this space, the references that we have in this space. I think all of them are playing out to our advantage, and I expect that to continue in terms of us taking disproportionate market share of the renewals that are coming up in the next 2-years’ time.

Edward Caso: Utilization on a year-over-year basis has been much higher for yourself and some of your peers. How much more is there to go and is there something in the industry that is driving this desire for higher utilization? I would have thought it would have gone down as you are in the process of reskilling your workforce.
Saurabh Govil: If you look at the utilization for the current quarter, it is getting impacted because of the leave, and this is a season in the quarter where there is high leave. Net of leave operationally I think we are flat from last quarter and very clearly we are seeing a trend where we have been improving our utilization over the last few quarters and you will see that same trend as we move forward. As far as head space is concerned, very clearly, we see a head space to grow further on this one.

Moderator: Thank you. The next question is from the line of Srivatsan Ramachandran of Spark Capital. Please go ahead.

Srivatsan Ramachandran: Just wanted your comments on Energy vertical from a cost take out perspective. I do understand that discretionary environment would be weak. But do we see the steep decline in oil prices make some of the customers who have been reluctant on the cost take out side kind of make the decision cycles faster or expand real estate that they might look out from a cost take out point of view?

T.K. Kurien: Absolutely, but also realize that in the short term that will come at much lower prices than what we have seen in the past. So I think we are going to see steep price competition in that sector especially for commoditized services. Everybody is going to fight to protect share. It is not going to be unique to Wipro. All of us who play in that segment, especially the large guys who are dominant in that space will also compete to keep their real estate and so in the short term you are going to see price pressure coming in. The bigger opportunity is that today if you look at the way we address the market, there is a significant portion of the market that today is not addressed by companies like Wipro and I think that is the big opportunity. So for us given our dominance in oil and gas and given the domain expertise that we have built over the years, we think we are in a unique position to grab this opportunity.

Srivatsan Ramachandran: If I have to look at for the next 12 months to 18 months period historically, 1Q of financial year have been slightly dippy. Just wanted to understand how the existing pipeline buildup for all the take outs gives confidence in kind of having pretty good revenues on a sequential basis on a three-four quarter period?

T.K. Kurien: Srivatsan, all of us around this room are painfully aware of the fact that if we do not perform in Q1 you are dead for the year. I think that is clearly one of the issues for us. So that is something that we are all focused around and that is something that we are working on. I cannot give you Q1 guidance right now, but that is broadly what all of us are focusing on driving.

Moderator: Thank you. The next question is from the line of Ravi Menon of Elara Capital. Please go ahead.

Ravi Menon: In BPO, you have shown very good growth this quarter. If you could give us some color around the deals that ramped up in BPO and what is helping drive growth there?
T.K. Kurien: One of the big things that we have been doing in BPO over the years is, as the movement towards Digital begin, we have been building our services around the Digital as a platform and especially offering BPO service around that. We have also been offering integrated services combining both technology as well as process so that we can drive the next level of digitization end-to-end as we go through the journey. So, I think BPO last quarter had some nice wins in that particular space, where we are able to combine IT plus BPO together and that is the area of opportunity that has driven growth last quarter. Now BPO, we will have a little bit of bumpiness in and out at least for next two quarters before they hit secular growth of this size, but overall I am very bullish about BPO. And by the way most of the growth that has come in incremental apart from the new deals has come in through organic growth.

Ravi Menon: If I could ask you about the IT products revenue that has declined, what really drives this segment of the business?

T.K. Kurien: On the IT products I will ask Soumitro Ghosh who runs our India and Middle East business to kind of respond to it, because a significant portion of the market that sits for IT products really sits within his territory. But just to give you a little bit of color on that, we typically sell IT products only when we have system integration opportunities as part of large contracts. Soumitro can give you a little bit of color of what is happening in the India market and what specifically is driving in that particular trend.

Soumitro Ghosh: I think TK just answered the question. Fundamentally, we have a different philosophy that in standalone hardware products business, we are not chasing the way we used to chase earlier. So clearly the focus is towards integrated deals and focus is towards services. So to that extent our entire proposition is where we have end-to-end solution offer to the customer, as a SI, he expects products to be sold along with these services, so we are providing turn-key solutions to these customers. Typically government and PSU banks are a classic example. Standalone product deals, we are consciously not giving the same priority as what we used to.

Ravi Menon: The India and Middle-East business have seen a very strong growth this quarter. So despite that we have had year-on-year decline in the products business. So, is the nature of your engagement changing?

