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MR. HARMEEET CHAUHAN – WIPRO LIMITED
Moderator: Ladies and gentlemen, good day and welcome to the Wipro Limited Q2 FY’20 Quarterly Investor Conference Call. As a reminder, all participants’ lines will be in the listen-only mode, and 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 now hand the conference over to Ms. Aparna Iyer – Vice President and Corporate Treasurer. Thank you and over to you.

Aparna Iyer: Thank you, Stanford. Warm welcome to our Q2 earnings call. We will begin the call with “Business Highlights and Overview by Abid -- our Chief Executive Officer and Managing Director”, followed by “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 the 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 explained in our detail 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. The conference call will be archived and a transcript will be made available on our website. Over to you, Abid.

Abidali Z. Neemuchwala: Thank you, Aparna. Good Evening and Good Morning, Ladies and Gentlemen. I am joined here by my leadership team and it is a pleasure for us to speak to you.

Let me quickly provide you an Update on the Q2 Performance, Our View of the Demand Environment and the Progress on our Strategy: We had a good in-quarter execution on both revenue and margins considering the slow start that we had this fiscal year. Our revenues grew by 1.1% in constant currency terms at the mid-point of our guidance range. For H1, our growth was 4.8% YoY in constant currency.

On the demand environment, in BFSI we have a strong set of offerings and a robust pipeline of digital deals. The growth however has decelerated due to the softness in spend by banking and capital market clients and the completion of large digital transformation projects. In line with our expectations, our Consumer business grew well at over 6% YoY on the back of good deal wins. Energy and Utilities segment grew 6.3% YoY in constant currency. The global business in Communications grew at double-digit YoY while the India piece of Communications remain volatile impacting the overall growth of the Communications segment. We see early signs of recovery in both Manufacturing and Health. We see an uptick in the demand for health outside of HPS, our subsidiary that services our ACA clients, and we have had some good wins in the digital space in the healthcare clients.
The demand environment remains unchanged from what I had shared last quarter though there continues to be an overhang of macro uncertainty in certain sectors. Our US growth has been pretty strong while Europe continues to be weak. We continue to see a robust pipeline and the momentum of order book in Q2 has been better than Q1 and some of the deals that we had mentioned were delayed signing in Q1, have been signed in Q2.

The restructuring of our India and Middle East business is going very well and it has reflected in some of the deals that we have announced like the large deal with ICICI Bank. We have delivered operating margins of 18.1% in Q2 which is comparable to 18.4% in Q1 after absorbing the incremental impact of wage hike for two months and investing in bench for growth. Our margins YoY have remained in a narrow band, adjusting for the one-time impact of the customer settlement in Q2.

Earlier this year we sharpened our strategy into four pillars of Business Transformation, Modernization, Connected Intelligence and Trust which is enabled by Talent Engineering, IPs and Platform and Open Innovation. In order to deliver on customer needs across these four areas of our strategy, we have been investing on building capabilities in Digital, Cloud, Engineering and Cyber Security and Risk Services.

I will give you some updates on one of these four big bets: Our global investments in digital have created the requisite presence, experience and scale to support transformation, not just in our core markets where it started but also in the emerging markets. We are winning integrated transformational deals in Canada, Australia, APAC and of course we continue to win deals in US and UK. In Digital, our revenue grew 7% QoQ and now digital contributes just under 40% of the company’s revenues. For example, in Canada, we are working with the midstream energy company on the digital transformation journey to significantly enhance the working experience and job satisfaction of its field force while substantially improving worker productivity and effectiveness. In Australia, for a telecom company, we are enabling the customer experience transformation across the B2B value chain and in Southeast Asia we are working with a government health ministry to lay the foundation of their ongoing transformation leveraging digital for citizen services.

Second is “Cloud.” Our Business First approach to cloud adoption and building domain-centric solutions with our cloud service providers as our partners has made Wipro a preferred cloud transformation partner for many of our customers. We have heavily invested in cloud studios to help our customers move to cloud at an accelerated pace. It includes lift and shift, refactoring of applications, replatforming and moving to truly agile and DevOps to leverage the power of cloud in a highly automated and industrialized approach.

