



## “Wipro Limited Q4 FY’24 Earnings Conference Call”

**April 19, 2024**



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**Moderator:** Ladies and gentlemen, good day and welcome to Wipro Limited Q4 FY'24 Earnings Conference Call.

As a reminder, all participant 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 "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dipak Bohra – Senior Vice President (Corporate Treasurer & Investor Relations). Thank you and over to you, sir.

**Dipak Bohra:** Thank you, Yashashri. A Warm Welcome to our Q4 Financial Year '24 Earnings Call. We will begin the call with the "Business Highlights and Overview" by Mr. Srinivas Pallia – our Chief Executive Officer and Managing Director, followed by Updates on "Financial Overview" by our CFO – Aparna Iyer, afterwards, the operator will open the bridge for Q&A with our Management Team. In this call, we also have our CHRO – Mr. Saurabh Govil.

Before Srini starts, let me draw your attention to the fact that during this call, we may make certain forward-looking statement within the meaning of Private Securities Litigation Reform Act 1995. These statements are based on management 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 filing 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 available on our website.

With that, I would like to hand over the call to Srini. Thank you.

**Srinivas Pallia:** Thank you, Dipak. Good evening and good morning, everyone. Thank you for being here today.

I am honored to be here as the CEO of this remarkable organization. My memories of joining Wipro in February 1992 straight from the Indian Institute of Science Campus are still fresh in my mind.

I've been with Wipro for more than 30-years. I am proud to say that it's such a unique company, the way it has combined profits and purpose, very strong global brand, present in over 60 countries, leading in technology and committed to sustainability, diversity and inclusivity.

As you know, I've been in the CEO's role for about two weeks now. Through internal and external conversations, and the press reports I have read, I am aware of the high expectations for



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my role. Despite my extensive experience as a business leader, stepping into the CEO's role for the first time feels profound especially when it comes to leading this iconic institution.

As I go through many emotions of this transition, one thing stays strong – My unwavering belief in Wipro, our values, our people, our clients and above all our resilience.

Last year posed big challenges for the whole industry. It has affected Wipro's performance too. The economic environment is still uncertain and there might be more challenges in the short-term.

However, the opportunity before us is limitless. We are on the brink of a major technological shift. Every client I talked to across all industries is eager to leverage AI to shape the future of their business.

And at Wipro, we have been gearing up for this moment. We have made substantial investments to strengthen our capabilities across the organization. We have a global and diverse team. We have made bold moves in M&A, acquiring companies like Capco and Rizing which have boosted our consulting capabilities and we have simplified our operating model.

The building blocks are firmly in place, and I am committed to expanding on this even more. While I remain optimistic about the long-term, it's important to be transparent, there's still a considerable amount of work ahead of us.

Our immediate priority is to accelerate growth. Before diving into the financial performance for Q4 and the full year, I want to discuss the "Five Focus Areas" we will concentrate to revitalize the company:

1. Accelerate large deal momentum by working closely with clients and partners.
2. Strengthen relationships with large clients and partners and further invest in accounts that have the potential to grow into large accounts.
3. Focus on industry-specific offerings and business solutions, led by consulting and infused with AI.
4. We will continue to build talented skill which is now AI-ready and able to deliver industry-specific business solutions.
5. Finally, continue to simplify our operating model and focus on execution rigor with speed.

As you see, the core tenants of our strategy remain unchanged. What's important is how we build on these five priorities and adapt as necessary to accommodate technological shifts and market conditions. By years of experience in the markets, have taught me that integrating strategy with rigorous execution yields tangible results. And that's where our focus will remain this year.



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Now, let me turn to our “Financial Performance for Q4 and the Financial Year ending March 2024”:

In Q4, our IT services revenue grew sequentially by 0.1% in reported currency. If you recall, last quarter, we had talked about seeing green shoots in our consulting business. The traction continued in Q4, reflected in Capco’s sequential revenue, growing by 6.6% and order bookings growing by 43.6%.

Talking of “Order Bookings,” in Q4, total order booking stood at \$3.6 billion and for the full year it was \$14.9 billion.

Coming to “Large Deals,” in Q4 we won 18 large deals against 14 large deals in the previous quarter. In TCV terms, our large deal bookings for Q4 was \$1.2 billion. For financial year 2024, we recorded large deal bookings TCV of \$4.6 billion. This was a growth of 17.4% as compared to the previous year.

For our FY’24, our revenue was \$10.8 billion in reported currency. We continued to increase the percentage of revenue from our top five and top ten clients. Also, we added three more clients to the \$100 million-plus bracket in FY’24. Six out of our top ten accounts grew on a sequential as well as on a year-on basis in Q4.

