"Wipro Limited Q1 2014-15 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Wipro Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. 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 Mr. Aravind Viswanathan. Thank you. And over to you sir.

Aravind Viswanathan: Thank you, Shyama. Good Evening and Good Morning to all of you. A Warm Welcome to our Quarterly Earnings Call. We will begin the call with "Business Highlights and Overview by TK Kurien – Executive Director and CEO," followed by the "Financial Overview by our Executive Director and CFO – Suresh Senapaty". Post that the operator will open the bridge for question-and-answers with all the management team. We the senior management team of Wipro are present here to answer your questions.

Before Mr. Kurien starts, let me draw your attention to the fact that during this call we may make certain forward-looking statements within the meaning of Private Securities Litigation Reforms Act 1995. These statements are based on management's current expectations and are associated with uncertainties and risks which may cause the actual results to differ materially from those expected. The uncertainties and risk factors are being explained in the detailed filings with the SEC of USA. Wipro does not undertake any obligations to update forward-looking statements to reflect events and circumstances after the date of filing thereof. The conference call will be archived and transcript will be available on our website wipro.com.

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

TK Kurien: Good Evening and Good Morning to everyone. It is a pleasure to be here. I am happy to announce the Results for the 1st Quarter of Fiscal 2015. We had sequential revenue growth of 1.2% which is in line with our guidance. Our quarterly IT Service EBIT grew 35% year-on-year. We continue to make investments to enable our customers to compete better in the marketplace and for improving our execution capability.

But, let me first give you a sense the demand environment. The demand environment continues to hold steady. In North America we see a return of discretionary spending, Continental Europe continues to have significant potential for outsourcing IT Services.

During the quarter, we saw major deal wins. We also announced a largest ever outsourcing contract last week. The deal pipeline is healthy and we remain focused in converting these opportunities. Within our SBUs, we see strong demand in Healthcare and Life Sciences, which grew 20% year-on-year in revenue this quarter. Business momentum is improving in Manufacturing and Hi-Tech, while we continue to see challenges in Retail for at least another quarter.

Amongst the service lines, Global Infrastructure Services continues to score good wins with a sequential growth of 5%. From a geo perspective, we saw good growth coming in from India and the Middle East business.

From an execution standpoint, we improved on our utilization by 103 basis points and we believe we still have further headroom for growth. The share of fixed price projects has steadily increased over the last four quarters from 47.4 in Q1 of 2014 to 52.1 in Q1 of 2015. Our customers, stakeholders, remain engaged significantly with project level satisfactions scores increasing by 210 basis points quarter-on-quarter.

Two themes are becoming increasingly significant with the potential to transform the business landscape – Open Source technologies have moved mainstream, especially in Infrastructure and the Applications-led with traditional enterprises adopting models from the companies. Our Open Source practices engage with leading customers to re-architect the technology landscape to achieve significant cost savings, innovation, and agility. We have also secured mandates from six customers over the last quarter in this particular area.

Digital Transformation is driving our customers to rethink on how they protect themselves from disruption by improving customer relevance and cost efficiencies, by digitizing their legacy processes and infrastructure. Wipro Digital, a new business with its capability scale in acceleration to those visions. We have recorded three wins in this quarter and see positive business momentum.

We have also launched a major organization-wide training initiative to enable proactive response to shape future demand. Our investments in employees are bearing fruit and we are gratified to be recognized as the “Best Company To Work For Among The Supersized Organizations” by “The Great Place to Work Institute.” We have implemented both our restricted stock units and our merit salary increases one, effective 1st of April and the other one, effective June 1st. I will request Senapaty to talk about “Financials” in little more detail. Thank you.

Suresh C Senapaty: Good Day, Ladies and Gentlemen. Before I get started on the “Financial Results” please note that for the convenience of readers, our IFRS financial statements have been translated into dollars at the noon buying rates in New York City on June 30th, 2014 for cable transfers in Indian rupee as certified by the Federal Reserve Board of New York which was $1 equal to Rs.60.06. Accordingly, revenue of our IT Services segment that was $1740 million or in rupee terms Rs.105 billion appears in our earnings release as $1750 million based on the convenience translation. Total revenues for the quarter was Rs.111.04 billion, an increase of 14% year-on-year. Total net income for the quarter was Rs.21 billion, an increase of 30% year-on-year. In IT Services, our revenue for the quarter was $1740 million, sequential growth of 1.2% on a reported basis. Operating margins of the IT Services segment declined from 69 basis points on quarter-on-quarter basis largely due to an increase in compensation cost.

Let me remind you that we gave our merit salary increases effective 1st of June to our employees both onsite and offshore.