Strength of our offerings and market presence and success is acknowledged by many industry analysts in their reports. As an example, a global US lifestyle apparel company has partnered with Wipro for a large transformational program after the company was spun off into a separate
publicly traded company. The client chose Wipro as a strategic partner to establish a highly secure and scalable architecture leveraging our cloud studio offerings.

The third is “Engineering Services” where we have revamped our engineering services offering and relaunched Wipro’s Engineering NXT. Engineering NXT continues to deliver the services by leveraging our innovative IP-driven solutions, rigorous engineering processes and new age crowdsourced and global shore delivery models. Historically, Wipro’s engineering service practice, as you may be aware was quite focused on the tech vertical. With Engineering NXT we are expanding our services across many more verticals where we are seeing some very good traction. As an example, a US-based global medical device leader has awarded Wipro a multi-million-dollar deal to enable compliance with the European medical regulatory norms leveraging expertise of Wipro Engineering NXT.

And the fourth big bet is “Cyber Security”. We are focused on building cyber defense assurance platform and expanding to IoT security practice to address demand due to expanding attack surfaces with connected systems. Cyber Security as a service offering grew 16.6% YoY in Q2. As an example, a large US-based bank has selected Wipro to bolster its cyber security defenses and address issues identified during various internal and external audits. Wipro will design and implement appropriate security controls besides providing incident management and support optimization of the existing risk and control self-assessment process of the bank. As you are aware, we have made a number of venture investments from Wipro Ventures in this space which are all leveraged to provide the services.

We continue to focus on client mining and drive digital and business transformation in accounts that bring together design, domain and consulting capabilities and help us engage in strategic conversations proactively with clients and various business stakeholders within our accounts. As an example, a leading North American bank with whom Wipro has strategic relationship has awarded a multi-year application development and support contract which is the entry of a new service line cross-selling into this account aimed at getting products to market faster and improving customer experience.

Our strategy that I articulated is supported by our M&A, our IP and platform, talent reskilling and localization across the market that we work where we continue to be remained very focused. We are building a robust pipeline of large deals proactively to meet our ambitions of growth.

In an environment with ever-changing technology, people remain our primary assets. Our voluntary quarterly, annualized attrition rate has dropped from about 17.9% to 16%. We continue to drive localization and now US is just under 68% local workforce for us and we continue to do campus hiring, deepening employee engagement and make significant investments in training and reskilling our workforce.

On Automation, the work done by bots in fixed price projects has improved from 15.3% in Q1 to 16.5% in Q2.
In conclusion, despite the current macro environment, we continue to see an improving quarterly growth trajectory which is reflected in Q2 performance and Q3 guidance.

I will now request Jatin, our CFO, to give you an update on our Financials.

**Jatin Dalal:** Thank you, Abid. So, as you all know, we have come in the mid-point of our guidance. Our margins have remained stable above 18% at 18.1%. As you know there were tax changes which happened during the course of this quarter whereby, we had our ETR at 18.3% this time. This and the one-time impact we had taken in Q2 of last year has resulted into the overall profit growth of 35.1% and an EPS growth of 36.7%. If you see our FOREX hedges, we have 2.7 billion of FOREX hedges. Our realization rate for Q2 was 71.56 compared to 70.39 in Q1. We continue to create and convert good cash of our business. Our operating cash flow was 107% of our net income in Q2. We have guided for Q3 0.8% to 2.8% sequential growth, and we will be happy to take your questions from here.

**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 Mukul Garg from Haitong Securities. Please go ahead.

**Mukul Garg:** First, just wanted to understand the decline which we have seen at a top client this quarter. Now in a media interview you mentioned that this was basically end of couple of projects. So, was this in line with your expectation, when can this come back or are you still seeing some pause in the spend at a top client?

**Abidali Z. Neemuchwala:** Mukul, as you know, we have had quite good success in driving digital transformation in the banking and financial services sector. Our top client happens to be a bank and we have been doing a lot of digital work for them. Given the current macro uncertainty as some of our projects got over there in digital, we are seeing a little slowness on renewal of some of those projects in terms of the next phases of the digital programs. I personally believe it is more matter of time when it comes. Normally some of these digital programs are done in multiple sprints and every sprint we would get an SoW for the next sprint on a continuous basis. This time there has been a little bit of slowness in this. But the intent for the client to spend has not gone away, it is more a question of the spend restarting. Also, there are a couple of programs which successfully got completed and the new programs that were expected to get started have not got started in that same client. So, both of these factors have created softness in our top client.