Moving on to “Margins,” in Q4 we saw a further expansion to 16.4%. This is a 40 basis points improvement over last quarter. We closed FY’24 with a margin of 16.1%, an expansion of 50 basis points over FY’23.

Like I said earlier, we will continue to make investments in building capabilities and strategic acquisitions. In Q4, we took a majority share in Aggne, a leading consulting and managed services company, serving the insurance and insure tech industry. This allows us to strengthen our value proposition in a fast growing part of the insurance vertical.

Expanding on our substantial investments in AI, in Q4, we launched the Wipro Enterprise Artificial Intelligence-Ready Platform with IBM. It’s a new service that will allow clients to create enterprise level, fully integrated and customized AI environments.

Let me share one example of a win in Q4 that came from an AI-powered solution tailored to our consumer business. A leading global apparel brand chose Wipro as its strategic partner to implement Gen AI solutions for driving their digital transformation. This actually involves implementing large language models to improve search, recommendation engines, and enable hyper personalization at scale. All done responsibly.

Before I hand it over to Aparna, let me share our “Guidance for Q1”:



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We are guiding for a sequential growth of (-1.5%) to (+0.5%) in constant currency for Q1'25. We expect margins to stay range-bound like in the last few quarters.

The next few months will be crucial as we steer the company towards growth. As a passionate hiker, I deeply connect with these words from Junko Tabei, the first woman to climb Mount Everest. She said, "Even it was hard, you can reach the peak if you climb step-by-step." Of course, I seek the trust and continued support of all of you, our clients, our associates, partners and media as we move forward.

Thank you. Let me now hand it over to "Aparna to Share More Details on our Financial Performance. Over to you, Aparna.

**Aparna Iyer:**

Thank you, Srinu. Good evening and good morning, everyone.

Let me highlight to you our "Financial Performance for Q4 and Full Year-ending March 31st, 2024":

On IT services revenue for Q4, we delivered a reported currency growth of 0.1% sequentially and (-0.3%) in constant currency terms. For the financial year '24 IT services revenue declined 3.8% year-on-year in reported currency terms and 4.4% year-on-year in constant currency terms.

Let me also give you some color on our "Market Unit Performance":

Please note that all revenue growth numbers are in constant currency terms.

In Americas-I, we continued our momentum of strong booking in Q4. We booked eight large deals in Q4, adding up to a total contract value of 587 million. For the full year, order bookings in TCW terms in A-1 grew by 24.9%. Q4 revenue for this market declined 1.8% on sequential basis, while the full year revenues grew 0.2% year-on-year. Our healthcare sector grew by 18% in full year in FY'24 year-on-year.

Americas-II market unit grew 1.9% quarter-on-quarter on the back of strong performance in Capco, BFSI, Hi-Tech in Canada. On a full year basis, the revenue in this market declined by 6.1% year-on-year. Almost 60% of our revenues in this market comes from the BFSI sector and as Srinu mentioned in his speech, we are starting to see a return to stability in the sector led by Capco.

In Europe, revenue decreased 0.1% sequentially in Q4 and decreased by 7% on a full year basis. While Germany and UK continue to remain impacted due to slowdown in demand environment, we are seeing a recovery in sectors like Switzerland and Southern Europe that grew 1.7% and 1.6% in Q4. Southern Europe, as a sector, grew 14.6% year-on-year in FY'24.



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We also continue to see strong traction on the order booking side in Europe. In Q4, we've won five large deals adding to a TCV of more than \$300 million.

APMEA revenues declined 2.2% quarter-on-quarter and 4.5% for the full year. Our strategy in APMEA has been to move towards high value transformation projects and reduce low margin accounts. The success of our strategy is reflecting in our margin improvement of 235 basis points for the full year.

In terms of "IT Services Operating Margins," our continued rigor on improving operational excellence has helped us expand our operating margins by 40 basis points in Q4. This is after absorbing the impact of two additional months of salary increase in Q4. On a full year basis, our margins are at 16.1%; they have improved by 50 basis points year-on-year.

Our net income and EPS for the quarter increased by 5.2%. Despite being impacted by a challenging macroeconomic environment, it is encouraging to know that our EPS for the full year grew by 0.8%. The increase in EPS was after absorbing the one-time restructuring charges of INR6,814 million during the year.