On the FOREX front, our realized rate for the Q1 was Rs.60.39 Vs Rs.61.73 realized for the Q4 of last year. As of period end, we had about $2 billion of Forex derivative contracts as hedges outstanding. Our IT Products of the business decreased by 6.2% on a year-on-year basis. Our revenues from IT Products segment declined in line with our strategy to stay focused on IT Services with participation in selective deals where products form a critical part of the solution. This strategy has helped expand margins and grow profits by 26% year-on-year. Note, that IT Products revenue for the year ended March 31st 2014 included sales of Wipro-branded desktops, laptops and servers, manufacturing of which ceased in the quarter-ended 31st December 2013.

The effective tax rate for the quarter is 21.9% as against 22.6% in the previous quarter. For the quarter we generated operating cash flow of Rs.21.7 billion, which was 103% of the net income. We generated free cash flow of Rs.18.4 billion which was 88% of net income. We would be glad to take questions from here.

Moderator: Thank you very much, sir. Participants, we will now begin with the question-and-answer session. We have the first question from the line of Joseph Foresi from Janney Scott. Please go ahead.

Joseph Foresi: Hi, my first question is you announced a large deal win which I think is a largest one you have ever had, may be if you could just talk about any other changing dynamics in the marketplace, and if you feel like you are taking market share, and if so why?

T.K. Kurien: If you look at it, there are two components of our business that today exists in our portfolio – One is the regular run business that we address, the value proposition there is primarily around cost reduction, and I think the deal that you alluded to with ATCO clearly falls within that particular category. Fundamentally, the objective of the ATCO deal would be make sure that the client gets a superior cost position after they outsource with us and along with that they get flexibility and to some extent they get variability in terms of the way they manage their cost structures on a going forward basis. So I think that is one play that continues to remain strong, and we see opportunities in that particular area both in North America as well as in Europe. – Second segment is what customers typically define as changing their business, which means the movement to the Cloud, Analytics, Digital, and all that falls within that particular category. In that segment, we are seeing discretionary demand in some industries picking up in the US, and in yet others we see some headwinds and they may be headwinds which have primarily for us which could be things like Retail where in client-specific issues we may have headwinds for this we clearly had headwinds for the last quarter, which may continue for this quarter too. So on the "Change the Business" side we see more SMAC technologies coming into that particular space, and Cloud and Analytics is a fairly big element of that. So that is broadly what we see in the demand environment. As far as Europe is concerned, SMAC technologies are picking up, but not at the rate at which you have seen in the US. Asia Pacific again continues to be a cost play.

Joseph Foresi: But, have your win rates changed at all and the deals which you are seeing are these renewals or they are new business?

T.K. Kurien: This is a new business that we talked about; frankly what we do is that if you look at our business portfolio, there are two kinds of businesses that we are going after. If you look at our client base, one is basically taking share where we are a dominant player or if we are a marginal player making an aggressive play at the incumbent share that is one type of business that we are seeing. The second type of business that we are seeing is completely Greenfield like the one that we have announced. That is again traditional business, Greenfield, absolutely new business, nets new revenue for us. In terms of win rates, our win rates have not really changed in Q1, and we think that we probably have a few percentage points that we can do to improve it, but as of now between Q4 and Q1 is being pretty much flat.

Joseph Foresi: On the pricing front, have you seen any changes there, I mean, how much of that is a factor in your incumbent or Greenfield deals compared to let us say 2 or 3-years ago?

T.K. Kurien: I think on the newer deals we are seeing especially on the cost side we are seeing commoditization happening, there is no question about that, but will that reflect itself in pricing, I do not know, I cannot really comment on that, because until now we have been able to kind of hold that off to productivity. We do not see anything right now that makes us believe that it will change, but in our industry, you can never say never.

Moderator: Thank you. Our next question is from the line of Pankaj Kapoor from Standard Chartered. Please go ahead.

Pankaj Kapoor: A few questions first. Could you clarify if the second quarter guidance is building in the ATCO deal, and if so could you quantify the contribution? The second one is it appears that the organic guidance is broadly in line with 2% to 4% that we have been seeing in the last year as well. So I am just wondering that given that we had a good deal win momentum in the quarter, how I should look at the trajectory going on from the second quarter onwards. Do you expect the impact of these deal wins to show up more in the second half or is it that there is some business attrition that is happening which is taking the growth away despite the momentum in the deal win? My third question relates to the margin profile of these deals, especially the ATCO deal if you could give some color in terms of how the margins profile of these deals is?

T.K. Kurien: Let me pass that question on to Jatin Dalal, he can answer all those questions.