**Mukul Garg:** The other part of the question was, was this something which you anticipated at the start of the quarter, was this bit of a surprise, if you can kind of expand this to also include the rest of the outlook on the BFSI vertical, are you seeing weakness across the board?

**Abidali Z. Neemuchwala:** Yes, we are seeing weakness in the BFSI vertical and as you notice we have come in the middle of our guidance range which means that we had built this uncertainty in our guidance. So, it has not come to us as a surprise but we would have been happier if this slowness would not have
played out, it could have come higher in the middle of our guidance range. So, that is why when we give the guidance as a range, we incorporate some of these uncertainties. So, I would not call it a surprise, it is something that we anticipated, and it played out.

**Mukul Garg:**

The other question was on top-2 to top-5-clients. That has also been a decline of about 5% QoQ. What sectors are you seeing the impact coming in or is this also a client-specific correction in this quarter?

**Abidali Z. Neemuchwala:**

Almost 50% of our top clients are in the BFSI segment. So, I think the answer is more that some of these clients are also seeing the same macro impact that our top client has seen. If you notice for the last many quarters, we have grown double-digit in our top-10 clients segment, far higher than the company average and this time we have grown about 7.4%, so the other clients have done well, but the softness is visible in the banking and financial services clients.

**Mukul Garg:**

Jatin, this quarter’s margin management was quite impressive, you had a wage hike, lower utilization and good employee addition but you have kept margins broadly stable. Is this something to do with better pricing or hyper automation, what really helped you guys?

**Jatin Dalal:**

I would say this was a quarter in which we were able to drive cost optimization from some of our lines which is visible in the P&L, some of our marketing events are concentrated in Q1, those did not recur, so we got some upside on those spends. We executed well on collection, so PDD were lower. We also got certain benefits on certain cost lines which we were able to generate as upside to margin. On the other hand, we use this to invest on some of the bench which we believe will be critical for us for our growth. We had two months impact of wage hike which also I would say is an investment in people. And lastly, we have spoken about our big bet investments and some of those big bet investments have been made to create additional capabilities on domain, solution building, architecture side, those have also sort of been invested in and that have adversely impacted margins. And within this two, we were able to keep the margin in a broadly narrow range.

**Moderator:**

Thank you. The next question is from the line of Moshe Katri from Wedbush Securities. Please go ahead.

**Moshe Katri:**

Looking at your guidance for the next quarter, is there any contribution from an acquisition, so i.e., is the guidance purely organic or is there anything else beyond that? And then on top of that, can you talk a bit about the pluses and minuses that kind of resulted in your margin decline sequentially?

**Jatin Dalal:**

We completed an acquisition of ITI on 3rd of October. That will flow through in our revenue for Q3. The contribution of that is likely to be around 0.3%. That is factored in our guidance. The other question which you asked, our margin had really three components: We had one-time benefit in form of other operating income of 0.5 in Q1 which did not recur in Q2. All the investments on bench, salary increase and big bets we made was adverse 1%, so that was also
negative. The cost optimization we were able to drive gave us a benefit of 1.2%. So, if you add up those numbers, you will see the movement from 18.4% of Q1 to 18.1% in Q2.

Moshe Katri: Some of the trends that you have seen in financial services, assuming this continue beyond the close of the quarter. The question is whether they are kind of getting worse in terms of some of these kind of uncertainty related to the overhang or they kind of remain consistent, i.e., do you continue to see delays, are these accelerating, getting worse, any color there will be helpful?

Abidali Z. Neemuchwala: Moshe, this being the last quarter for a lot of the financial services. As you know, some of the financial services organizations have also started doing furloughs like the manufacturing and tech organizations. So, for at least Q3, I would say it will be same or slightly worse because of the furlough. I am hopeful of an uptick once the IT budgets are decided, I will be able to give a better picture which in the best case would be around end of the year but normally in the next couple of years we have seen we get clarity only early next year.

Moderator: Thank you. The next question is from the line of Diviya Nagarajan from UBS Global Asset Management. Please go ahead.

Diviya Nagarajan: You spoke about few banking wins. Could you kind of talk about where those wins are coming from? Is it from existing clients gaining market share and if market share gains, are you getting it from in-house teams or is it coming from third-party service providers?