We generated cash flow of \$626 million in Q4 and \$2.1 billion for the full year, which is at 182.6% of our net income in Q4 and 159% of our net income on a full year basis. This is our highest cash flow in recent years. Our gross cash as a result is at \$4.9 billion and net cash was at \$3.2 billion. Both have increased year-on-year despite completing our largest buyback in July of 2023. In terms of some other important metrics that we've always shared, our ETR is at 24.5% for FY'24 versus 23% in FY'23. Our hedges continue to be in line with our policy; we had about \$3.1 billion of FOREX derivative contracts as hedges at the end of Q4.

Finally, I would like to reiterate the guidance for Q1'25 stated by Srinji; we expect our revenues from IT services business segment to be in the range of \$2.617 billion to \$2.670 billion. This translates through a sequential guidance of (-1.5%) sequential to a (+0.5%) in constant currency terms.

With that, I now hand over to the operator for questions.

**Moderator:** We will now begin the question-and-answer session. We will take our first question from the line of Moshe Katri from Wedbush Securities. Please go ahead.

**Moshe Katri:** Looking at the five focus areas that you mentioned, I am going to look maybe at three of them. Large deal momentum, what needs to get done to get there? Are you talking about restructuring sales, sector-specific offerings led by consulting in AI? Are we talking about more strategically using Capco given their expertise? And then you talk about simplifying the operating model. Are we planning a restructuring in terms of the various segments of the business?



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**Srinivas Pallia:** Thank you, Moshe. Appreciate your question. Let me answer in terms of the structure and operating model. I said we will continue to simplify our operating model, but the focus actually will be more on the execution rigor and with speed. That was the key message, Moshe. Now coming to the large deals, we want to create this large deal momentum and one of the things that we want to do is be more proactive with our clients and with our partners. And the second part I think a question that you said is we want to go very specific with the specific business solutions both on the cost transformation side and also on the business transformation side which is a lot more industry-focus with consulting-led and AI-infused. I think that's how we want to differentiate our large deals going forward.

**Moshe Katri:** Can you talk a bit about how you're planning to use Capco? I think you have a very unique asset that Wipro has not leveraged efficiently enough in the past since the transaction. So, what's going to be different here under your leadership that Wipro with Capco down the road?

**Srinivas Pallia:** Consulting for us is going to be a strategic advantage and Capco plays a significant role here as you said, Moshe. Now, there are a couple of things that we want to do with Capco. Capco for us in the context of BFSI, is going to be tip of the spear for us. So, what we want to look at is an end-to-end from a consulting-led to execution. The entire story is what we want to take to our clients. And we're getting a lot of good traction as we speak. There are places where the clients find it very interesting that a consulting company can actually execute and manage the end-to-end process areas for them. So, we will continue to collaborate much stronger in front of the clients, both leveraging Capco's capabilities and it is going to be a very strategic advantage for us.

**Moderator:** We have our next question from the line of Abhishek Kumar from JM Financial. Please go ahead.

**Abhishek Kumar:** My first question is on Capco growth. You mentioned you saw both sequential growth and strong bookings. I am just trying to reconcile this with the comments that we hear about discretionary spend, especially in BFSI remains sluggish. So, what explains strength in Capco, maybe if you can highlight certain areas where Capco is winning deals?

**Srinivas Pallia:** So, your observation is right, Abhishek. In the last two consecutive quarters, we have had a sequential growth both in order book and revenues. I think what we are seeing is in the BFSI sector, these are green shoots, we have seen some of the discretionary spend coming to us in the context of consulting. The second part is also wherever we are leading in with the Capco as the tip of the spear for us, we're getting that advantage around the deals that we are working on and there's a lot of synergy deals that we are working together going forward. So, that's an advantage that we want to leverage and that's a differentiation we want to do going forward.

**Abhishek Kumar:** Maybe let me follow up on this. Then given the strength here and BFSI stabilizing, I was just wondering why this is not translating into slightly better guidance for next year, at midpoint, we still see decline sequentially, so what explains slightly weaker guidance for Q1?



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**Aparna Iyer:**

Hi, Abhishek. Just wanted to share with you that the overall demand environment, we don't see a material change. I think it's very similar to how we saw it at the beginning of this calendar year. So, the macroeconomic environment and the challenges around lower discretionary spend remain. What we've shared is that we are seeing green shoots in Capco in the set of the portfolio of clients that Capco works with, we are beginning to see some kind of stabilization, and the growth that Capco has shown in Q4 is very encouraging. As far as Q1 is concerned, they are continuing to have stability. Now, this is coming in after a few very rough quarters for Capco. So, you should read it in that context, Abhishek. Okay? Overall guidance visibility? Of course, green shoots of healthcare and Capco are part of it, but also the overall macroeconomic environment and the softness is also very much a part of it. So, this is what we have guided based on what is visible to us now.

