Wipro Limited

Q4 FY16 Earnings Conference Call

April 20, 2016

Edited Transcript

MANAGEMENT:

MR. ABIDALI Z. NEEMUCHWALA – CEO & MEMBER OF THE BOARD
MR. JATIN DALAL – SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER
MR. SAURABH GOVIL – PRESIDENT & CHIEF HUMAN RESOURCES OFFICER
MR. ARAVIND VISWANATHAN, CORPORATE TREASURER

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Wipro Limited Earning 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 phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Aravind Viswanathan. Thank you and over to you, sir.

Aravind Viswanathan: Thank you, Karuna. A Warm Welcome to our Q4FY16 Earnings Call. We will begin the call with Business Highlights and Overview by Abid – Chief Executive Officer and Member of the Board, followed by the Financial Overview by our CFO – Jatin Dalal; afterwards the operator will open the bridge for Q&A with our management team.

Before Abid 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 transcript will be available on our website.

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

Abidali Z. Neemuchwala: Thank you, Aravind. Good Morning and Good Evening. Today is the first opportunity for me to interact with all of you since I have taken over as the Chief Executive Officer of Wipro and it is a special moment for me.

While I will speak about the performance of our full quarter and the full fiscal year, I thought I will take this opportunity to begin by speaking about our ambition, our strategy and how we are going to execute the strategy. Since the announcement of my appointment as CEO, within the two days, I was able to define and announce my organizational structure and I had already preselected my leadership team, which I announced on 6th of January, effective February 1. Over the past 80-days after I have taken over as CEO, I have had the opportunity to go around the globe and meet about 70 of our top-100 clients and both with my leadership team and with the customers I have had the opportunity to validate the strategy that we have been working on and this gives us a high level of confidence on the relevance of our overall strategy. Our ambition is to double our revenues to $15 billion by fiscal 2020 with a 23% operating margin. As you clearly realize, this is an ambitious target and the entire team is very motivated and committed to achieve this. The core leadership team has collectively laid out the ambition. Over the past about 100-days after we talked about the ambition, the team as well as individual units have worked on the corporate and the individual unit strategies, aligned to this overall ambition. We have also broken down key themes which we need to drive to be able to meet our ambition. Each of these themes have detailed measurable performance markers--both input markers and output markers. I will update you on our progress on these themes on a periodic basis.

There are six broad themes on which we anchor our efforts to realize our ambition. Let me share them with you: The First Theme is about Digital: Our vision of the Digital business is across Advisory, Design and Technology Execution. It is about securing the mind share of the customers and helping them think through their Digital strategy and then execute on that strategy. We believe Consultative selling across domain and technology is critical to the advisory offering in Digital, which along with design for consumer experience and the technology pillars form a holistic Digital Transformation strategy. With this in view, we have aligned our Consulting Services with the Digital unit to further boost the capability of the Digital unit. Our acquisitions of Designit has integrated well with our Digital unit and we are seeing a number of synergy deals where we are able to provide Advisory and Design Services to our clients. Our clients are beginning to see benefit of design and engineering working together to deliver remarkable consumer experiences at speed and at scale. The synergy teams going to market has seen good traction in the market and we have won seven deals in Digital in this quarter. We have been able to train over 10,000 people in the last fiscal year and this year we plan to train 20,000 people who can execute on digital technologies for our customers. We have opened Digital Pods in London, New York and other cities where we are able to define customer journeys and drive innovation along with clients. We will track progress on this theme on a quarter-on-quarter basis and I will keep giving you periodic updates.

The Second Theme is on Client Mining: Enterprises are looking for the right partner in helping them with consumption model or As-A-Service model based on business outcome. We have set up an Integrated Services unit with the mandate of integrating our technology service lines and being able to provide proactive proposals across our customer base. We have launched a program for delivery leadership transformation called ADROIT. This is designed for delivery managers and we are going to cover 1,000 delivery managers by the end of this calendar year to help them enable delivery-led sales and Next-Gen delivery within our key clients.

The Third Theme is around the Markets. We are continuing to focus on the new growth markets and our Latin America, Canada, South Africa as well as Continental Europe teams are now in place. We are also driving a higher level of localization in all our key markets. In Continental Europe, we acquired local presence through the Cellent acquisition. In the US, we are setting up local delivery centers; the first center in Mountain View is already set up where we are hiring technology and engineering skills to be able to deliver Product Engineering Services and Digital Service lines. We are investing in centers in our key growth markets like Latin America, Africa and other parts of the world. We expect the percentage of locals in our workforce to increase and diversity is a key strategic priority as part of our globalization.

