Wipro’s $1b AI Play to be Self-financed: Delaporte

The task to transform Wipro and put it back on the growth path for which Thierry Delaporte was brought on board three years ago is still work in progress, the Paris-based chief executive tells ET’s Sai Ishwarbharath and Surabhi Agarwal in an interview. The company, which has been underperforming its peers, has guided for a revenue decline in the current quarter too and has attributed it to the tough macroeconomic conditions which marred tech spending globally. Delaporte says the company is betting big on artificial intelligence to drive future growth. The company has announced $1 billion investment in AI which will be self-funded and will be a mix of organic growth and acquisitions. Edited excerpts.

What most IT companies have spoken about is the tough demand situation, what explains Wipro guiding for a revenue decline in the current quarter (July-Sept) as well? The current economy has driven a slowdown across industries – more pronounced in some industries like BFSI (banking and financial services), which is a third of our business and in technology, which is another 12 or 13% of our business. From a market standpoint, (it is)

more pronounced in America than in Europe or in Asia Pacific. A slowdown is there, and it is showing in discretionary spending. Those are typically smaller orders, and the volume of small deals has actually reduced. But our volume of large deals has actually expanded. We have also had three super strong performances in bookings in total contract value terms, better than ever before. So, there is a volume of business, but the nature of the deal has evolved, because discretionary spend has been cut because clients see the uncertainty. They aren’t sure where the economy is going to go. So, they are really careful. Yes, we have shown a decline in revenue. The range of 3% (-2% fall to +1% growth) shows the level of uncertainty. It’s just not a growth market right now. Let’s face it. But no one (other IT firms) will do 3% plus (in terms of sequential revenue growth). It’s absolutely

okay and when the growth resumes, (we) will be completely on top of it.

You have announced a $1 billion investment in artificial intelligence. Where will it be invested? The $1 billion figure will be invested over three years. (It is) to enhance our capabilities, solutions, platforms, assets, and offerings around AI for our clients and for ourselves. Those investments will be primarily organic – around 75% of it will be organic. 25% may come from acquisition. We will also leverage Wipro Ventures (investment arm that invests in early- and mid-stage startups) that is quite active.

How will it be funded? Money is coming from all the drivers of productivity gains that we are focusing on. We have made tremendous work to be more efficient, leaner as an organisation. We have reduced the percentage of overheads (expenses) in the organisation and improved the quality of our delivery dramatically. Remove the impact of the acquisitions and look at our margin profile over the last quarters. We have improved by 110 basis points this quarter and we will continue the upward trend. Despite investing in acquisitions, there will be something like $250 million for the AI programme this year which is in itself a significant investment – self-financed by operations.

You have done a lot of restructuring at Wipro since you took over three years ago? Is it complete or are there more areas that need work? When I designed this plan three years ago, it was a plan that was going to take us over several years. So, we are still on it. I would say probably we have done a significant part of it. Are we at 50 or 65% of completion? I don’t know but I think we are well advanced, but we are still to go. I feel that the transformation will continue until we reach a solid and improved profile, of margin.