Soumitro Ghosh: The numbers for the India and Middle East business is the pure services business. The numbers which you are talking about for products is only products. So on the services business we have shown a sequential growth of 5.7% on reported basis, so that is pure services.

Moderator: Thank you. The next question is from the line of Viju George of JP Morgan. Please go ahead.

Viju George: Just one question on IT budgets. Could you talk about how the budgets are looking like for you ex-Energy based on conversation with customers and how they look relative to last year? Do you see a marked improvement in this year?
T.K. Kurien: As far as budgets are concerned, Viju, outside of Energy, I would say positive on the cost reduction piece of the business, clearly very positive when it comes to discretionary expense in the US. Europe we see signs of the market changing a little bit and more outsourcing deals coming into the market clearly, and these are mostly coming in from first-time customers. So overall if you ask me sitting where I am this year compared to where I was sitting last year customer’s propensity to buy is clearly higher.

Moderator: Thank you. The next question is from the line of Sandeep Shah of CIMB. Please go ahead.

Sandeep Shah: In terms of oil and gas, the fourth quarter guidance, is it more about the directed or negotiated ramp downs with the clients which has been factored or is it a combination of that plus our conservatism towards the potential ramp downs which can come?

Jatin Dalal: We have factored in the uncertainties that we see in oil and gas in our guidance. Beyond that it would not be fair to say, because guidance is always a view of what we see today of the quarter which is forthcoming.

Sandeep Shah: But is there any negotiated ramp downs which is already like we have to do as per the direction of the client or it is more to do with our expectation of the likely ramp downs which can come?

Jatin Dalal: So Sandeep certainly we see that there is a reaction to the lower oil price from the client environment and therefore there is certainly pressure on the business and that has been factored in. Now it is difficult to say whether a project came to a closure and therefore it was closed or a Phase-II of the project which could have been extended was not extended by the customer, we have factored in that uncertainty in our guidance.

Sandeep Shah: Second question is in terms of some of the client-specific issues which we were speaking about in the last couple of quarters which was not just limited to E&U, it was being spread to other verticals including BFSI. So, can you give a color how the segment wise these issues are largely behind or this will impact the growth going forward also?

Jatin Dalal: As you will recall, Sandeep, we had said at that point that we think that this will persist for a couple of quarters and there is no further update to that situation. Certainly, we did not say it was only quarter specific phenomena for Q2. We had said couple of quarters and we are in that situation right now. However, we do think that some of the work that got over and has not been replenished will start coming back as we enter 2015 and we are quite hopeful about it.

Sandeep Shah: In terms of the deal pipeline, can you give some color in terms of the pipeline as well as the order book in this quarter versus Y-o-Y and Q-on-Q how does it look like? And if you can share some TCV of the large deals?
Jatin Dalal: Sandeep, you are aware that we do not share the details that you sought. I can share with you qualitatively that we continue to see good demand in the marketplace and that we are participating well in the demand. We are winning also our fair share and sometimes little better than our fair share and that is heartening and we hope that continues as we get into the next few quarters.

Moderator: Thank you. The next question is from Ashwin Mehta of Nomura Securities. Please go ahead.

Ashwin Mehta: I had one question in terms of margins. There was a material reduction in SG&A in this quarter and that was largely led by sales and marketing expenses. So what led to that? Given the fact that you are at almost three-year lows in terms of SG&A as a percentage of sales, how should we think of that going forward, especially in light of investments to drive sales especially in the newer areas like Digital?

Jatin Dalal: So Ashwin, we have not reduced any physical investment into any of our sales infrastructure, be it number of people or offices or strength of reaching out to customer. What you are seeing in terms of reduction is one quarter phenomena, it is also impacted by the fact that some of the spends are in European currencies and they have been disproportionately impacted in the current quarter because of the depreciation of cross currency. There are always going to be some lumpiness one quarter which would be positive, one quarter would be negative, but we remain very invested in our sales efforts.

Moderator: Thank you. The next question is from the line of Sandeep of Edelweiss. Please go ahead.

Sandeep: You had said that other than Energy and to some extent Telecom, we are seeing good opportunity and robust pipeline. Will it be fair to assume that at least excluding Energy and Telecom we will be at NASSCOM guidance range for next year? And also, these two verticals will at least not de-grow, will it be a fair assumption?

