Wipro Limited

Q3 FY16 Earnings Conference Call

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Edited Transcript

MANAGEMENT:

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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, please signal an operator by pressing '*' and 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. I Wish You All a Very Happy New Year. A Warm Welcome to our Q3FY16 Earnings Call. We will begin the call with Business Highlights and Overview by T.K. Kurien – Member of the Board and CEO; we will also have a short address by Abid – our CEO-Designate, followed by the Financial Overview by our CFO – Jatin Dalal; afterwards the operator will open the bridge for Q&A with our management team; the senior management team of Wipro is 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 our detailed filings with the SEC. Wipro does not undertake any obligation to update the forward-looking statements to reflect events and circumstances after the date of filing thereof. The conference call will be archived and the transcripts will be available on our website, wipro.com

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

T.K. Kurien: Thank you, Aravind. Thank You For Joining The Call and Wish All Of You A Very Happy And Prosperous New Year.

Let me start by taking this opportunity to thank the Wipro team in Chennai and also other locations for their commitment, team work and customer orientation during the flood last month. We have always worked to create a culture of ownership with a sharper focus around making our customers more successful. It was heartening to see our team stretching well beyond call duty, especially that in many cases their own residences and families were significantly impacted. It was also encouraging to see teams located at other locations pitch in, to minimize customer disruption and return to stable operations.

In terms of Financial Numbers: Our sequential growth is 1.4% in constant currency.

From a Business Unit Perspective: Our Healthcare and Life Sciences business and our Retail and Consumer business did well with sequential growth of 6% and 4.6% on a constant currency basis. From a Geography perspective, India and Middle East business grew well with 20.9% YoY growth rate in constant currency.

From a Service Line Perspective: The Global Infrastructure Services saw strong large deal wins and we expect the momentum to continue. Our Product Engineering business continue to show consistent performance.

The overall demand environment is stable; in US the mood is largely positive on domestic demand; however, with the strong dollar corporates are in a cost reduction mode. While clients are still finalizing their IT budgets, we expect to see strong momentum in this geography. Continental Europe has a lot of potential and our acquisition of Cellent will enhance our capability in the DACH region. We are seeing pickup in large deal wins; however, the large deal wins are highly competitive with higher pricing pressure. We have partially been able to offset this by the higher use of Automation and AI Technologies.

While we had mentioned in the last time that we are constantly looking at targeted acquisitions that will augment our capability from a market access or skills perspective. We have acquired two companies fundamentally in line with this strategy – the first is Cellent which will give us access to local talent and strengthen our footprint in the DACH region; the second is Viteos, operating in the emerging BPaaS model which offers shadow-accounting services to hedge fund from the buy side and complements Wipro sell side capability in the Capital Markets space.

Moving on to a broader strategic direction; Our vision for the Digital business around the intersections of Strategy, Design and Technology are bearing fruit. From establishing Digital Commerce Platform to reimagining customer Onboarding Processes and enabling Omni Channel Self Service, they are delivering tremendous results for our customer. Designit's unique capability with Wipro's technology prowess is driving good synergy. We have won 7 Digital Deals in Q3. A few examples of the values that we are creating; we are working with a leading South American bank on designing an entirely new Banking Concept and Experience, targeting to create the Next-Generation Banking Experience for customers who are usually not attracted to traditional banking offerings anymore; for a major German telecommunication brand, we are creating Future Smart Service Experiences using Artificial Intelligence and other emerging technologies.

We are also making significant progress around our focussed program to train around 10,000 Employees in Digital Technologies. Last quarter I also spoke about our Cognitive Intelligence Platform –Wipro HOLMES™ and value that it has created. We now have 12 active engagements with the customers across different industries. In Q3 we initiated 5 more engagements while successfully concluding some of the previous engagements which are now moving into production. For instance, the Know-Your-Customer Compliance Engagement with one of the world's leading banks concluded successfully and is now moving into production. On driving productivity, our Next Gen initiative leverages Wipro HOLMES™, our Cognitive Intelligence Platform and other Automation Tools to drive significant productivity gain and to offer customer shorter life cycle. The initiative brought on Automation and Autonomous Intelligence to multiple areas in Infrastructure Operations has delivered productivity gains between 25% and 35%. We have rolled out Next Gen Delivery across 93 Accounts during this fiscal year, releasing close to about 4,300 employees. We met our productivity targets and retrained same employees and redeployed them in newer technology areas. Customer Satisfaction remains core to all our effort and a steady improvement in feedback scores. Our latest survey which is administered by a third-party went up 1% on a sequential basis. From employee perspective we remain engaged across all levers as we drive initiatives across the broader organization. Our Employee Perception Survey in 2015 shows that our employee engagement levels have enhanced since the last engagement survey that we had in 2013. Attrition has remained in a narrow band with a decline of 0.5% in quarterly annualized attrition.