The Fourth Theme is Non-Linearity: We have a significant thrust to drive non-linearity through investments and intellectual property in the form of products, platforms and frameworks and solutions. Wipro HOLMES™ continues to receive strong adoption with 18 engagements across diverse industry segments. In each industry segment, we are creating use cases based on the Wipro HOLMES™ platform which essentially provides augmented or Artificial Intelligence and Cognitive capabilities. In Q4 alone, we have kicked off six new pilots with customers. One of the new engagements is a capability to read engineering drawings, just to give you some color in terms of what are the possibilities. These engineering drawings can be leveraged to extract product information and convert into meta data that can be used for digital printing. We are piloting this with a global leader in parts manufacturing. During Q4, we have filed 24 new patents on Wipro HOLMES™ alone and initiated two new research programs in collaboration with leading universities. Overall during the financial year we have almost doubled the number of patents and we have filed 514 patents across about nine jurisdictions.

The Fifth Theme is Hyper-Automation. Hyper-Automation is an initiative to drive not only delivery productivity, but also a new way of how work is done leveraging cognitive and robotic process automation and drastically changing the traditional IT delivery model. Last year, we focused on POCs across 42 clients. This year we are scaling up the roll out across these clients, primarily in the areas of IT Infrastructure and Application Managed Services and Business Process Services. We plan to release about 4,500 people on our Managed Services engagement through the Automation throughout this fiscal year.

The Sixth Theme that I want to share with you is about Leveraging the Partner Ecosystem which we believe is the key enabler to building capability and scale in Digital as well as in all the other areas of strategic importance. The Ecosystem consists of start-ups, alliances, academic relationships and strategic partnerships. As you are aware, we have an active and consistent M&A strategy, targeted towards filling capability and market access gaps. We announced four acquisitions this year and the integration of these acquisitions are going well. Out of the four strategic deals that we have announced this quarter, one comes as a synergy deal from one of these acquisitions. We launched Wipro Ventures last year and it has seen strong traction and good client acceptance. We have made six investments with spend of $20 million in FY'16. These are in the areas of Big Data & Analytics, Artificial Intelligence, Internet of Things and Cyber Security. These technologies are those which are reshaping the future of enterprises. We will continue to enhance our 360 degree alliance with the key technology companies from a perspective of strategic alliance partners and joint Go-to-Market programs.

Let me now briefly speak about the Quarter and the Year-ending March 31, 2016: In terms of Financial Numbers, our sequential growth is 2.7% in constant currency. On a full year basis, we grew 7.6%. From a business unit perspective, our Consumer business unit and Healthcare and Life Sciences business unit did well with full year growth of 15.7% and 11.6% on a constant currency basis respectively. From a geo perspective, the US geography as well as the India & Middle East business did well. From a service line perspective, our Product Engineering Services continues to show consistent performance with a full year growth of 14.7% on the back of Internet-of-Things and other services that we provide. The Global Infrastructure Services continues to see large deal traction and deal wins and delivered 8.2% growth for the full year. Overall, we find the demand environment to be stable. While overall increase to IT spends is minimal, with client enterprises there is a reallocation of technology budget from the Run side to the Change side with a lot of velocity. In this transition, we have been successfully transferring our services to our clients from the Run to Change side and that is where we are strategically focused in all of our key accounts. With our integrated services focus, we are able to proactively help clients both drive efficiency in the Run side of their business and help them transfer the savings to do transformational digital activity in the Change side of their business.

To conclude, I would like to say that I feel quite comfortable with the leadership team in terms of executing on the strategy and the themes that I have outlined.

I will now request Jatin to speak about the "Financials" in a little more detail.

Jatin Dalal: Thank you, Abid. Good Day, Ladies and Gentlemen. As always, it is a pleasure to speak to you all. Before I speak on the Financial Performance for the Quarter and the Year, kindly note that for the convenience of our readers, our IFRS financial statement released today have been translated into dollars at noon buying rates in New York City on March 31st, 2016 for cable transfer in Indian rupees as certified by the Federal Reserve Board of New York. This was $1 equal to INR66.25. Accordingly, Q4 revenues of our IT Services segment that was $1882.0 million or in rupee terms INR128.0 billion appears in our earnings release as $1,932 million based on this convenience translation.