Jatin Dalal: First of all I do not know what NASSCOM guidance would be next year and second, certainly for our own growth projection it is little too early to comment on. We will certainly come back to you in next quarter and talk about where we see the growth trajectory, but I would like to highlight the fact that this is a quarter where we have seen the broad-based growth. You have seen Healthcare which has grown 7.5% sequentially in constant currency, you have seen Retail which has had tough time due to some of the exposure to the Retail industry in US has also grown 5% sequentially in the current quarter, you have seen the BPO which has grown 4.6%. Our Infrastructure business continues to do very well with 20% y-o-y kind of growth rate. So, we feel good about how we have executed Q3 and that itself I think is a good data point of our performance.

Sandeep: Will it be fair to at least say, not going by numbers, but at least that barring Energy vertical, all other verticals are looking much better than what they were looking last year at this time?
Jatin Dalal: Certainly, if I reflect on the numbers I just shared absolutely we are doing very well compared to last year in the verticals except Energy verticals.

Moderator: Thank you. The next question is from the line of Dipesh Mehta of SBICAP Securities. Please go ahead.

Dipesh Mehta: Healthcare is doing well for us for quite some time. Can you help us understand growth momentum what we have seen in Healthcare and how we see it going forward? Also retail has shown some improvement this quarter. How do you see Retail performance going forward?

Sangita Singh: In Healthcare & Life Sciences, we continue to see the strong momentum really as an execution of the Wipro three-pronged strategy. First is our investment in differentiated domain solutions have really helped, a case in point being driving medication adherence and analytics platform for a life sciences company that helps drive engagement and increase clinical trials. We continue to see our investments and leverage of strategic investments that we have made in Opera by creating powerful and relevant client offerings as an example of just differentiated domain offerings that helps in the growth. The second has really been our ability to bring the best of Wipro to our core clients across Infrastructure, across Product Engineering, Application Development, and Maintenance, case in point being Takeda, Catholic Health and some of the other Life Sciences customers. Third to our strategy has been really our ability to add marquee new logos to our portfolio. We added six new marquee new logos in this current quarter. I see ourselves being able to execute to the strategy continuing in the next quarter and forward as most of our client requirements are being addressed through these three strategies that we have outlined here at Wipro. So, I am very positive about us being able to address what our clients need today.

Srini Pallia: Just to reflect on the Retail, Retail as an industry is going through a transformation as we speak. If you have looked at the holiday sales they were really mixed. While there is a drop in the stores uptick, the retailers are seeing growth in online as well as mobile, which in one way is good news for a retailer. So what we see are the trends in terms of the retailers investing for their revenue growth or business growth is on omni-channel retailing which is becoming very significant. There is a lot of work that is happening around personalization and also engaging customers digitally. This is also driving the efficiencies around multi-channel supply chain and we are participating in some of these. Also T.K. alluded to BPO. We are seeing a lot of work around customer experience and back office work within the Retail, that is driving some of the deals that we have. Now, if we were to look at retailers, they are definitely stressed on pricing and margins and the cost takeout is another aspect of retailers that we see consistently across and T.K. alluded to that which is reflecting in terms of Application Infrastructure and BPO. So overall while it is very mixed in terms of revenue, I think we have had some success in a few of the customer which has helped us grow. The second aspect definitely I want to talk about is consumer goods, where we had a good deal pipeline and wins as well. Again, consumer goods companies globally are under cost pressure and margin pressure and investing in consumer
engagement in digital channels. Overall, Retail and CG had a good quarter and continues to have opportunities around.

Dipesh Mehta: Do we expect Retail to now coming back to growth part?

Srini Pallia: So Retail in general, irrespective of whether UK, Europe or in the U.S., retailers, if you look at their performance, it has been choppy. So at this point in time the best I could say is that there is a drive by the retailers to take cost out. In addition to what I talked about Applications, Infrastructure and costs, they are also looking at taking cost out at a store level, be it in terms of energy management or taking cost around that, labor and workforce optimization and also managing their store infrastructure much more optimally. So, those are the areas we are getting traction around. And I think we will get to a better understanding of where the budgets are as we get into this quarter. So right now most of our customers are working on that.

Dipesh Mehta: Last question is about just to understand the increase in depreciation. Whether there is any one-off or it is only because of amortization increase and this would be the new normal?

Jatin Dalal: I think this is on account of the certain capitalization which we have done during the quarter and I think this will follow this pattern.

Moderator: Thank you. Our next question is from Ankit Pande of Quant Capital. Please go ahead

Ankit Pande: My question is around the Digital deals. I think you mentioned 10 Digital deals. Would this be a comparable number to deals that you mentioned last quarter?