**Abhishek Kumar:**

I just noticed a sharp uptick in the top client revenue this quarter. Anything to read into this – is it one-off? What explains the sharp increase in top line?

**Aparna Iyer:**

Abhishek, you would recall sometime in Q2, I think we had shared that in a couple of our large accounts, we had one bookings that aggregated to about half a billion dollars each, right. Now, one of those clients has actually gone ahead and become our top client. So, we're very pleased to share with you that our top client is now a different one that what we've had for several years and we're very happy with the progress that we've made, that's what we would like to share, that's why you're seeing the momentum.

**Srinivas Pallia:**

Abhishek, just to add a few more color to that. Our large deal pipeline continues to be strong and does consist of mega deals as well. We are also well-positioned to sustain and further improve our large deal and mega deal wins going forward.

**Moderator:**

We have our next question from the line of Ravi Menon from Macquarie. Please go ahead.

**Ravi Menon:**

I guess the first question is on the top ten. You've seen the top client, but even the top two to five that has seen growth, your BFSI is actually seeing pretty strong growth as well, healthcare also seems to be doing well. So, the ones that are actually not doing well seem to be relatively smaller segments like communications or hi-tech. Could you give some color around whether the weakness in these segments is the reason why you're still looking at muted growth outlook for next quarter? And should we expect that in your biggest verticals you're actually seeing growth?

**Aparna Iyer:**

Ravi, yes, this quarter for us in terms of BFSI, we've seen a quarter-on-quarter sequential growth after at least four quarters of being very soft. Healthcare has continued to do well and we will continue to see the momentum build on. We are very happy with both our positioning, offerings and the kind of growth that we are seeing in that sector.



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ENU (Energy and Utilities) and Manufacturing, we do believe that has been soft for Wipro and there is some muscle to be built. We have a good pipeline, we have interesting deals in the fray and We will see how they convert, more hopeful of getting back to growth in the second half in these sectors. Consumer and life sciences, again, it continues to be impacted by the overall spend environment going to higher inflation. Those are the broad colors that we wanted to share with you from a sector perspective. And therefore it's a little bit of a mixed bag. So, yes, we are seeing green shoots and we're seeing early signs of stability because now we've had two quarters where we've consistently seen... not just consulting, but other parts of BFSI coming around, but very early to say whether this is deterministically shifting, right, so we continue to remain cautious in that space. We've shared with you an outlook that basically has components of everything that I've just taken you through.

**Ravi Menon:** The utilization number is at 84.8%. This exclude all the acquisitions, right? So, how should we think about where say for example Capco's utilization might be, should that be a margin lever if the BFSI demand comes back?

**Aparna Iyer:** Certainly, we don't share our utilization including some of the acquired entities that is current. Overall utilization even outside of the acquired entities, we've seen a very remarkable progress that we've made over the last four to five quarters in that lever. We're very happy with where we are and we hope to sustain it even as the demand comes back and maybe we will have to invest for growth at some point in time, but for now, we will try and hold to that utilization. In Capco, certainly that is a lever and we've got an incredible asset, like Srini said, we have to drive more synergy wins and basically press on the revenue acceleration in Capco and that should do a lot of good to the margins as well.

**Moderator:** Thank you. We have a next question from the line of Kawaljeet Saluja from Kotak. Please go ahead.

**Kawaljeet Saluja:** Hey, Srini. Many congratulations on your elevation to the CEO role. I have three questions for you, Srini. The first one is the fact that you have been with the organization for more than three decades, and you have been quite a remarkable performer. However, you cannot say the same thing for Wipro organization as a whole. So, what is your view or what is your assessment for the reasons for Wipro's challenges and aspects of Wipro's business that require a fix?

**Srinivas Pallia:** Thanks, Kawaljeet. I think, thanks for the compliment as well. Having been here for three decades, all I can say is that if we continue to focus on those five key priority areas that I called out just now, and definitely execute that with the speed and the rigor that we need to bring in, I think we can make a difference. So, to me, strategy with a combination of execution is what can give us the outcomes that we are looking for.



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The second part, Kawaljeet, in the recent past, as Wipro is an organization, we have high exposure to discretionary spending. And hence, we have sometimes the softness on BFSI during those periods, and that could be another factor that you would have seen as grow a little slower.