Let me now talk about Wipro Limited first: Gross revenues for the year-ended March 31st 2016 grew by 9% year-on-year at Rs.512.4 billion; net income for the year was Rs.88.9 billion, an increase of 3% year-on-year. Gross revenues for the quarter-ended March 31st 2016 grew by 12% year-on-year at Rs.136.3 billion; net income for the quarter was Rs.22.4 billion.

Now, let me talk about our IT Services segment: Our revenues in US dollar terms were $7,346.3 million, a year-on-year growth of 7.6% in constant currency. IT Services revenue for the quarter grew by 2.7% in constant currency; this was in line with our guidance. Revenues in US dollar terms for the quarter was $1882.0 million, a sequential growth of 2.4% on a reported basis. Margins in IT Services segment was 20.1%, 10 basis points lower than margins on Q3. We managed to keep the margins almost flat in spite of the dilution that we had to take on account of investments in acquisitions we made through the course of Q4 and what we had spoken about during the announcement of those investments.

IT Products: In Q4, IT Products segment delivered revenues of Rs.9.6 billion or $145 million, which was a growth of 1.6% year-on-year. For the full year, the IT Products segment delivered revenues of Rs.29.7 billion, a reduction of 13%.

Let me talk about Forex and ETR: On the Forex front, our realized rate for Q4 was Rs.68.00 as against the rate of Rs.66.99 that we realized in Q3. As of the period end, we had about $2.8 billion of Forex derivative contract as hedges. The effective tax rate for Q4 was 22.7% and effective tax rate for fiscal '15-16 was 22.1% and this remains to be very competitive vis-à-vis the industry.

Cash Flow: For the quarter we generated operating cash flow of Rs.19.3 billion, which was 86% of our net income and free cash flow of Rs.14.3 billion which was 64% of our net income. For the full year, we generated an operating cash flow of Rs.78.9 billion which was 89% of our net income and free cash flow of Rs.65.7 billion which was 74% of our net income. Net cash available as at March 31st 2016 was Rs.176 billion or $2.7 billion.

Let me briefly talk about the Buyback: Board of Directors have approved a buyback proposal for the purchase by the company of up to 40 million shares from the shareholders of the company on a proportionate basis by way of a tender offer at a price of Rs.625/equity share aggregating up to Rs.25,000 million.

Let me talk about Dividend: The Board has recommended a final dividend of Re.1/share. The final dividend along with the interim dividend of Rs.5 will take the total dividend for the fiscal year 2015-16 to Rs.6. The final dividend when combined with interim dividend and aggregate amount of buyback approved translates into a payout ratio of 48% on the profit of fiscal '15-16.

Now, let me talk about the Outlook for Next Quarter: Our outlook for the quarter ending June 30th 2016, we have guided for a revenue growth in IT Services segment of 1-3% in constant currency. On margins, you may note that our Q1 margins will be impacted for annual merit salary increases that will be effected from 1st June as well as the impact on operating margin that will take as a result of our investments into acquisitions. The HealthPlan Services will be consolidated for full three months during Q1. Beginning in Q1FY17, we also intend to make a change in our segment reporting. The expense under the head of amortization of intangibles arising out of business combination is currently reported in reconciling item in the segment financials. Effective Q1 of fiscal '16-17 the same will be reported as part of the operating segment. This change is being made to reflect the effect of amortization expenses arising from intangibles acquired in a business combination on the operating margins in individual parts of our businesses.

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

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Anantha Narayan from Credit Suisse. Please go ahead.

Anantha Narayan: Abid, you lucidly laid out the six themes that you are focusing on. My question was, is there anything that is significantly different than what Wipro used to do before; can you just maybe detail that out for us?

Abidali Z. Neemuchwala: The focus on individual areas that I have brought out, supported by structure which clearly enables that focus and supported by investments to be able to execute on each one of these six themes is what we are more focused on going forward.

Anantha Narayan: Just to clarify; when you mean structure, do you mean the organizational structure?

Abidali Z. Neemuchwala: That is right, the organizational structure and the leadership team behind it, just to give you an example, one of the themes I talked about is non-linearity. We have created a new unit which drives non-linearity across all the aspects of non-linearity that I talked about, for example, the partner ecosystem that we talked about, we announced a partner strategic alliances organization headed by a senior e-bank leader which drives the partner ecosystem. I talked about Digital. We made organizational changes which I announced on January 6th which have now stabilized by moving our Consulting organization under Rajan Kohli who heads Digital and the Design and Consulting aspect completely now is within the Wipro Digital unit, which takes ownership of the Advisory and Design Services and the execution of Digital engagements.