Abidali Z. Neemuchwala: Divya, one of the wins as I mentioned is ICICI Bank in India which is a new client for us. We continue to win new clients in US market as well; they are pretty much in the mid-tier bank space. And then we continue to win projects in existing clients. As you know, over the past couple of years, we have had significant market share gains in the BFSI space. This quarter our overall BFSI revenue would be about 31% which was about 5% or 6% lower just a couple of years back. So, that has been because of market share gains.

Diviya Nagarajan: I know we do not really guide on margins, but given that we have had a fairly decent margins despite the wage hikes, what kind of a trend should we be looking at for the rest of the year and assuming that you do get growth in these levels, you have been stuck in this early single digit organic growth range for a while now, how much more leverage is there for us in terms of margins from here on?

Jatin Dalal: Divya, like I mentioned in beginning of Q2 that our priority as an organization remains growth and we will remain invested in the commitments we have made on big bets as well as we will remain committed to some of the work we have done on building right capabilities in form of bench, etc., That commentary will remain consistent with that. So, I do not want to guide for margin for Q3, Q4 but I do want to say that we have managed it in a trajectory so far and our endeavor would be that we do not let go of margins. But we will not hesitate to invest if there is a need to invest, if it gives us revenue growth in two quarters from now for example.
Moderator: Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: Abid sir, question to you was majorly on the kind of growth that we have seen in this quarter. So, I think after a long period of time we might have seen a broad-based growth which you also mentioned in the opening remarks though it is still I would say below the industry average but I think we are still getting there and the key verticals of healthcare, energy and utilities which were dragging the growth down, seem to be coming up in this quarter. So, just wanted to check with you on the sustainability of these numbers. In banking, of course, as we know that the top client is declining and because of the overall weakness we are also seeing the trend of weakness but in terms of let us say healthcare as you mentioned outside HPS in E&U and even in telecom, the kind of positive growth on YoY basis that we see, how sustainable are those numbers?

Abidali Z. Neemuchwala: I will go vertical-by-vertical: Banking has been industry-leading for us last few quarters but right now we are seeing softness. We will continue to monitor the macro environment on the BFSI space. In Communications, I feel pretty good; our global business has delivered double-digit growth, the numbers that you see of about 2.4% in constant currency year-on-year are diluted numbers because of what is happening in the India market where we have a very large share in the Communications segment. I continue to feel good with the consumer sector. We have done well including this quarter. And similarly, in Energy and Utilities, I think we are making the right moves, there are uncertainty that we will have to watch out in terms of projects getting over and new projects which are likely to start but we have had a good quarter on YoY basis, as you see we have grown well except for macro and the time, sometimes it takes between two projects, I feel pretty good on E&U. Health, as you rightly pointed out, outside of HPS, we were degrowing for a long time, I think it has now flattened which essentially means that although HPS will have a denominator effect but we are winning well in the rest of the business and hence we will continue to see growth in the health vertical. Manufacturing, we are still undergoing our restructuring and rejuvenation of that business. I see strong pipeline. Some of the bets we have made as I had outlined around engineering, around IoT, some of the ADAS and others in the auto industry, we are doing a lot of engagements, pilots with customers. So, I am quite hopeful of a turnaround in that business, but I would give it a couple of quarters. At Technology, we do see a little weakness in the silicon side of the business. We do a lot of work with tech companies, there are a couple of customers where we have had customer-specific issues through because of acquisitions or challenges with those individual customer organizations. But overall we have got good pipeline and good set of deal wins in the technology vertical. So, overall I do believe that we will be able to maintain secular growth and we will have to take it one quarter at a time. On Q3, I feel quite good and as we progress, we will keep you updated.

Vibhor Singhal: If I could just harp a bit more on two specific verticals; one is on the consumer vertical; I think as for now if we see your couple of peers reported quite weak numbers in the retail segment and have also cautioned in terms of future outlook because of the ongoing global trade war that clients are deferring their spend. Do you also foresee that kind of scenario playing out that might
impact our consumer business? And in BFSI, if I just may scratch it a bit more, how close to bottoming out guessing we are in terms of our topline?