As you are aware, Abid will take over from me as a CEO on 1st of February this year. Abid brings some very unique skills to the table especially around core execution which is where I think the focus of the company has to be in the future. I wish Abid and the management team all the best. As far as I am concerned I would like to thank each one of you for all the support you have given me over the years.

I will request Abid to speak a few words after which Jatin will speak about the financials in more detail.

Abidali Z. Neemuchwala: Thank you, T.K. A Very Happy New Year and Good Day To All Of You. It is an incredible honor and privilege to lead Wipro. It is a responsibility I carry with pride and a strong sense of purpose to drive industry leadership in vision and growth. I am very excited by the depth of leadership I have inherited and the strength in terms of the strategic foundation of the company across some of the differentiators which is technology, engineering, innovation, the pioneering spirit and the spirit of Wipro. I think all of these put us at a cusp of an opportunity as the technology world fundamentally transforms itself. I look forward to an ongoing interaction with you. As we put together our strategy and our execution plan going forward, I would love to give you a little more insights on that.

I will now request Jatin to walk through the financials in more detail.

Jatin Dalal: Thank you, Abid. Good Day, Ladies and Gentlemen. It is as always a pleasure to speak to you this morning.

Before I speak on the Financial Performance for the quarter, kindly note that for the convenience of our readers, our IFRS financial statements released today have been translated into dollars at the noon buying rate in New York City on December 31, 2015 for cable transfer in Indian rupees as certified by the Federal Reserve Board of New York. This was $1 equal to Rs.66.19. Accordingly, our Q3 revenues of IT Services segments that was $1838.3 million or in rupee terms INR 123.1 billion appears in our earning release as $1861 million based on this convenient translation.

Now, let me talk about the numbers: Wipro Limited gross revenues for the quarter ended December 31st 2015 grew by 7% year-on-year and was at Rs.128.6 billion. Net income for the quarter was Rs.22.3 billion which was an increase of 2% year-on-year. For IT Services segment, revenues grew by 1.4% in constant currency which was within our guidance range given in the beginning of Q3 as well as the expectation that was communicated in December post Chennai event. Revenues in US dollar terms for the quarter was $1838.3 million, a sequential growth of 0.3% on a reported basis and 1.4% on a constant currency basis. Impact on revenues from the Chennai floods was significantly minimized by exceptionally strong execution through our robust business continuity plans. Margins in IT Services segment for Q3 was 20.2% which was 0.5% lower than the margins in Q2. The net gain from the currency was offset by the investment in additional capacity in form of reduced utilization that we made in Q3. The impact of Chennai floods on revenue and cost largely drove the delta between the margin of Q2 and Q3. In IT Products segment, we delivered revenue of Rs.6.5 billion which was a growth of 19% sequentially. Yet, lower than planned revenues and certain provisionings in India and Middle East segment impacted our margins for the segment.

Now, let me talk about forex and Tax: On forex front, our realized rate for Q3 was Rs.66.99 versus a rate of Rs.65.74 that we realized in Q2. As at the period end, we had $2.3 billion of forex derivative contracts as hedges excluding capital hedges. The effective tax rate for Q3 was slightly lower at 21.8% as against 22.4% that we reported in Q2. This was largely due to closure of assessments in foreign jurisdictions.

Now, lastly but let me talk about Cash Flow: We are very pleased with the cash generation during the quarter; we generated operating cash flow of Rs.21.8 billion for the quarter which was 97.7% of net income and free cash flow of Rs.21 billion which was 94.1% of net income. This better cash flow performance was driven by improvement in collection and consequent reduction of days of sales outstanding. Net cash available as at the December end was Rs.208 billion or $3.1 billion.

Let me now talk about the Dividend: As you are aware and you have noticed in our press release, the Board has approved an interim dividend of Rs.5 per share; this interim dividend of Rs.5 is in line with the interim dividend that we paid in Fiscal ’14-15.