**Kawaljeet Saluja:** So, you basically think that there is nothing wrong with just those portfolio challenges, etc. Those are tactical challenges which are there, you know. And just a simple focus on execution would do the trick.

**Srinivas Pallia:** So, Kawaljeet, if you look at it the way we are structured, we have got the four markets, right? And each of the markets are different. They have different responses to the macro environment that we are looking at. So, that's number one. Second is, if you look at Wipro as a company, in the last few years, we have gone through significant transformation. And for a transformation like this, sometimes we have to make some adjustments across the organization, and this can lead to different views.

I think from my perspective, my vantage point, my knowledge of our clients and our business, and of course the point that you made, having lifelong connections across our company should help us move us into actually tractions quickly, Kawaljeet. That's what I am looking for.

**Kawaljeet Saluja:** That's fair. The second question that I had, Srini, is that your organization has seen plenty of churn, senior executive churn. So, what are the measures that you will put in place to reduce the churn levels?

**Srinivas Pallia:** Sure, Kawaljeet. Maybe I will ask Saurabh to respond to that.

**Saurabh Govil:** So, Kawal, I must tell you that over the last two weeks Srini has taken over and the general euphoria among employees that somebody who started his career in the company has reached the very top. So, I generally believe that if growth comes back, opportunities are there for people to grow. They are seeing people growing. Aparna is another example for us who started a career here. People will be keen to continue to see that this is the place for them to make their careers. So, that's what they will.

Having said that, as Srini called out that structures and strategies are not changing. But leadership will evolve. There is a living organization. There will be some people who would move one kind of stuff. But there is no major disruption in the way we are going to work, organize ourselves. So, I don't see that much of a challenge as we move forward.

**Srinivas Pallia:** And Kawaljeet, we want to develop talent internally, right, and also have a strong line of leaders in our pipeline. And that's another focus area for us going forward.

**Kawaljeet Saluja:** The final question that I have for you, Srini, is that I remember some time in 2020 you had a magic wand. You actually struck fairly nice lucrative two mega deals in the retail vertical. But



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the organization has been silent on mega deals since. Has the muscle memory weakened on the mega deals or good news is around the corner?

**Srinivas Pallia:**

Good question, Kawaljeet Saluja. I think the way we have structured ourselves in terms of going after the large deals and mega deals is to try and focus not only on how you pursue a deal, but how do you originate a deal, how do you shape the deal and the entire process around that. So, that becomes very critical for us.

So, in fact, what I would like to do is for the sales team on the ground, across the markets and across the industries, try and create a proactive pipeline because that becomes very critical for us because you work along with the client and the partner in a deal pursuit, right. The probability of winning is also much higher. So, what we want to do, what I want the team to do is stay focused on those proactive deals as we move forward.

Also, if you look at earlier, we had mentioned in Q2 that we had won close to \$0.5 billion deals in two of our large accounts and one of the two accounts, Kawaljeet, now has gone on to become one of the largest customers, largest clients for Wipro. So, that, you know, we have seen that momentum also happen.

**Kawaljeet Saluja:**

You have been very patient with me. So, I will just squeeze in one large question. So, please don't mind. Finally, on Capco, I guess Thierry's view of Capco integration was a light touch integration, keep that as a separate organization. Do you agree with that approach, and would that approach continue or you would see a much tighter integration of Capco with the Wipro's overall portfolio?

**Srinivas Pallia:**

So, Kawaljeet, I think keeping the Capco brand as it is a strategic business, but what is more important, Kawaljeet, is I look at Capco or any of our consulting business domain and consulting teams to be the tip of the iceberg for us. So, when you go in front of the client, you go in as one Wipro in the context of how you are going to solve it. But what is very important is the kind of CXO connects Capco has. I think that is something that the rest of the Wipro organization can actually leverage. So, I would say that we are going to focus on a joint positioning and a building discipline sales campaign that can deliver the best for the Wipro in that particular segment.

**Moderator:**

Thank you. We have our next question from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

**Gaurav Rateria:**

Many congratulations Srinu on your new role. My first question is again with respect to your success in mega deals. When you look at the overall internal win, your mega deal participation, your win rates, where do you think the work in progress is there? Where do you think you need to make some changes? Is it more about your participation or is it more about your win rates? Just trying to understand what needs to be fixed to be able to participate more in the mega deals.



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**Srinivas Pallia:**

So, Gaurav, if you could just repeat the question, I just lost you for a minute, sorry.

**Gaurav Rateria:**

Yes, my question is with respect to your mega deal success. Just trying to understand is this require more fixing on the participation side, proactively creating pipeline side or is it more about the win rates? You participate but the win rates are not so good. Just trying to understand what requires to be changed to be able to more consistently deliver some of the mega deals.