Anantha Narayan: My second question was just on this quarter's numbers. So when we look at your guidance that you had given at the end of the previous quarter, obviously you would not have included HealthPlan. So in a way I guess you are a bit short about the guidance range that you had indicated at that point of time. So is there something not panned out the way you had anticipated then?

Jatin Dalal: So we had guided for 2-4% including acquisitions in Q4 and we have come within that range and we of course had certain changes for example, we are still awaiting the regulatory approval to conclude the Viteos acquisition and we hope to conclude that quickly. Of course, there are changes which happens in all parts of the world and all parts of our business and that also had a play. But, I would want to say that we had not broken that guidance any differently from organic or inorganic standpoint and we have come within the range of the guidance comfortably, in fact, when we concluded our HealthPlan Services acquisition, there we did not indicate any change in the guidance at that point too.

Moderator: Thank you. The next question is from the line of Moshe Katri from Sterne Agee. Please go ahead.

Moshe Katri: So Wipro has been going through this journey to achieve sector light growth for a couple of years now and based on what you have seen so far, can you give us some color when do you think we are going to get to that kind of movement, are we talking about a year or two years, any color here could kind of help?

Abidali Z. Neemuchwala: Obviously, while internally we have got very clear input markers and objectives on a quarter-on-quarter basis, as you will appreciate, Moshe, we are not sharing that right now in terms of the targets, but on a quarterly basis, I will be coming back and updating you on our execution of the strategy across all of these six themes that I have talked about. Especially when you talk about the sectors, we are seeing good traction as you see from the numbers as well as some of the big wins that we have had in the Consumer business, our Healthcare and Life Sciences business continues to deliver growth, we are seeing good traction in Manufacturing, part of the Manufacturing and Technology SBU but there is a softness on the technology or the Hi Tech piece of that business, Energy and Utilities continues to have headwinds, especially because of the uncertainty and the volatility of the gas prices which is not enabling customers to take decisions on discretionary spend on projects but we feel very good about that sector because we do have market leadership there and when the spend comes back we will have a disproportionate share of the spend from within that sector. The Telecom sector also we have had some good deal wins and that sector is undergoing fundamental transformation and we are part of that transformation but there are parts of that business which is getting disrupted and there are parts that there are new investments coming in. So, that was kind of a broad commentary across the sectors.

Moshe Katri: Then looking at some of the specific factors for the quarter, we have seen weakness in Consulting and Application Services, maybe you can talk a bit about that? You have also indicated that you expected some margin dilution in Q1 because of compensation increases and because of dilution from the acquisition. Can you kind of quantify that as well?

Abidali Z. Neemuchwala: As I had mentioned a couple of quarters back, we were restructuring that Consulting business and we announced in January and from April 1, that entire Consulting business now we have restructured where a part of it fits with the Digital unit which is relevant to the technology Consulting space and then we are seeing the Consulting as a broader play including the domain consulting that we have which fits in individual vertical and Jatin will update you a little more on how we will report Consulting revenues going forward. But what you see over here is more because of the restructuring that was undergoing in this business for the last couple of quarters.

Jatin Dalal: From current fiscal '16-17 we will report a larger Consulting revenue as part of our commentary in earnings call from Q1 onwards and that would give you a sense of how we see the Consulting as an overarching theme along with Digital that is touching every part of the business that we talk about. And similarly we are also restructuring our service lines, the way we look at them and the way we look at some of the pieces where they are. So there will be a new measurement around them that we will talk during and closer to end of quarter one. So these are the two changes that you will see from measurement standpoint that we will share externally from quarter one onwards.

Your other question Moshe on the profitability for quarter one, yes we will see an impact of full consolidation of HealthPlan services in quarter one and when we had made the announcement of this acquisition we had talked about a margin dilution of 60 to 80 basis points and we have taken a month's impact into it and we have kept the margins fairly stable for quarter four, but the remaining impact will flow through in quarter one. Similarly, if you go back and check our salary impact for quarter one whenever we have done for the last two or three years you will be able to see the quantum that we have talked about at the end of quarter one as the impact of salary increase. It is a fairly stable number with an upward bias in quarter one this year because we do want to invest in rewarding high performers a little more than what we have done traditionally and therefore the pot for salary increase will be higher and to that extent the margin impact of that in quarter one will be higher. So these two put together should give you a sense of what could be the investment of margin that we may have to do in quarter one and our endeavor would be that as we work through the year we gain back some of this through our focused execution of operations and bring the trajectory back.