We will be happy to take questions from here. Operator, you may open the lines now. Thank you.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. Our first question is from the line of Yogesh Agarwal of HSBC. Please go ahead.

Yogesh Agarwal: Just have one question for Abid if I may. It seems hunting is doing pretty well at Wipro, it is just the mining which has been leading to the underperformance. So, Abid, based on your last few months, do you think it is to do with the account management process or are there gaps in the service portfolio which you need to fix because that may take a bit longer, I assume?

Abidali Z. Neemuchwala: I think mining has been analyzed quite a lot and there are a few different aspects; one, as you are already aware, the level of annuity business in the Application Management space that we have has been traditionally lower than our peers and that enables account mining especially in the Applications area because most of the Infrastructure and other areas are large deal based whereas the mining that happens on the Application side is based on demand creation and fulfillment as requirements come up. The second part that you rightly mentioned is a lot of work has been going in the area of account management and we have transformed a large number of our client partners. We believe in some of the accounts we now have a very strong account leadership team including domain experts, relationship managers and people who are able to consultatively sell. We need to continuously work on it and this continues to be remain an area of priority for me.

T.K. Kurien: Yogesh, if I can just add one more thing; if you look at the performance up to Q3 while the numbers do not show everything, there are a couple of facts that we must look at; if you look at the $100 million accounts that have dropped, a year ago in our top-11 accounts, we had 4 accounts from Energy and Utilities, that this quarter is down to 1. So there has been a change in the portfolio itself because Energy and Utilities have really taken a hit. And then what has happened is if you look at the top-5 accounts, have grown by roughly about 9%. Now, there is a lot of work to do. Frankly, from my perspective Abid is the right person to do it because Abid brings tremendous execution focus and this is one of his strengths.

Moderator: Thank you. The next question is from the line of Anantha Narayan of Credit Suisse. Please go ahead.

Anantha Narayan: One question to Abid; you have been with Wipro for a while now. So going forward should we expect any significant changes in strategy or it will be more business as usual?

Abidali Z Neemuchwala: As you rightly mentioned, I have been here for about 9-months and some of the things both from a strategic perspective as well as on execution, we have been driving certain strategic initiatives which will continue. Obviously, as I have announced my organization, I have brought higher level of strategic focus towards intellectual property creation, integrated solutions and stacks and we now have G.K. Prasanna leading that entire area where we believe we can differentiate in the market and if you look at some of our M&A that we recently announced, one of them is a Platform-based Business Process As A Service available on the Cloud in the capital markets space. So you will see staying the course on the strategy that we have outlined and ongoing fine-tuning of the strategy in areas that are relevant to our customers and to the market, leveraging on some of the foundational strengths that Wipro already has and you will see a very high level of execution focus on the stated strategy.

Anantha Narayan: One follow-up on that; we have lost a couple of senior folks in the last two or three months. Is that potential sort of senior management churns something that is worrying you or not really?

Abidali Z. Neemuchwala: I think I have inherited a very deep leadership bench, they have an excellent team, which we altogether as the top management of Wipro feel very comfortable with each other. So that does not worry me. Obviously, any loss is sad, but if you notice we have been able to replace from within and immediately announced. Jeff, took over the HLS business as well as Anil Jain who over the Communications business. So I do not see an impact from a leadership change perspective.

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

Sandeep Muthangi: I have two questions; one on Infra and other one on the Pricing Situation. On the Infra Services the commentary so far has been quite good- the traction is good, momentum is good and stuff like that. But the growth rates have come off sharply compared to last year. I wanted to see if this is because of the nature of the business changing or the deals getting more complex or the transition times increasing. Any color on that would be great?