T.K. Kurien: No. Digital deals that we talked about, really in most cases what we started this quarter is really sitting and re-imagining and redrawing processes along with Digital as a back layer, that is what we are working on. It is not significant enough to add to our revenue as I talked about earlier. So, to that extent, all I would encourage you do is look at them as lead indicators in terms of opportunities as they come down in the future as we are working with the customers build the proof-of-concepts to really kind of start getting scale in Digital.

Ankit Pande: We are seeing very good growth in India and ME. Is that macro led, something to do with the change of government and business environment, or more specific to the situation that faces the company?

T.K. Kurien: Really if you look at the Middle East, the Middle East market is primarily driven by commodities, especially oil and gas. We are clearly seeing more opportunities coming out of the oil and gas segment in terms of outsourcing. As far as the India market is concerned, I will ask Soumitro Ghosh to kind of react to that.
Soumitro Ghosh: I will just give a summary of the Wipro Infotech results. I think if I look at it from the geography perspective, we grew very strongly in India as well as Middle East and the India part being more heartening. From a vertical perspective, four verticals really contributed to this growth. One is BFSI, second is Telecom, third is Energy & Utilities, and the fourth is Government. From a service line perspective, while we have been always very strong on Infrastructure, but this particular quarter we saw very strong growth on the Application side. Coming specific to the question which you asked, Middle East was primarily contributed by Energy & Utilities which is specifically more oil and gas and India was around again Energy & Utilities, more on the Energy side than Utilities and BFSI and Telecom. What is good is that we are seeing some large deals in the India market as well as Middle East market. So we saw four deals of pretty large size, two of them being outsourcing in nature taking cost out, while two of them are really in the implementation and development space. Two very marquee wins which we won in the last quarter was IDFC which was a new marquee win in the new banking license. So we are really helping them growing out the business architecture for the new banking license, the other one is Andhra Pradesh Architecture for the Digital World. So broadly, it is a pretty strong growth.

Ankit Pande: Could you just give me a rough split between India and ME in the bucket there, is it mostly equal?

Soumitro Ghosh: So Middle East would be 40% and India would be 60%.

Ankit Pande: I just had a question around the payment space as well. We have announced two deals here in the latest release. So, could you just highlight what kind of opportunity is there in this space? Is this sort of a new trend, another new area where the banking players are looking to new development and new technologies? Do you think that players who are more entrenched having their own traditional products in the banking space have sort of more leverage in this space already or do you think that we can start from scratch and you have as good a fitting as anyone else here?

T.K. Kurien: Fundamentally what is happening in this space, Ankit, is that if you look at the entire payment space, as new technologies come in, payment the way we are moving forward the past 30-40 years is sort of fundamentally go through a massive disruption. I believe that with the technologies out there that are available today, there are a lot more things that are going to happen in this space than we have ever seen or even imagined. So clearly from our perspective that is a big push. That is clearly a differentiator for us, because we have done quite a few projects especially on the card side of the business and also with the equipment side of the business. And a lot of the work that we are doing is we are actually using Open Source to leverage the technology depth that we carry and that is really the exciting part of what we are trying to do here.
Ankit Pande: So do you think that the entrenched banking product players do not really have an advantage in this, is that the case?

T.K. Kurien: I think they will always have an advantage in the core. Nobody is going to move out the core very quickly. But what we are going to see is on the edge there are going to be such substantial changes; ultimately this core will get disrupted.

Moderator: Thank you. Our next question is from Ashish Aggarwal of Antique Stock Broking. Please go ahead.

Ashish Aggarwal: In this quarter, were you surprised positively by any verticals where you saw strong growth helping you achieve towards the upper end of the guidance?

T.K. Kurien: So whenever we give guidance, we give a range. We expect some negatives, we expect some positives. I guess this time around, the negatives did not happen, the positives did happen. So, to an extent, it is a normal quarter.

Ashish Aggarwal: Secondly, this is more from the industry perspective. Looking at the demand environment sector, do you think as an industry, IT industry should do better than what they ought to do in FY15?

T.K. Kurien: I really cannot answer that question. I can talk broadly about Wipro next quarter, but I cannot talk about industry specifically. If you wait for a couple of weeks, we will have the NASSCOM estimates and I think we should just wait for that to figure out where the industry would finally go.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the floor back to Mr. Aravind Viswanathan for closing comments.

Aravind Viswanathan: Thank you all for joining the call. In case we could not take any of your questions due to time constraints, please feel free to reach out to us. Thank you and have a good day.

Moderator: Thank you. On behalf of Wipro Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.