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

Divya Nagarajan: Congrats on setting a precedent on the buyback. Few questions here, could you give us a sense of the timeline on the buyback if you have not answered this already. And second, Abid welcome, could you split your $15 billion revenue target for us into the different components that will help you get there, please?

Abidali Z. Neemuchwala: So let me answer on the ambition, while we are not publicly talking about the specific numbers, internally we clearly have a breakup as part of our M&A strategy in terms of how much will come inorganically and how much will come organically. We clearly have by geography, by verticals, by individual services so that each one of these units are able to execute on their part of the strategy and they have detailed out in line with the organizational strategic priorities their individual strategies and investment requirement we will be executing on. On buyback, I will let Jatin answer.

Jatin Dalal: So here are couple of immediate timelines on buyback, one is you will see a detailed public announcement from us in the newspapers and in public domain on our website on Friday morning and that will give more details to everyone, but effectively that will rearticulate a lot of information we already shared with the stock exchanges. We will file a draft letter of offer with SEBI in a week's time and then we will wait for SEBI's approval on that, but overall we think that we should be able to complete the whole process of buyback by mid-June to end-June timeline.

Moderator: Thank you. Our next question is from the line of Ashish Chopra from Motilal Oswal Securities. Please go ahead.

Ashish Chopra: My first question actually is to Abid, Abid you did articulate the six themes for Wipro going forward in your quest for 15 billion revenue, if you could just help me understand in terms of capabilities which are the areas where you would think that Wipro is pretty comfortably placed whether it is the team or the investments vis-à-vis where it would be significantly more work in progress from here on?

Abidali Z. Neemuchwala: Sure. So definitely where we are comfortably placed is that we have had a very seamless leadership transition and the top team is in place. In certain areas the team within the units is being reinforced, for example in the non-linear space there is an opportunity to reinforce the team which is in progress right now. In the digital area, for example on the advisory services we need scale and while there is right now about 800 people team there is continuous hiring over there and there is tremendous traction that we are seeing in the market. We are very well placed on the design side because we were very early in acquiring a design house where synergy is working very well with the design teams and we are seeing good traction in the market. Again if you look at the theme on geographic expansion, I think our geography teams in the new growth markets that I talked about, the new leadership is in place in Africa, in continental Europe, in Canada -we have already announced that. Some of the leadership in more localization in terms of delivery and local hiring is being put in place right now, so there is some work to be done. In some of the geographies we may like Germany take the M&A route and we are actively looking at some of the opportunities in that space. Again, in hyper automation we are very well placed, as I mentioned we have completed 42 POCs with customers, so now it is a matter of scaling up and we have got an organizational change management team in place in terms of driving this hyper automation within each one of these individual clients as we execute through this, in some cases approvals from customers, security testing of automation and things like that are in progress. So I think there is a detailed plan in place, as I said there is investment, for example we have set aside a $100 million fund as part of our venture capital fund which is essentially leveraging our balance sheet, we have spent 20 million in that, we have available more but we can make more available as required as opportunities come up. So I think we are well set as you realize Ashish, I did have some run ways getting in to the jobs, so a lot of those things have been put in place. The most important thing is that there are clear owners within the team, there is a stable leadership team, there are clear plans, the targets and goals and objectives of all of this leadership of over 2,000 people across the organization have been signed off and accepted before 31st of March i.e. before we entered into the new fiscal year. So does that give you a color in terms of questions that you had?

Ashish Chopra: Yes, that is helpful. And just a couple of clarifications from my end, since the approval for the Viteos acquisition has not come in yet so should I be assuming that the guidance for 1Q is factoring only the full quarter impact from HPS and not from Viteos?

Jatin Dalal: Well, let me put it this way because we do not have a regulatory approval right now, it is not right now on our horizon but our guidance range is large enough, but right now we have not considered it.

Ashish Chopra: And Jatin, you were mentioning 60 to 80 bps impact from the acquisitions is what you mentioned came in in this quarter or is the full impact out of which the remainder will be in the first quarter?

Jatin Dalal: You are right, it is the later which is one-third of it came in quarter four and two-third will come in quarter one and we also talked about the salary impact which would be larger this year than what it has been in the past. So we definitely see an investment of margins that we will have to do in first quarter and we are sharing the commentary on them.

Ashish Chopra: And just lastly from my end, so given that you have announced a buyback and then there is a dividend so the payout as a combination of these two this year is slightly higher than the previous years so given the investment targets that you would have in mind should we assume that this kind of a payout going forward should be sustainable or would you be revisiting it from time to time?