Abidali Z. Neemuchwala: Yes, it is both the things; one of the things is that the fundamental nature of the Infrastructure Services business as you know is changing, it is becoming more and as a service utility based business, Cloud is fundamentally transforming that entire business, what we would call as "Software-Defined Everything" is coming into play. So there has been a shift in the market. The good news is we are investing ahead in all of these areas; as you know, we are able to provide Cloud Services because we have had a data center and we have partnerships with all the major Cloud providers. We have developed a very good offering and we have piloted on a couple of very large significant customers who actually went live on Infrastructure as a Service, and in this holiday season record volume of transactions were processed on that customer completely on a utility basis. So I feel very excited about our Infrastructure as a Service offering, and we have invested heavily in partnerships across the ecosystem on the software-defined data centers and we created in-house capability along with our partners to be able to transform our clients' infrastructure. So if you look at Q3, we have had a very good run on the Infrastructure space where we announced some very large deal wins and all of these deal wins are transformative in nature, incorporating some of the things that I just mentioned. So, as you rightly said while the Infrastructure business has been transforming and we saw a couple of quarters of lull in deals which also resulted in some of the growth numbers that you see, but I feel very upbeat about our Infrastructure Services practice going forward.

Sandeep Muthangi: The second question was on the large deals and the commentary across the place and industry has been quite consistent that there is a lot of pricing pressure in these large deals. I want to get your thoughts on how much of it can be offset by the Automation initiatives that you have? When you are looking at these large deals in Automation, what is the kind of Automation levels you are building in? Are you building 5%, 10% lower resources in these projects compared to what you are doing now or is it something lot more than 10% lower resources?

T.K. Kurien: If you look at last year we did two things; #1 is that we started an initiative called the Next Gen Initiative where basically we went after all the fixed price deals that we had on Infrastructure, and on Applications, and we said, using HOLMES, our Cognitive Intelligence Platform as the backbone, how do we make sure we are able to reduce headcount significantly. The good news is that we have been able to take out roughly about 4300 people from our base, which is pretty significant and that will continue to go on because as we expand the depth of Automation we believe there is significant head space to do more of it. Now, obviously from a pricing perspective…I am not going to tell you on a call whether it is 5% or 10% because that way I will be giving away my pricing but fundamentally the objective would be to make sure that we are able to drive Automation which is significantly ahead of market. That is #1.

#2 is there is a very subtle change taking place in the technology space itself. Our view is that Infrastructure especially with Cloud is going to go through significant levels of disruption. The focus is going to move from heavy lifting to user experience and the ability to, kind of, provision workloads on the fly, which means that the architecture that we use for Infrastructure has to be very different from what we have been used to in the past. So that is why if you look at it we brought that whole thing under Mr. Bhanumurthy who is our Chief Operating Officer, who today run Infrastructure along with Application, because the integrated stack is what people are going to buy and when Abid made the opening statement, Abid is very clear about it that this is going to be a critical part of his focus getting the integrated stack to work effectively.

Jatin Dalal: Sandeep, this is Jatin. I will just sort of add a color more financially. Yes, there is a pressure in the marketplace but you heard T.K. talk about some of the initiatives that we are taking. The whole philosophy is to create a multiplier effect by putting IT and Application together, multiplying the impact of productivity Lean, Six Sigma and Automation together. So eventually when we execute some of this deal, we should be able to operate at a far healthier margin than what we are able to see when we put the initial proposal.

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

Ravi Menon: I had a couple of questions. Since you have been here, are there any parts of the portfolio where you think that you are significantly ahead of the peer group and which parts of the portfolio do you think you will need some more work to achieve your goal of at least being in line with the industry or ahead of the industry?

Abidali Z. Neemuchwala: From a verticals perspective when I look at it we have a very strong vertical and energy and utility, as you are aware we have a very strong communications vertical, we do pretty well in our manufacturing and technology vertical, we have an opportunity to gain more clients as a percentage of our total revenue in the banking, financial services and insurance vertical and those are the areas I would obviously focus on. But more importantly also my strategic focus would be to leverage on our strength, going forward, while we try to bridge the white space that we have in our portfolio. Similarly on service lines, I think we have the world's leading global infrastructure services practice, our security practice, our testing practice, our product engineering services which again becomes very unique, our digital practice where if you look at what we have done in digital is quite unique bringing in creativity and design which becomes prime in terms of user experience. So those are the areas definitely I feel pretty good about and we will continue to invest. From a markets perspective, I think we can do more in some of the new growth markets, especially Latin America we have made some early moves over there, Continental Europe as you have been hearing we have been strengthening but there have been ecosystem issues there and cross currency has been quite so you would not see it in the numbers right now, we are continuing to increase our focus in Australia and Japan. As you know we are very strong in the India and the Middle East market which is we are the leaders in that space where we will continue to focus and US and UK will continue to lead us from a markets perspective. So I hope you get a color on across all the three dimensions.