Abidali Z. Neemuchwala: So, I will answer the BFSI question and then I will let Srini talk about consumer. But I think a lot of the engagements that they wanted to pause have been paused. So, I feel quite good about the top client now. So, we would wait definitely through Q3 and then we would have a commentary early in Q4 as we see their first quarter playing out and how the IT budgets get defined. I am sure all of you are from the financial services industry, so you will have an insight on that as well. On consumer, we are doing pretty well because like BFSI we have led through our digital proposition, and every part of the consumer business is digitally transforming itself, so I feel good. And I will let Srini give a little more color to our consumer vertical.

Srini Pallia: So, thanks, Abid. I agree with you, especially on the retail side of the business, which has a very strong relation to global macro indicators. And obviously that reflects in some of our customer spends. But if you look at one of the largest markets for retail, the US for example, there are mixed signals, whether you talk about the interest rate or trade or unemployment. But having said all that, as far as we are concerned, we see traction like Abid just talked about, helping our customers reinvent business and operating models, with a digital-first approach. I think that has been very key for our customers. And most of our retailers, they are investing in areas where they want to differentiate from their competition. So, the classic omni-channel customer experiences are definitely the focus area. And some of the engagements that we have had with our customers is around the supply chain reimagining, also the customer journey mapping, which is becoming very, very critical for us. So, the whole aspect of customer convenience, whether it's returns management or reverse logistics, those are some of the areas that we are kind of getting engaged with. And also the consumer brand companies, right, they are driving D2C, what I mean by that is that direct-to-consumer. And in some of them, I think Abid called out one of the wins that we had this quarter, we are setting up a greenfield technology and are creating operating platforms. So, it's all about the building the state of the art digital footprint and also modernizing their entire IT landscape, across applications, infrastructure and security. And this actually we are doing for our large global apparel company. And some of the things we are doing very creative stuff, creating our crowdsourcing, we are actually one which has also been talked about by Abid, we are doing a cloud powered AI and data consulting engagement for one of our large customers, which are more into retail and distribution as well. So, broadly, retail as an industry is going through transformation, also sometimes turbulence. The way we see it, the challenges for example, if you look at the sub segments, the challenges of the fashion retailers, which is very different from a grocery retailer, or if you look at the priorities of discount retailers from an online retailer it's very different. Big box retailers they have their own challenges, they have their own strategies to counter this turbulence. So, it's an interesting time from a technology point of view to help ride through the wave, if you will, for the consumer industries across retail, CPG and others. So, that would be my short answer to your question.

Vibhor Singhal: Sure. Thanks, Srini. So, if I were to summarize, is it okay to say that given the mix of our clients in the retail segment, I know projecting long-term is difficult, but at least given the mix of our
clients, in the short or the very near-term we don't see any significant headwinds in the retail segment?

Srini Pallia: I would agree with Abid's comment.

Moderator: Thank you. The next question is from the line of Shashi Bhushan from Axis Capital. Please go ahead.

Shashi Bhushan: Thanks for taking my question. So, we have gone through the restructuring in Middle East and India Business over the last few quarters. In that context can you please tell me what was the rationale behind Vara Infotech deal and what actually was the value proposition of that deal that attracted us to the asset?

Abidali Z. Neemuchwala: So, as I have said before, we have, and we had market leadership in both India and Middle East. But over time the kind of services that we were providing did not fit the overall company strategy, which is essentially as you know around driving digital. And these markets are very rich opportunities for digital. And they were focused more on commodity business. So, we put together a new team about a year, year and a half back, we gave some investment to the team, we gave them the ability to finish the projects that we had already taken successfully for our customers, and then pivot the business into the new areas aligned to our strategy. And the second thing that we wanted to do is, historically Wipro had a separate what used to be called as Wipro Infotech, a separate brand and a separate entity to service Indian and Middle East. Whereas we saw that there is a much bigger opportunity to be able to bring the global expertise into this part of our business to be able to be successful over here. And the ICICI deal that you referred to is a great example of vindication of that strategy, because as banks or other enterprises truly adopt what I would put under Digital India, there is a lot of experiences that we can bring from the global markets, which they may or may not be getting from their current providers. So, that is why they have signed a deal with us with a revenue commitment so that we take over their current landscape and then drive the transformation that they want to undergo, and bring the might of Wipro from all of our investments across digital, across cloud, across the Wipro venture's innovation and so on so forth. So, while it is early days, and we are just embarked on the engagement, and right now through the asset transfer and people transfer we are integrating that, but there is a roadmap for transformation that will bring value to our customer as well as give us an opportunity to build a platform through which we can bring those services across many other Indian banks and other customers. So, that's a good pilot example of how we are executing on our strategy and vindication that customers see value in that strategy.