Jatin Dalal: So Pankaj, to your first question, yes, the revenues from ATCO has been factored in our guidance to the extent that we think it is reasonable given the date of consummation that we expect it to close at. So it has been factored in our guidance. We are not sharing that number separately, Pankaj, but as I said it is part of our overall guidance that we do, and the philosophy I will share so that you can understand, it is like any other deal, it is a large total outsourcing contract which does have an element of acquisition, which is embedded into it, but for all practical purposes, we win large deals and we have ramp downs, and we similarly have a start date here too, which we have factored in our guidance, so I think it is therefore we are not breaking it out specifically for this deal because we do not see it very differently in this case as against the other cases where we win large deals. So that is to your first question. In terms of your third question, which is the profitability of the deal, it is a large contract as you are aware, and the way we have done the deal is that over the life of the contract it certainly would not be dilutive to the overall company margin, the impact on margin would not be material, and even in early years we do not see a significant delta versus the average of 10-years, so obviously there will be some changes year-on-year but it is not a large number for us to talk to you about. Lastly, your second question vis-à-vis guidance, so Pankaj I will say that the guidance is a reflection of where we see our current quarter performance. Do we see traction in the market place? Certainly, we are seeing traction in the marketplace as we have just signed the largest deal that we have done in terms of absolute revenues, and therefore our expectation is that as we go through the year the performance continues to improve from here on and that is the overall expectation.

Pankaj Kapoor: Jatin, my question was more in terms of the ramp up in these newer deals that we have won in the quarter, my presumption is that the deal wins in the current quarter was better than what we have been doing in the last few quarters. Is the profile of the deal such that they will have a normal ramp up which is factored to that extent in the guidance or in the subsequent quarter or you see the profile is such that the ramp up could be slightly more staggered, so we will see the full revenue impact more in the second half?

Jatin Dalal: It is difficult to comment because the ramp up is really factor of which service line it is, and to that extent I do not see a difference in mix materially to talk about here, Pankaj.

Moderator: Thank you. Our next question is from the line of Keith Bachman from Bank of Montreal. Please go ahead.

Keith Bachman: I had two questions also. Could talk about some of the practice areas that had substantially weaker growth sequentially? How would you anticipate those areas ramping as we look at the back half of the year, so for instance, Product Engineering, ADM, Consulting is fairly small for you, but if you could just talk about your expectations for some of those practice areas? The second one would be specifically addressing BPO. How you are seeing the pipeline in BPO in any pricing pressures? And then third is you talked about realization rate. I was hoping you could just repeat what you said what the realization was, but more importantly, talk about how you see realization unfolding through the year?

T.K. Kurien: So Keith may be what I will do is that given the three types of questions I have to kind of break them up separately. So what I will do is that I have Ayan Mukerji who runs our Product Engineering business and he can give you a sense of the outlook for Product Engineering, and then I will come back to the next two questions that you have. Ayan, some color on that.

Ayan Mukerji: Keith, as you know, I have recently taken over this role as the head of product engineering services. My sense is that some of the weakness that you see in the Product Engineering Service revenues is primarily stemming from silicon services. Hardware and systems as a line of service business is changing dramatically in the way Product Engineering Services is taking a look at the market. However, on the brighter side, our automotive business and our Consumer Electronics business is doing exceedingly well. But to keep the answer short, my sense is that Q3 to Q4 our Product Engineering business should be in line with the rest of our company growth. From a company strategy standpoint which is being led by PES is the whole initiative of internet of things. And as I was saying, the way PES is looking at the market is changing, and hopefully that should help us get in line with company growth rates.

T.K. Kurien: As far as BPO is concerned, we have seen the deal flow improving. It is too early to call victory on that one, but clearly we see the flow improving especially over the past two quarters. The second component of pricing pressure on BPO, I think what we see is most of the BPO work that we are getting is transformation-led; it is not just pure BPO. If you are doing commoditized BPO work, it is pretty clear that there will be huge pricing pressure and making money in that business is tough. But whenever it is reengineering-led we are able to kind of hold on to our ticket prices, and that is where I think the value of technology and BPO both come together. On the third question in terms of realization, I think comment that I made earlier was all around the fact that if you look at pure cost based play which are primarily around "Run the Business." While we see increasing commoditization happening on the standard services, we have been able to make that up through productivity. Overall we do not see great realization up or a great realization down, we see it kind of operating in a narrow band.

Keith Bachman: So you think it remains steady through the year?

T.K. Kurien: If I am losing sleep over three things, this would not be right in top of my agenda.