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

Sandeep Agarwal: I have just one or two question and I do not want a specific number or a specific answer but a broad view. So Abid, if you see our FY16 numbers looks like a 3.5%-4% dollar growth, I understand that there is a huge cross currency impact, but even if you take that maybe we are at 8%, 8.5%. So I just want to know a couple of things, what is that will take us to at least double-digit growth in future and will it be okay to call this year as a bottom of our numbers because as TK rightly mentioned that four out of our top 11 clients were energy and so we have taken a hit in the energy side. Even on the Middle East side I am sure that we would have taken some hit by now given the changes in the IMF also. So will it be fair to call that all our pain points have kind of bottomed out or at least you are seeing early signs of some kind of revival there? Are we too far from the double-digit growth, at least we do not know what will be the industry growth range now given the circumstances, but can you please throw some light on this.

Abidali Z. Neemuchwala: As you would imagine, I am occupied with exactly addressing this issue, I think we do not like the growth numbers that we have right now and we definitely have the opportunity to execute on a better growth including our environment, but as you also know there are areas which are our strength, as I said energy and utility is an area of great strength and we are also quite exposed to that area and we have still not seen the bottom, if you look at it from an oil prices perspective. So there is a level of uncertainty over there but I think we have multiple levers across our portfolio and the idea would be to diversify our portfolio so that while there will be business cycles in verticals, in geographies or in specific services, but still we would be able to deliver growth and that will be my endeavor from a strategic perspective.

Moderator: Thank you. Our next question is from the line of Nitin Mohta of Macquarie. Please go ahead.

Nitin Mohta: I had two questions, first for Abid. Can you share some experience on the past nine months, what kind of execution challenges you saw at Wipro and how do you plan to settle them, what kind of a tailwind would they provide for growth or margin improvements?

Abidali Z. Neemuchwala: Let me talk about the strengths that I found at Wipro and then allude to some of the things that you are interested in. So one is, Wipro has always been a very engineering, technology centric organization and it has maintained that strength over the years. There is a high level of pioneering spirit in the number of businesses that Wipro has been and that kind of almost makes us look like a start-up, and again, very relevant in the current technology environment. Wipro has the strength as part of innovation, both intellectual property and R&D, and some very leading edge technologies, but more importantly we are able to leverage our balance sheet in terms of the corporate venture capital fund and we have made some very strategic investment. We have been relatively aggressive in making M&A bets and that has been our strength in terms of acquiring and integrating those acquisitions. So seeing that I think that there is a huge potential, I think the area where we need to do better and I have been working over the past nine months is simplifying our organization structure which to a great extent has been accomplished and as I have announced a new structure which is line with the realigned expectation that we have and the whole idea of simplifications is to be able to increase the velocity of our responsiveness to our customers and to our employees. And I already see some green shoots in those areas where we have been able to respond faster to our customers needs and be more agile as an organization because the technology cycles which used to run for about five to seven years in the past are shrinking to four to two years I would say, and hence the ability to be nimble and almost like a start-up to be able to transform ourselves and help our customers transform at speed is key. I would not say that part is complete but we have started on that and I am seeing some great results, given a very good understanding of what we need to do differently and a large amount of buy-in and support from the leadership team that I have inherited makes me very comfortable that we have a common agenda, common purpose to be able to execute on what we put together as our strategic priorities.

Nitin Mohta: And second one, TK if I can check with you, earlier in the day you commented about IT outlook being flat to marginally negative, so if I can understand this negativity is just related to reduction in pricing on ramp-up business or are you seeing some freeze on overall spend as well?

T K Kurien: Here is what we see, which every customer we have spoken to till now has asked and this is rampant a little on in the budget cycle for us to actually comment with any degree of certainty, but what we are seeing is that the RUN budgets are under pressure. And we typically see people taking cost out of the RUN budget which typically means that increased pressure not on ticket prices but on the overall deal values and that is something that I expect that we will see during the year. The second part of it is that the budgets themselves are being reallocated to a couple of areas, broadly two areas, and I would not talk about industry specific areas because when you go into financial services like compliance-is an area of big spend, but if you look at broadly two areas I would say security we are seeing significant reallocation into and we are also seeing significant reallocation into Digital. Digital, more in terms of front to back simplification, that is where the real focus is coming in. So both these areas I see opportunities, but yes purely from a run budget perspective we see increasing pressure in terms of both deal sizes as well as in terms of the overall value of every deal.