Jatin Dalal: I think we have always maintained that we will look at our payouts based on the need of the funds that we have every year. However, in past we have articulated that we will pay around 40% as a payout structure, this year it is little higher but that kind of variability does play in when you are doing a first time ever kind of exercise of buyback.

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

Sandeep Muthangi: I have two questions – first question is on the next quarter's guidance. If I strip away the contribution or the additive revenues from HealthPlan, it seems tad weaker than the past couple of years, just a tad weaker on the lower end. I am trying to see why this is so because you sound incrementally more positive on the traction and the digital, you are saying that even the acquisitions there are some early synergies, what has worsened this year that is giving rise to this caution?

Jatin Dalal: So Sandeep, and I will request Abid to add, but as you know seasonally Q1 is not best of our quarters and that seasonality has played in our numbers, but incrementally we do see market opening up on the lines that where we have made our investment and we do see digital as clearly something which is finding tremendous traction in the market today.

Abidali Z. Neemuchwala: I would just like to add some of the areas where we are seeing some softness and which is built into our guidance, one of the areas is the Banking and Financial Services especially in continental Europe, we are seeing some softness. As I mentioned energy and utility is an area where we still need to see pick up and our assumption is that when there is stability in the gas prices the discretionary spend will come back but some of that we factored in.

Sandeep Muthangi: And quickly, this softness in the financial services in continental Europe, is it more to do with some slowdown in the discretionary side of things or is it more pricing pressure and lower traction in even the core markets?

Abidali Z. Neemuchwala: I think I would attribute it more to some of the announcements that some of the financial institutions have made over there in terms of certain cost challenges that they are having and some of them are our customers, we have a fair presence in continental Europe and financial services. And right now it is definitely resulting in slowdown in discretionary spend and some project activity but in the long run we believe that as part of the efficiency drive we will be able to gain marketshare.

Sandeep Muthangi: Right, makes sense. My second question on the goal setting of 2020, the revenue and the margin target. The margin target of 23%, not target but the margin goal of 23% is more of EBIT margin I believe, I am just trying to see what timeframe should we be looking at to see this significant acceleration both in revenues and margin improvement, are we talking of this kind of goal setting being very visible in as soon as of 2H of FY17 or is it more like a 2019-20 kind of a thing that you are looking at to track some of the progress on this?

Abidali Z. Neemuchwala: So Sandeep as you would imagine very clearly we have defined input markers and output markers which are on a quarterly basis and their rollup across these teams, across the various units, across the three dimensions that I talked about and I will be personally measuring them and reporting some of them. We are externally not talking about a timeline right now but as you would imagine the benefits of the execution of some of these strategic priorities will start getting reflected in our results as well.

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

Viju George: Abid, I just had a question based on your six-part strategy, it probably has shades of other questions already asked on this, but somehow we are increasingly sensing a strategic sameness to most of the companies in the sector, everyone talks hyper-automation, everyone talks about partnerships, AI platforms, etc. So the question that I really have is how does one identify who is following, who is leading, what are the markers for us to understand, for instance even in AI platforms you have Wipro HOLMES™**,** TCS has ignio, etc., Infosys has an IIP, becomes very difficult for us to figure out who is following, who is leading. What are the markers that you think we should be understand from Wipro's perspective to understand where it is leading the competitors and it might be sort of just following others. Thank you.

Abidali Z. Neemuchwala: So Viju, I cannot talk about others but if you look at it from a Wipro perspective, very clearly we identified that all of these themes that I talked about means leadership which is focused on it, it means a structure which drives specific focus of high powered resources into it and our investment strategy behind it. And I think as an input marker at least I can say that if you look at some of our endeavors on that front the way we measure internally as input markers definitely having done all of these three things, clearly defined the strategy and execution plan, clearly have a team behind it and clearly have an investment plan behind it.

Viju George: And what about the output markers, how should we see that?

Abidali Z. Neemuchwala: Output markers, I did not tell you because Viju you are expert at that, you know what to see in terms of percentage of revenues on some of these themes, operating margin in terms of efficiency and stuff like that, mix of revenues and, output markers do not change too much.

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

Ankur Rudra: Abid, if you could perhaps elaborate on your thoughts after meeting the 70 clients, most specifically in terms of where you feel that Wipro can differentiate versus peers going forward and more broadly how demand especially in the area that you want to focus on is shaping up. Thanks.