Shashi Bhushan: Pretty interesting. You said that deal pipeline in Q2 is stronger than that was in Q1. Any quantitative color for the same would be helpful.

Abidali Z. Neemuchwala: While the pipeline is stronger, I talked about the order book was better in Q2 compared to Q1. So, if you recollect, in Q1 we were a little surprised because some of the deals that we were declared as being the winner by the end of Q4 or during Q1, there were inordinate delays in signing those
deals. I think some of that was a reflection of the macro uncertainties where customers were taking a little longer. We were fortunate that a large part of those deals got signed in Q2, and that is also reflected in our Q3 revenue guidance as some of those deals will start delivering revenues to us in Q3.

Shashi Bhushan: On margin front, sir, we have shown commitment for investment in some of the newer areas and newer strategic initiative. So, where are we in terms of investment? And was there an impact of the same in this quarter also?

Jatin Dalal: That is right, Shashi. We have said that we have focused investment in this four spaces, we have not called out as a percentage of margin every quarter how much we have now incrementally added to it. But one data point itself is visible on data sheet, both in terms, of course, the bench and utilization number. But if you also see the sales and support headcount, there is a significant addition there, and some of that is for the big bet. That number remains, it goes up and down, but this quarter you will see a meaningful increase in that number, Shashi.

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

Sandeep Shah: Just one clarity, Abid. Just wanted to understand within the top client, is it fair to say most of the ramp downs is done and over in the Q2, and you believe that you have to wait for Q3 in terms of an uptick or you still believe there is some tail pending in terms of the ramp downs into second half?

Jatin Dalal: So, Sandeep, as Abid commented earlier, this segment of customers is difficult to predict in the last quarter of the year. So, I would not hazard a guess right now. We of course have an indication, but we will see how the quarter pans out. Right now I would say is still uncertain outlook, where exactly it will end at the end of this quarter.

Sandeep Shah: Just further to that, is it these random started at the end of the quarter or is that been start from the July itself?

Jatin Dalal: Well, Sandeep, I wish we could share that many details, but you can see that if it has impacted revenue for the quarter that it is certainly not the end of the quarter ramp downs.

Sandeep Shah: And Jatin, just few things. If I look into the cost line item of miscellaneous expenses, it has come down significantly from a quarterly average of Rs. 150 crores, Rs. 190 crores, to as low as Rs. 70 crores. So, most of the savings are recurring or how should we look at it, because your sales and marketing expense ratio is at multi quarter low, even your GNA expense is at multi quarter low. So, how to model those expenses going forward?

Jatin Dalal: So, I think the right way to model would be that they would go back to their run rate numbers. Some of this cost savings are because we have put additional effort, for example, I will come back to miscellaneous, for example PDD is lower because we have indeed done very well on our collections in certain part of our government business in India, as well as we have done very well
on our collection in certain parts of Middle East business. And that has resulted in our provision for doubtful debt being reversed, and that has given us an uptick in GNA line. Miscellaneous expenses was certain cost credit that we could see it coming, and we have invested that as part of the people cost, bench investment that we think were right to be invested in the current quarter. While this cost will come back to their normalcy to a great extent, I should say. But we would be able to use the lever of the utilization of our pyramid, and most importantly our automation, which we spoke about in our press conference to manage our margins going forward.

Sandeep Shah: Okay. Jatin, just wanted to understand what does exactly mean the cost credits, why these line item remain volatile on a Q-on-Q basis, just want to understand that.

Jatin Dalal: Yes. So, on an ongoing basis you are getting certain cost, and when you make an assessment that certain cost, as an expense line, you need not carry for this quarter or you have a reversal regarding that. That much I can share with you.

Sandeep Shah: Okay. And last thing, in terms of the provision for doubtful debts reversal, because is it more linked to the ISRE business, because that business loss has also come down significantly or it's also equally split between IT service and the ISRE?