Moderator: Thank you. Our next question is from the line of Nitin Padmanabhan of Investec. Please go ahead.

Nitin Padmanabhan: TK, just a question for you. In the last quarter specifically you had mentioned about how the declines in the top clients would actually come back in the new year and we actually see that actually picking up this quarter. You had also mentioned about how you had won a large energy consolidation and that should actually drive growth. Now if I just look at the numbers it looks like there have been some declines out of Europe and energy and even the top two to five clients, do you think that, one, that energy which lost close to $200 million last year should actually drive growth going into the next because of all the consolidation wins? And two, do you think that from a BFSI perspective it has been a little weak this quarter, do you see that sort of improving going forward?

T K Kurien: So let me answer the question in two parts. I think in terms of the top accounts, while we have seen one quarter of improvement, I expect to see some pain continuing for at least another quarter as far as that top customer is concerned but it will come back long-term. The second part is with regard to energy and utility, frankly, sitting where we are and where we were three months ago we never thought of $30 barrel of oil was ever possible, now it has past $30 it has gotten down to $29. But having said that, we have won one more consolidation deal with a very large oil major, one of the super majors where today we own roughly about 85% of the technology real-estate. So once those kind of customers start kicking in as long as their capital budgets start, we seem to be in a very good position to get back our growth. Today the uncertainty that we have and we expect that it will continue would be the fact that most oil companies today are cutting cost rather than even investing in anything new from a capex perspective. So discretionary budget is really a big concern. So while you can sit on real-estate and if people in the real-estate do not spend any money, fundamentally you are sitting on fallow land and I think that is the concern that we have. So to answer your question, really calling energy out today I think it needs a very brave man to call that out and I would not be in a position to do that.

Nitin Padmanabhan: The second thing was, if you could give some color from a margin perspective, one is that if you look at over the last year you had saved some 4,000-odd resources due to automation, one, do you think that this savings on automation is largely going through in terms of trying to win new deals and thereby it is passed on to clients to really drive higher wins? Two, how do you see margins roughly going forward?

T K Kurien: So first is let me give you a sense of what happened last quarter, I think it is important for you to kind of understand the fact that we have managed through automation, we have been able to talk out 4,300 people, that is a fresh statement, that is factual statement. But if you look at our utilization, our utilization last quarter versus this quarter has dropped by roughly about 3 percentage points. So fundamentally what has happened is that the people who have come out of the automation projects have gone on to the bench, they are right now going through a retraining cycle, as they complete the retraining cycle you would find the utilization actually improving. Near term, I think we have opportunities in terms of improving our margin from where it was last quarter because last quarter it has also been to some extent vitiated by the issue that we have had in Chennai. So quarter four, again like I said we have opportunities to improve it but actually if you look at the long to medium term and Abid and me have kind of clearly discussed this, we do not believe that is important for us to kind of sacrifice long-term for short-term, because the minute you do that then you will be under pressure, there is a significant level of investment that is going to come in both in our infrastructure management space as well as on the digital space as well as in terms of driving automation, to that extent we will not be wary about making those investments.

Moderator: Thank you. Our next question is from the line of Ankur Rudra of CLSA. Please go ahead.

Ankur Rudra: Just a couple of questions, firstly Abid could you perhaps elaborate on how the new integrated solution stacks and the new org structure will help you improve or enhance execution going forward, particularly maybe with the sense to the client issues broadly not just portfolio issues? Thanks.

Abidali Z. Neemuchwala: So let me explain, what we have done. I have created a separate unit called MIT which has all the strategic market facing functions, it has the innovation and all the technology functions that we have. What it enables us to do is provide a place where we are able to strategically develop intellectual property and do product engineering for all of the IP that we need to develop. So the IP will get developed from a functional perspective across our verticals, across our technology practices but this unit will be the central unit which will govern all of that IP development and more importantly enable the monetization of that IP in a non-linear model, now that could be a standalone IP, that could be embedded in our services which is what our larger objective would be and in a lot of cases it would be products that we are able to provide to our customer, so it will work on all of these areas. Also, the Wipro HOLMES™ platform and our robotics automation platforms kind of get integrated into this unit so that it is able to drive better industrialization of our delivery process internally. So all of these aspects which are related to Wipro's internal IP will be done by this unit. Also, it will extent the ecosystem into educational institutions and some of the venture capital investments that we do in start-up organizations and the innovation ecosystem to be able to channel all of that innovation through our business units into our customers.