**Srinivas Pallia:**

So, thank you. I got the question; I think absolutely there are two parts to it. What is important for us is to be very proactive within the market, whether it is our clients or partners or the influencers in actually sourcing the deals and then kind of shaping the deals which are very specific to those industries. The way you solve it and the way the business objectives of the clients are met also becomes very critical.

So, it's both. There is a combination of both which actually lead us to a better win ratio going forward, Gaurav. And I have seen the experiences wherever we have worked very well with the clients and ahead of the curve, I think our probability of winning has gone up. What we want to do is become lot more consistent, lot more repetitive across our markets and across our industries.

**Gaurav Rateria:**

My second question is with respect to Capco. It will be great to understand what kind of deals are coming in terms of the nature of the work and is it more broad-based across large number of clients? Is it more concentrated with a few clients? Is it just a tip of the spear engagement that is coming right now? Is it also involving some amount of downstream work? Probably that will help us in getting some comfort in how sustainable this trend that you are seeing is. Thank you.

**Srinivas Pallia:**

No, absolutely, Gaurav. I think there are two ways, two opportunity sets that we have with Capco. One is Capco going on its own, doing consulting work for them, which is a lot more, a different buyer within that particular organization. But what we are focused on is the synergy deals, with the Capco being the tip of the spear and helping us in the downstream, because that is where we can actually win a lot more large deals and mega deals.

Now using Capco, we have an advantage in terms of shaping the deal, because you can be a lot more focused in the context of the customer process areas and the customer's business problem that we are trying to solve, and then put the downstream revenue, which could be either a cost transformation or it could be a business transformation, Gaurav.

**Gaurav Rateria:**

And the recent success that you have seen in the last two quarters, is it more again on the synergy deals that you have seen, things coming back, or is it more independent work of Capco that is seeing some success?

**Aparna Iyer:**

It's both, Gaurav. You know, certainly it is secular, we are seeing a secular uptake across the service offerings of Capco across geographies, and it is led, it's more broad-based. Also, we are



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winning good synergy deals, and the collaboration has only increased in the last four quarters. Given the macroeconomic environment and the fact that the deals were harder to combine, we have certainly built a muscle on synergy also a lot better. Both are coming into play.

**Gaurav Rateria:** Last question from me, Aparna. How to look at the conversion of net income into operating cash flow on a sustainable basis? I know this has been a fantastic year for Wipro, but going forward, more on a sustainable basis, what should be the right way to look at it?

**Aparna Iyer:** If you look at just our historical performance, we have always been between what, like 85 to 110% of free cash flows is what we generate as a percentage of net income. And that's a good number to target. Yes, I think FY '24 was a very good year for us in terms of free cash flow generation and we will continue to work on all fronts.

**Moderator:** Thank you. We have our next question from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

**Kumar Rakesh:** My first question was, Srinu, you talked about large deal acceleration. Well, I understand that mega deals haven't been around a lot, but large deal performance has been quite fairly good over the last two years. From what used to be about 600 million on an average two years back, you have been consistently doing about 1.1 billion or quarterly large deals. But that has not been reflecting into stronger growth. So, when you talk about that you plan to work on large deal acceleration, what does that mean and how should that translate into growth?

**Srinivas Pallia:** So, a couple of things. One is when I say large deal acceleration, Kumar, the idea here is that obviously you got to have a lot more deals in the pipeline. So, there again, my ask is that we have to be proactive on those large deals. What that means is can you shape the deal even before the deal comes out, right? And this you can obviously do with many of the large clients where you have a very strong relationship. So, that's number one.

So, second is the size of the deal and the frequency of the deals, if you can slightly increase, that can give us a momentum going forward. Now, in terms of converting the large deal of TCVs to revenue, maybe I will ask Aparna to make a comment.

**Aparna Iyer:** So, Rakesh, this is again something that I think is not just us, but it's just the nature of the market that the conversion is lower. It is because A, while we continue to win these deals and replenish the bucket, there is a discretionary spend environment, which is weighing on our revenue performance, right?

So, we are continuing to see ramp downs that are happening where existing projects finish but are not getting replenished at the same pace. So, that is again weighing down in terms of the conversion from bookings to revenue. And I think that's the major aspect.



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Also what has happened is while the momentum is much stronger on the large deals and the larger deals, the smaller deals' buoyancy has certainly slowed down. At least in the last four quarters, we have seen that. So, those are two things that are weighing on the revenues.