Abidali Z. Neemuchwala: So Ankur, if I were to kind of summarize the common theme across the customers our strategy resonates very well with what customers are trying to do. So on the run side of the business clearly there is a higher level of efficiency that customers are driving and our hyper automation theme is resonating well. We are ahead in terms of both partnerships for robotic automation and our own platforms. Wipro HOLMES™ under which we have a number of bots that have been developed and the cognitive intelligence which enables us to provide certain platforms to do a consumption based model or an outcome based model which customers want. Clearly our localization strategy helps us with being able to deliver some of those engagements within the markets that customers need. So our ability to respond faster with the customers or the speed of responsiveness is increasing and I think that is a differentiator for us. Also if you look at on the digital front customers are looking more and more to have a single partner who can take them through the journey from thinking through the digital strategy to doing customer journey engineering or looking at the business processes and laterally thinking about the new business processes and the new consumer end user experience which comes through design and then executing on that. And I think we have a very differentiated offering which is seeing very good traction in the market where rather than working with three different organizations across consulting and design and then execute on the technology piece; being able to give end to end responsibility to us as a strategic partner, we are seen as a differentiator there. Again, in the partner ecosystem especially on strategic investments we see a differentiation because we have been able to make early investments and the strategic investments gives customers the comfort that we are able to both shape the roadmap of the product or the technology of these startups as well as bring in ease of technologies and innovation in the solution that we provide to the customer.

So those are some of the things where clearly Wipro differentiates. I think the key is the transformation that we are internally driving in terms of the sales force transformation, where the selling changes more into a consultative selling proactively proposing to customers and between myself and Bhanu, our Chief Operating Officer, Prasanna who heads MIT now and the six SBU heads, we are interacting directly with all of our top clients to be able to proactively take some of these propositions and drive execution within that. And that understanding of customers and being able to take these propositions forms an important part of the overall strategy.

Ankur Rudra: Just if I can have a follow-up, you mentioned hyper automation with 42 customers, POCs last year will churn to into full execution this year, do you have a sense of what extent of labor or capacity that action you might see and how you might share that with clients? Thanks.

Abidali Z. Neemuchwala: So right now we have a plan to release about 4,500 people through the engagements which are already planned and obviously some of the new engagements that we will get, already incorporates some of the productivity gains due to this hyper automation and we have been running these pilots as I said for a good part of last year. So some of the deal wins that we have had also incorporated this productivity into them.

Jatin Dalal: Just to add, you should see that a measure of competitiveness; ahead of anybody else in terms of the sheer capacity to execute with a particular volume as against, yes it will flow down to margins also, but prima facie focus is to become the most competitive.

Ankur Rudra: I just wanted to get a sense, this 45,000 was a base to that, is it like 50,000; 20,000; 100,000 just to get a sense of tender supply to a wider range how effective you can be?

Abidali Z. Neemuchwala: So the number is 4,500 and not 45,000.

Ankur Rudra: 4,500 on a base of how much?

Abidali Z. Neemuchwala: This could be above base of, to the way I would break it down is 3,000 will be from an IT services perspective over a base of about 80,000 and another 1,500 or so from a business process services perspective on a base of about 35,000.

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

Ravi Menon: Just want to get a sense of your headcount addition .This quarter with Cellent and HPS we had expected to see significant net increase. But the headcount addition this quarter is only about 2,248. So are you looking at not replacing some of the voluntary attrition because you are expecting the effects of automation or what, could you give some color on that?

Abidali Z. Neemuchwala: So there are a couple of things, as you see there is an improvement in utilization and there is a level of automation releases and attrition that is happening, attrition has been lowest in the last about 11 quarters for us this quarter, but yes those productivity does reflect in the difference between the overall growth and the headcount. So we have enough capacity right now to absorb growth that is coming in.

Ravi Menon: So apart from hyper automation do you think that you would see a net headcount addition over the coming year, are you looking, could you give a sense of how much campus recruits you are thinking of or any other levers that can help bring down your cost?

Saurabh Govil: Ravi, we do not call out the number of hires we do from campus, it will be the same as last fiscal, but if you see the overall supply chain function of hiring, attrition, releases from automation and the demand. So I think we look at that, our utilization space to head space improve further. We have seen it going down in last quarter given that we had more releases but as you see we have good headspace to increase utilization at this point. We have to see, all of this together.

Ravi Menon: And one last question from me, your top client has been a little volatile, your revenue peaked around end of FY15 and that has been declining and we have realized that some clients are cutting, but do you think that this client has bottomed out or will it take a few more quarters before it stabilizes?