Ankur Rudra: Sir I was wondering how does this link back to account mining because perhaps that is the biggest execution challenge the company has faced in the last three four years, I was wondering if you could help us bridge that gap? I understand you are investing a lot in terms of monetization of HOLMES, automation which will differentiate it, but on the execution side is that the main strategy?

Abidali Z. Neemuchwala: So on the client mining side Ankur, as you know I have been here for about nine months already so what I announced recently as the structure under me as CEO. Before that we had also announced what we internally call as DRIVE or I would call it as delivery realignment which went alive in the month of October which primarily enables the higher level of client mining which essentially what we have done is, for all those technologies which are fundamentally transforming the business application services and analytics kind of technologies which going into the future will all become part of the digital have been moved into the verticals and into the accounts so that the accounts can drive the technology transformation of the talent which is relevant to each one of our individual account. So what we have done is, clearly the high amount of account focus within how we are organized and how we take certain decisions on talent and investment. Again, part of the simplification that we did is we have driven a high level of budget based empowerment to these account teams so that they have an investment budget for the customer and they are able to do the right thing which is relevant for the customer. Some of these initiatives have started showing early results where we are more agile, more nimble footed, we are able to respond to customer needs faster and essentially one of the important aspects amongst many others is the ability of the front line team on the ground to respond to customer needs in existing accounts which enables us to mine accounts better. There are a few other things that we have done in terms of strengthening our domain consulting practice so that we are able to create demand and do more consultative selling, we have been historically very strong in what I would call as demand capture or hunting when there is a deal or an RFP, but mining is an ongoing sales activity that happens and that requires slightly different set of skills and processes and some of those things have been done. So I would say partly these are being addressed by the structure, partly it is being addressed by the simplification of the structure and ensuring that there is a continuum between sales and delivery, there is empowerment and accountability at the frontline so that we are able to improve the speed of our responsiveness to our clients as an organization.

Ankur Rudra: Just one quick second question, I noticed a lot of after As-A-Service deals among the large deals announcements this time, I was wondering how does this impact going forward, perhaps your revenue recognition will we see slower revenue growth as you transition to this as part of your large deals, will it change the nature of investments on the balance sheet and margins, especially as the new models ramp up compared to the traditional model?

Abidali Z. Neemuchwala: So the financials answers I will let Jatin give but let me tell you that this is a strategic change we are trying to be ahead of the curve in the industry because the customers' buying and consumption pattern is moving towards As-A-Service and I believe that the organizations who will internally align themselves better to be able to deliver As-A-Service model, whether it is Infrastructure-As-A-Service, whether it is Application-As-A-Service or whether it is Business Process-As-A-Service will lead in the future and we are seeing some good uptick as you rightly observed from our customers. There is a lot of work happening internally to do that in terms of financials, in terms of how we deliver, how we deploy our people, how we deploy our intellectual property, how we deploy partner assets and intellectual property. So a lot of transformation internally is going on, as I said it is being lead by the MIT organization that we have just formed. I am sure there are impacts from a financial accounting perspective which I will let Jatin cover.

T K Kurien: So before that, before Jatin gets into it, I think that is a very important question that you have asked which is about the balance sheet exposure. I think one of the things that we have to do as the model changes is to make sure that we do not carry balance sheet exposure upward as a service until and unless scalable across different services. So we have a fairly good view of what we can scale in terms of core infrastructure investments across different businesses and what are going to be specific product businesses. We have a risk management process in the back where anything that is specific we kind of back and downsell that back to our partners and whatever is common we invest it, I think that primarily the approach we are taking. Jatin can add a little more to it.

Jatin Dalal: Ankur, nothing more but just to reiterate what TK just mentioned that we will capture the upside and the market opportunity of As-A-Service - the opportunity that it provides, but we will remain very balanced vis-à-vis how do we manage the risk in the entire value system, some risk would be on balance sheet but probably that would be very-very minimal and where we are confident that that would be used across customers and the risk would be in the ecosystem of technology providers that we work with.