Jatin Dalal: This is both, ISRE as well as the Middle East which is part of our global IT business.

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

Ashwin Mehta: I had one question in terms of the effective tax rate, what should we model in for FY20 and FY21 going forward?

Jatin Dalal: Sorry, can you can you repeat?

Ashwin Mehta: Can tell us in terms of what the ETR would be for FY20, FY21?

Jatin Dalal: I think it will be, we are still to study the tax proposals, but I would say that between 20% and 21% would be a good estimate at current point in time.

Ashwin Mehta: Okay. And secondly in terms of your S&M cost, given the sales and support headcount increase, that's one cost item which has actually seen a reduction over a period of time. Do you think this will possibly get elevated going forward to drive the growth or these are more sustainable levels that you are working with?

Jatin Dalal: So, I would say, from an S&M standpoint there will always be some quarter uptake or some quarter reduction, because there are certain marketing spends which remain lumpy in our business. Now, I would correlate that with a sales and support headcount, which is higher but a lot of that support headcount is really part of our cost of goods sold and not part of S&M, because many of these investments are people who do both pre-sales and delivery, and therefore they are classified as
cost of goods sold. And hence it is difficult to correlate the sales and support line as an aggregate with the just S&M number.

Ashwin Mehta: Okay. So, as such from an S&M perspective there doesn't appear to be a material uptake expected there?

Jatin Dalal: There is right.

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

Deepesh Mehta: Two questions. First on the geographic wise if one looks at Europe and Rest of the World, now weakness persists for both the segment, which is roughly 40 percentage of our revenue. If you can help us understand what is leading to persisting weakness in these two geographies and how you expect it to play out over near as well as medium-term?

Second question is about the segmental margin which we report. In BFSI and communication if one looks at segmental margin, we have seen some weakness in segmental margin of these two verticals. If you can provide some perspective, despite doing well in communication side and even mix is some kind of favorable towards developed market, it seems to have some weakness on margin side. Thank you.

Abidali Z. Neemuchwala: So, I will answer the first question, and then I will let Milan and Angan address the margin question for the segments. So, essentially in Europe, primarily the uncertainty around Brexit is one area, and second is the overall impact of, you know, we have a lot of banking and capital market customers in Europe. So, both of those into the intersection of those two are contributing to the weakness that you see, these are all part of some of our large accounts. So, while we have robust new accounts being added over there, but some of the drops coming from there and resulting into a negative growth that you see over here. So, anything to do with getting impacted through the BFSI space, I would just keep watching quarter on quarter. Milan?

Abidali Z. Neemuchwala: Yes. So, our base business in Europe still are coming from some of the banking and financial services customers. I don't know, as we answered in the earlier question for the top customer, we don't know how next year will pan out. So, I would kind of go quarter by quarter. As I said, our new deal wins is quite healthy, for example, we won a banking client in Germany, which is a mid-tier customer in the last quarter. There are other wins we have had, but as you know some of these wins start small and then grow over time. Whereas when we have some of the ramp downs in the larger banking and capital market accounts they are quite significant, and that reflects on the numbers that you see over here. So, anything to do with getting impacted through the BFSI space, I would just keep watching quarter on quarter. Milan?
Milan Rao: Well, on the communication side, in general we have seen a strong growth in the global side of the business. And as Abid articulated, there was some weakness on the India side, the weakness in the India side was also from the margin perspective. And therefore, that is what is impacting the overall number. On the global side, we do not see any significant challenge on margins. And on the BFSI side, because the revenue has decelerated over Q1, we have seen certain impacts on margin. So, we will have to watch this space over the next couple of quarters, how the revenue shapes up, and only then we will be able to comment in terms of how the margin looks.

Abidali Z. Neemuchwala: And as you know, for the global business the employee base is quite redeploy-able. So, some of the deals that we would get, for example in the consumer segment, a lot of the digital resources and data resources from BFSI are redeploy-able. So, in the short-term you see a margin impact, over a medium-term we are able to repurpose and redeploy the deployable bench.

Deepesh Mehta: And last just clarification, in BFSI do we see weakness also in US side or it is largely Europe for us?

Abidali Z. Neemuchwala: So, in BFSI the weakness is more in Europe than in the US. But if you look at sector only, from a sector perspective I think it's more on the capital market side.