Jatin Dalal: Ravi, these are specific case where we are well placed in the account but the client is moving investments towards change the business side. So we are seeing revenue churn as a mature engagements on run the business side come to an end but we invest people back into the pilot project on the change the business side. But we are quite hopeful and confident that as this pilot project on change the business side get their own life and grow and become larger, we will be able to catch up on the volumes there too. So we would see this more as a timing gap than permanent loss of revenue.

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

Sandeep Shah: Abid, just in terms of your strategy related to six themes, can you give us some color in terms of any major changes you are planning in terms of delivery when it has to lead to your integrated services model which in-turn lead to a client mining; because we have read in the media that there would be some changes in the appraisal process of the delivery employees including junior ones?

Abidali Z. Neemuchwala: So Sandeep, given that some runway that I had after joining last April, all of the changes that we thought are foundational to be able to execute on the strategy and the themes that I just laid out. I would say almost 95% plus on those changes are complete, so last year in around October we changed the reporting of about 55,000 people as part of our delivery realignment, we had some of the leadership changes in December time frame, we also created some of the new organizational construct, the integrated services group, the integrated solutions group, the MIT organization, the organization focused on robotics, all of those were done. So the way I would characterize the changes and again while we did a lot of the changes in the structures and the goals and objective change have come into effect from April 1 and as I said all of those goals and objectives have been set for the top 2,000 people who are under those incentive schemes and incentives have been already defined and accepted. So while a lot of changes have happened in the past eight to nine months I would want to characterize it as -- we are done with the foundational changes, we now have a stable leadership team, an organization which clearly understands the way forward, has got a complete alignment and are passionate about it and now our focus over the next few quarters is on executing on, with discipline, on our plans. So I would not see the next few quarters in terms of change, I would see this in terms of a stable execution.

Sandeep Shah: Abid but any major changes in the appraisal parameters both for the delivery and the sales marketing employees which you would like to bring in to bring in or inculcate a more focused execution and discipline?

Abidali Z. Neemuchwala: We have done those changes already, Saurabh if you want to add?

Saurabh Govil: I think the parameters for measuring on delivery per se of sales are not changing, it is the way we looking at the appraisal process which has got changed where we are not looking at bell curves and stuff like that. But the parameter in terms of CSAT, cost, growth, those very clearly are continuing here for the employees.

Abidali Z. Neemuchwala: And for example, some of the changes that we have brought in terms of integrated services to be promoted for mining and all of that were socialized between the November-December timeframe, we had kind of a holiday in the Q4 for people who were getting impacted during the transition and from Q1, from April 1 those changes are clearly known and in effect already. So going forward I do not see any changes either in the people, leaderships, structure or incentives, there is a pretty stable environment focused on execution.

Sandeep Shah: And just next question to Jatin, in terms of margins, Jatin if I look at in terms of the weightage of the tailwinds versus the headwinds, it looks like the tailwind should have been more enough to you to report higher margins because we had an absence of onetime cost in Chennai, there was a currency depreciation, there was an increase in utilization, there was higher fixed price as well as there was SG&A leverage versus that we had M&A related margins softness because of the integration. So is there some other major headwinds in terms of pricing of something else which has led to this kind of margin performance in this quarter? Because in last conference call also you said that the Q4 margin should be higher than Q3.

Jatin Dalal: We did say that we will have a headwind of acquisition, so we have kept the margins flattish after taking two acquisitions impact; one from Cellent and then one for HPS. But apart from that there are normal business movements but there is one specific thing among that is that India and Middle East business is going through a patch where they are in deals where the investments are required now and that had impact on our India and Middle East part of our business profitability, we do believe that it will take some time for us to fully recover that but that is only additional parameter which has played up in quarter four apart from business as usual.

Sandeep Shah: And just last one on buyback, it looks like that it may be an alternative way, tax friendly way of distributing cash, so going forward we can expect that the combination of dividend and buyback may continue for Wipro?

Jatin Dalal: See, buyback as you know is through tender offer which is a one-time process of returning cash to shareholders and that is what we are following and we will see how shareholders embrace it. So this is one-time for next few months and we will evaluate and this is the Board's prerogative to decide as to what is the best way of returning cash to the shareholders.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand over the floor back to Mr. Arvind Viswanathan for closing comments. Over to you, sir.

Arvind Viswanathan: Thanks, Karuna. 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 very much, sir. Ladies and Gentlemen, on behalf of Wipro that concludes this conference call. Thank you for joining us and you may now disconnect your line.