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

Diviya Nagarajan: My question is quite partly related to what we have been discussing so far, we have gone through the key strengths in the business, we have gone through the areas that we have to address. What are the first three steps that you think that you are going to put in and if I have to look at the next 12 months which are the three key areas that you would be focusing your attention on? That's one. And second, you did give us an interesting number of 4,300 people whose jobs have been released due to automation, but I do notice and that is a trend that we have seen for your competitors as well that despite the increasing automation trends headcount addition seems to be only going up, I am trying to reconcile those two facts. Thank you.

Abidali Z. Neemuchwala: So let me answer your second question first and then I will take the first question. So while there is ongoing productivity, if you look at the new deal that comes in, those new deals come in at the new productivity benchmark in terms of how we estimate that gets delivered. So while you will see a lot of productivity that we take out from our existing portfolio, on an ongoing basis that also helps us to not only conserve and improve our margins but also helps us to price more competitively in the industry. On the top priorities, I think while this transition is important but as you know since I have come in here some of the initiatives that have been kicked off need to be taken to a logical conclusion because they are still in process. Apart from that, some of the top two or three things that we are embarking on is, one is on the sales transformation, on the front end a lot of things that I mentioned need a level of a transformation of our sales teams and we have initiated a very focused program on that to help our frontlines teams to be able to sell and deliver in the new model. Also, we are looking at the areas of consulting and how we are able to transform, consulting I mean some of the work has been started already and soon we will be giving a little more details around it so that we can enhance our ability to consultatively sell and create demand within our existing clients. Obviously an ongoing focus on industrialization of our service delivery and flawless execution using Wipro HOLMES™ and some of the robotics that we have developed to be able to continue to maintain operational excellence and our cost of delivery in line with the market requirements.

Jatin Dalal: I just wanted to add to a comment which was made a little earlier in the call where we had said that quarterly revenues from E&U customers moved from 4 to 2, in fact they have moved from 4 to 3 but their relative positions within the top 10 have changed in the manner that does not take away the essence of the message which was given earlier.

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

Sandeep Shah: Just in terms of the large deal wins which have been improving especially in the infrastructure management services but at the same time when we look into the organic growth guidance for the fourth quarter it looks tepid and we do agree that the large deal wins take time in terms of the ramp up. So is it fair to say that this time with more large deals in the kitty the first cue of the next financial year would be better versus seasonally a weak quarter for Wipro which actually leads to a slow start and a slow growth in the full year. So is it fair to say that this time it would be different entering into FY17?

Jatin Dalal: So Sandeep what will be fair to say is that we give quarterly guidance and therefore I would not hazard a guess for quarter one as we speak, but yes the deal wins are real and that does give us confidence to us about our future.

Sandeep Shah: Jatin is it fair to say that the seasonality which is impacting 4Q every financial year is getting behind entering into FY17?

Jatin Dalal: Well, I think it will be behind when it really is behind us. So I would not probably try and estimate it now, we will comeback with our outlook for future at the end of quarter four and hopefully we will have more solid and accurate answer for this, right now we will want to remain focused and executing that quarter four very well.

Sandeep Shah: Just last question Abid, with due respect to the portfolio issues which Wipro had because of the issues in the macro especially in the energy as a whole, do you believe that the main reason for the underperforming growth of Wipro was largely due to the delivery issue or maybe due to the sales issue? And if both are there what all two or three things you would like to do when you take over as a control and will you believe that that would require a some bit of a transition period before those measures will start producing results?

Abidali Z. Neemuchwala: So let me clarify that I think our customer satisfaction as TK mentioned in his opening remarks is at all time high and we have a set of customers where we have trusted relationships with them, our execution has been very good with our customers and in fact we have done some very path breaking transformations on time within budget for our customers so I do not see delivery as an issue at all. As you also know, since we have been very successful in hunting, we have had some challenges in mining but at an overall level I would not put it as a sales issue as well. I think I did allude to some of the areas where we need to work and where I would be focusing, and as we develop the strategy and the execution plans in more detail I would be happy to share them in due course of time.

Sandeep Shah: Just last thing, clarification, those measures when they are under the implementation, will you believe that it will impact the growth momentum or you believe that both will go hand in hand?

Abidali Z. Neemuchwala: I believe it will accelerate the growth momentum.

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

Aravind Viswanathan: Thanks Inba. Thank you all for joining the call. In case we could not take any questions due to time constraints, please free to reach out to us. Have a nice day.

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