**Kumar Rakesh:** My second question was around the number of clients less than 1 million. So, for the last few quarters, we have been pruning our smaller accounts, smaller clients. But in this quarter, on a sequential basis, it has increased. So, is this one-off or there is a change in strategy now, how we are looking at these smaller accounts?

**Aparna Iyer:** There is no change in strategy, Rakesh. Our strategy has only got more firm. We are looking for profitable growth and we will continue to pivot ourselves in a few geographies where we are not in high-value transformative work that in new age opportunities that we want to be. We would like to pivot our service offerings. And in that context, we did take action, especially in APMEA. As a case in point, I spoke about it. So, what you are seeing quarter-on-quarter, can we manage it? There will be volatility that will play out quarter-on-quarter. But I can assure you there is no fundamental shift in strategy. We will continue to focus on profitable growth and mine deeper.

**Srinivas Pallia:** So, Rakesh, just add two more points to that. One is, I think it's not just the number of accounts, but the quality of the accounts we have, which is very important for us going forward.

Second is, if you look at our, we have continued to add accounts in greater than \$100 million bucket. In fact, we added three accounts in that particular bracket. So, that's another one. We want to keep tracking and keep moving. Got it.

**Moderator:** Thank you. We have our next question from the line of Yogesh Aggarwal from HSBC Securities and Capital Markets. Please go ahead.

**Yogesh Aggarwal:** Srini, first of all, congratulations on your promotion. Just a couple of questions I have. Firstly, on the structure, a few years back under Thierry, Wipro moved to the geographic structure, which was a bit of a unique setup compared to other companies. So, are you looking to go back to the vertical structure? Just any thoughts on that? And then I have a follow-up, please.

**Srinivas Pallia:** I think the four strategic market units that we have and the four GPS structure that we have, it will continue. No plans to make any changes, Yogesh.

**Yogesh Aggarwal:** And the second thing, Srini, I mean, your headcount continues to decline. It's down like 10% and 87% utilization. So, just sometimes get a feeling, are you guys even looking at any kind of an imminent pickup in growth? Because this is quite a bit of tightening, operational tightening happening.

**Saurabh Govil:** So, Yogesh, Saurabh here. You know, headcount has come down. It was driven by operational efficiency. As you see, our utilization has been all-time high in Q4. We have the supply side, you



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know, as demand picks up, we will be able to quickly ramp up and we are comfortable on that spot. So, I don't see that as a challenge. We just have learned; I think we as an industry that all of us are over-hired at a point of time in this post-COVID. So, we just want to be more cautious, more judicious and as we move forward. But as demand environment improves, we don't see a challenge.

**Moderator:** Thank you. The next question is from the line of Sudheer Guntupalli from Kotak Mahindra AMC. Please go ahead.

**Sudheer Guntupalli:** Congrats and all the best on your new innings. Given that the organization had already gone through sweeping changes over the previous two to three years, certain change fatigue could have set inside the company and employees. So, do you see that change fatigue as a bottleneck to be able to make any incremental changes you need and turn around the growth path or maybe delay that growth turnaround?

**Srinivas Pallia:** Sudheer, the advantage I have is I have been through this transformation journey, right, in the last four years. Clearly, in my mind, we don't need a structural change. The four SMUs and the four GBLs is good to go. What we need is to change our strategic priorities, which meets the market dynamics, which meets the changing technology landscape. And what we need is bringing a lot more execution rigor in the markets and in the sectors and in specific accounts that we call both the large accounts of ours and also the future large accounts. I think if we can execute to that, bringing in the best of our solutions with the consulting led and AI infused, I think we can differentiate and make a difference to our clients.

**Sudheer Guntupalli:** Second question to Aparna on Capco. If the growth here is so strong, one would have anticipated that the company level margin expansion to be slightly higher, given this is an onsite heavy and fixed cost heavy business. So, should we assume that such an operating leverage will probably come with some amount of a lag?

**Aparna Iyer:** Yes, so Sudheer, Capco, like I said, had also the benefit of a seasonally furlough quarter of Q3. So, the bounce back of Q4, the growth rates that we are talking about also had, it was aided by that. There is a base effect to that. So, yes, as stability returns, we will see operating leverage, but for now, we are just waiting. This is not something, you know, we have shared with you for two quarters. Given the interest in Capco's performance, we have shared it. We are also encouraged. We are watching. It's too early to say whether this is a very definitive deterministic trend. We will watch for how they perform over the next few quarters and certainly the operating leverage should play out with a lag.

