Secular trend is positive, energy the only wild card

The third quarter performance of Wipro has guided it into a more optimistic zone and the company expects the next fiscal to be a better year. In an interview with FE’s PP Thimmaya, Wipro CEO TK Kurien says there is secular growth momentum with all its business segments recording an upswing. Excerpts

How do you see the economic environment today?
From Wipro’s perspective, there were some businesses like retail that lagged. Now we clearly see demand coming back. In the retail segment, we do not see a slowdown in this quarter or next. Even growth in manufacturing is coming back. In the healthcare segment, we have always done well, and we expect it to stabilise at a 3-4% sequential growth rate. Overall, I would say the secular trend is positive, though the only wild card is energy and we do not know where it will settle. This quarter, we have factored significant drop in the energy vertical. In Europe, surprisingly we are seeing outsourcing starting again; there is a lot of bullishness. India has done well, but West Asia has done better. The oil and gas sector in West Asia has clearly increased the outsourcing.

How is the situation on pricing?
We will keep the ticket size of the deals stable. Whatever pricing we give to the customer, we will make it up through our effort. That is why we are seeing a big shift towards fixed price projects.

Wipro’s operating profit margins have seen a steady decline. Comment.
One should not read too much into it. There will be quarterly gyration but it will remain in the 21-23% range. That is where we will be comfortable.

Has the attrition rate stabilised for Wipro?
The attrition rate is more or less on the same. The major attrition for us is coming in lower band of employees with 3-4 years’ experience. We train these guys and they leave, that’s one thing we have to stop. However, there is pressure on wages in terms of senior people and those who have specific skills sets.

How is the deal pipeline looking for Wipro?
Our percentage of deals won doubled over the past three quarters. The challenge for us today is how we grow our pipeline. The deal-wins have added to our bottomline.

Will Wipro invest further into startups?
Absolutely. That is the reason we have the corporate venture capital fund of $100 million. We will look at investments in four areas — artificial intelligence and big data, internet of things (IOT), open source and digital. We will also encourage people internally if they have got any ideas in these areas. We already made our first two investments — Opera and Axeda. We will look at India and anywhere else globally.

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