Moderator: Thank you. The next question is from the line of Abhay Moghe from Bajaj Allianz. Please go ahead.

Abhay Moghe: Good evening. The question is to Abid. It's been almost four and a half years that you joined Wipro. Now, you have had some unfortunate experiences like HPS acquisition or client bankruptcies, and some fortunate things you and your team were able to execute, good on the BFSI and some good acquisitions like Designit or Appirio. My question is, what's your point of view on where you are in an overall journey to bring Wipro to industry leading growth, like it's near-term you can see it happening in say next two quarters, one year, or you think, no, it's still some time away and maybe some problems like they are so ingrained that they may take quite a while to resolve? So, what's your point of view?

Abidali Z. Neemuchwala: So, I don't see any problem that will take quite a while to resolve. I think we clearly articulated a strategy; we relentlessly are executing on that strategy. We are seeing good results on that strategy, whether it is on building capabilities, as you rightly mentioned, we both acquired and organically built capabilities that make us quite futuristic in areas like client mining and account execution, we made significant investments, our customer satisfaction today is one of the highest in our history. So, I feel quite good about it. I think what we need to continue to do is relentlessly execute and make sure that even in some of the macro spaces there is always an opportunity in some of the slowdowns and some of the economic cycles. And we need to just make sure that we make the most of those opportunities.

Moderator: Thank you. The next question is from the line of Girish Pai from Nirmal Bang. Please go ahead.
Girish Pai: I just want to circle back to the margin question. Jatin, are you kind of implying that 18% to 18.5% is like kind of peak margins because you mentioned that whatever savings you are going to get you are going to reinvest back into the business? So, from a three-year perspective would the 18.5% be like kind of peak margin that you are going to see?

Jatin Dalal: It's difficult to call from a three-year standpoint, our aspiration certainly would be to go beyond 18% and 18.5% range. My comment was vis-à-vis the fact that we had a certain visibility of cost credits and cost benefits that we were able to execute in quarter two, which we have invested back. Some of those may not continue in quarter three, but we will execute on other levers for quarter three. Also, our overarching commentary on margin is that we have to remain invested to get the growth to a better trajectory. And once the growth comes, as we all know, margin always follows. So, that is the overall hypothesis with which we are working with, Girish. Difficult to call out specific numbers or ranges beyond that.

Girish Pai: Okay. My second question is probably a little basic, its to do with your realized INR rate, I think for many years now Wipro has had a much higher realized rate in INR. What exactly is playing out there, is it treasury or what exactly, why you are getting like a rupee more than your peers in the market?

Jatin Dalal: So, Girish, we can certainly explain the cash flow hedge accounting that we do. Maybe Aparna or Abhishek from IR team can explain that. We have remained very consistent with our hedging policy, as I have articulated every quarter, and that certainly has played out well for us. I am unable to compare with the others, but we can certainly explain the accounting methodology that we use for our segmental reports.

Girish Pai: Okay. My last question is regarding pricing or clash gross margin in your digital business, how much more would that be vis-à-vis your company level margins or say if you want to talk about pricing, how much higher would say digital services pricing be vis-à-vis your normal on-site pricing?

Jatin Dalal: So, Girish, the pricing both onsite and offshore is definitely higher than the traditional services. However, these resources also are more expensive. So, we get into a better trajectory of margins as we get into larger projects, and on a more sustained revenue stream. There are also, I would say, marketing or capability, digital experience kind of investments that we have done in digital parts all over the world. And some of that also reduce our profitability of our projects. But overall, pricing is certainly significantly superior in some of the projects, superior in other projects.

Girish Pai: If I may squeeze one last question, this is regarding your order book, order inflow. In the last few quarters has it been more renewal type order inflow that you are getting or it like make new kind of order inflow?

Abidali Z. Neemuchwala: So, we don't break that out, but if you reflect on the comment I made that there were certain deals which were delayed, which got signed in Q2, and we are starting new projects which is reflected
in the revenue guidance that we have given, that is incremental revenue. So, those would be new deals.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I know hand the conference over the Ms. Aparna Iyer for closing comments.

**Aparna Iyer:** Thank you all for joining the call. In case we couldn't take your questions due to time constraints, please feel free to reach out to the investor relations team. Thank you and have a nice day.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Wipro, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.