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



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**Sandeep Shah:**

My question is related to one of the questions asked by a previous participant. Most of your earlier colleagues in the CEO realm have also been highlighted and focused in terms of a rigor on execution. But somewhere that has not worked and improved the organic growth rates of Wipro consistently. So, what according to you in your past three decades experience in Wipro is going wrong in the execution rigor? Is it delivery? Is it sales? Is it client mining? Or is it hunting? And where do you believe weakness is higher and how do you plan to rectify that?

**Srinivas Pallia:**

Thanks, Sandeep. What I am doing right now as we speak is based on my own experiences over the period of years. Second, I am looking at all the areas across the markets, what's working and what's not working, whether it's to do with large deals, whether it's to do with large accounts and account growths, whether to do with the solutions and approach to each of the sectors.

So, what I am doing, Sandeep, is taking stock of all that. While I called out the priorities, right, we got to bring the strategic priorities that we call out to an execution rigor, and you are right. Once you have the right strategy, right set of accounts, right set of sectors that you really want to focus on, then you have to be staying there for time too because some of these deals that we have won, it does take time.

So, what I want to do is have the staying power as well to continue to execute our strategy and not change it in midway. So, there we have to bring in a lot more consistency and perseverance, if you will, to win those deals and grow those accounts.

**Sandeep Shah:**

And if you want to define a performance API of your targets and strategy execution, what it could be? And what could be the timeline for the same?

**Srinivas Pallia:**

So, I don't think I have a timeline, Sandeep. This is my second week in my new job. Let me go back and see what's it, what's going on and what we need to do. But what I am very clear is, what are the priorities that we want to execute. And I think that's where I am going to stay focused on.

**Sandeep Shah:**

And second, in terms of capital allocation, I think Wipro has done a fantastic job in terms of new cash flow generation. The outgoing CEO has been aggressive in terms of bold M&A, where capital allocation has been also fairly contributed towards the sizable M&A. Do you believe in that strategy? Because in the press conference, you also said that Wipro will continue to demand bold on the M&A. So, when you say bold on the M&A, is it bold in terms of acquiring capability, which may not be big in terms of size, or you still believe we have a headroom and appetite to go for M&A similar to Capco as well as Rizing?

**Aparna Iyer:**

I think from an M&A standpoint, and I will add answer and then I will let Srini weigh in. I think we will continue to remain focused. We will be selective in the M&A that we do. We will invest in areas of newer technologies. We will invest in areas that give us access to markets, access to clients, the strategy on M&A and where we will play and how selective we will remain. On the



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size of the M&A, it's too, you know, we don't, we're not disclosing any one way, you know. We have said that we prefer tokens because in some sense it helps us stabilize in an environment like this, but we will remain flexible on that, and we will see what works best for our strategy.

On capital allocation, you know, there is no change to policy, Sandeep. We are committed to returning cash of 45 to 55% of our net income over the cumulative three-year period. If you want to add anything on M&A, Srinii?

**Srinivas Pallia:**

I think you have covered it. Thanks.

**Sandeep Shah:**

And the last question, Aparna, for you in terms of margins, I think we have done well in terms of a difficult environment, but if I look at utilization, if I look at offshore revenue mix, fixed price contribution, most of them have peaked out. So, is it fair to assume now further considerable margin improvement is largely dependent on growth picking up? If it doesn't, then in that scenario, 16% flattish kind of environment is sustained going forward.

**Aparna Iyer:**

So, what we have shared for now is that we are committed to remaining in a narrow band, a range bound between what we have delivered in the last few quarters, Sandeep. You are right that utilization has improved considerably. Our offshoring has gone up. All of that has resulted in our margins expansion. We are happy and pleased about that. We need to sustain that as we go along.

There are enough and more levers for us to flex as we go forward. Rotation, internal fulfillment. There is a lot more that we can do on optimizing, perhaps G&A. And especially given that, there are synergies to be driven as we integrate our acquired entities deeper, right? So, some of those levers will play out for us. FPP productivity is a very big lever. We are all very focused on it and the potential of how we can weave in AI. There are plenty of opportunity and there is plenty of levers for us to work on. Those are my comments, Sandeep.

**Moderator:**

Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to Mr. Dipak Bohra for closing comments. Over to you, sir.

**Dipak Bohra:**

Thank you, Yashashree. Thank you all for joining the call. In case we could not take any questions due to time constraints, please feel free to reach out to the Investor Relations team. Thank you so much again and have a nice evening.

**Moderator:**

Thank you members of the management team. On behalf of Wipro Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.