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

Viju George: I have two questions. In the previous quarter when given guidance for this quarter, you had mentioned that because of seasonal weakness you have seen the June quarter is one big reason where guidance is so muted, now given that you have come in between below the median of the guidance you have indicated for this quarter, and the fact that India has not done too badly, I am just curious where the miss occurred, it seems to me that its occurred more in the developed market side? My second question relates to the declining trend that we are seeing happen in the ADM side of the business, it has been continually declining as a percentage of revenues, may be just comment on what is happening there?

T.K. Kurien: On the India-Middle East business, there were two things that happened at least as far as we were concerned – one was that we expected to see significant headwinds coming out of India given the fact that elections were there, and we expected that Q1 guidance would get effected to that extent by poor results out of India. Fortunately for us, that did not happen. Our Middle East business also kind of kicked in. I think if you look at that particular segment, it's just not pure India, its India and Middle East. So, our Middle East business performed better than what we expected it to, and that was primarily the reason for that bump up that you saw there during the quarter. Having said that, I think we have got new leadership there, our teams in the ground are executing, so that is positive, I do not want to take it away from them, and I do not think it is going to be an incidental kind of a bump up just for last quarter, we expect to see that momentum continuing into this quarter too. Number two, on your question on the ADM piece I think that is a question that somehow we get asked in every call, and we tend to kind of explain it in the same way, which is if you look at the way we classify ADM, ADM in many ways for us is all the legacy business which does not form part of Application Services or which is our old erstwhile EAS business, or anything else that falls within our Advanced Technology Services business. So that in a way is what we have. If you look at that segment, that segment consists of a couple of components, that segment consists of our legacy telecom business, and to some extent whatever other legacy business we may have in the other vertical, and that is why you see a decline. Long-term, may be one or two quarters where you will have a bump up as we do transition, but long term that particular segment would be down. So it is not generic ADM that we are talking about, in that particular segment, the way we reflected it is really legacy ADM.

Management: And Viju if you see our classification where we have Business Application Services which is a unique way of looking at from industry standpoint, that continues to grow ahead of company growth rate including this quarter, and then there is an advanced technology solutions which is another high growth segment. So for us Applications is really three separate pieces, and in some forms they reflect the growth momentum in the marketplace.

Moderator: Thank you. Our next question is from the line of Trip Chowdhry from Global Equities Research. Please go ahead.

Trip Chowdhry: Two quick questions; first, you did mention about there are more work or more implementations using Open Source technologies, two sub-questions in this category is what kind of technologies are we seeing in Open Source which enterprises are really adopting other than Linux? Secondly, in terms of pricing and duration of the deal, how different are those versus say a package application installation? And then the second set of question I had was more on the lines of we are talking about Cloud implementations, mobile implementations. Is it a global phenomenon or is it more in USA and Western Europe versus say Middle East?

T.K. Kurien: Trip, I will just kind of give you a quick sense of what is going on as far as Open Source is concerned. More and more what we are seeing is folks trying to run specific workloads using an entire Open Source stack, and it is not just Linux, its Hadoop, it is SPARC, everything on top in terms of Analytics and down below in the infrastructure fundamentally what people are doing is disintermediating a lot of the hardware layers and putting in open stack components on top, which can actually kind of cut the hardware cost significantly. We just won a fairly large deal in Europe, where we are providing an entire Open Source stack with guaranteed workloads back into a large enterprise customer right now. So in the past open source used to be a little bit of an experiment, a little bit of a leap of faith. It is early days yet to declare victory in that particular area, but we are clearly seeing that that is an opportunity that is kind of opening up. As far as pricing is concerned, given the fact that the fundamental skill shot is in that particular area, we do not necessarily have any pricing pressure for that segment. Does that answer your question, Trip?

Trip Chowdhry: Yes, it does. My second question was regarding the deal flow on Cloud and Mobile in different geographies, are they same across all the geographies or more deals say in Western Europe, Europe versus say Middle East?

T.K. Kurien: I think on the infrastructure layer its pretty much kind of common given the fact that hybrid is everywhere. If you look at applications, fundamentally what is happening is on standard applications that are used across like Salesforce and HR that is kind of common across. Besides that we are seeing more and more adoption happening in the US, not necessarily that much happening in Europe.

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

Sandeep Shah: The first question is in terms of what Viju has asked just the guidance what we have given for the first quarter, was assuming a muted growth from India; however, if we look at the growth from India as per what you said the headwinds were lower than anticipation. But does not mean that there has been a negative surprise in the US and the Europe because the positive surprise in India has not given you a positive surprise to your midpoint of the guidance?

T.K. Kurien: In one particular segment, if you look at Retail and Transportation, we had expected a downside. I think we were a little surprised by the downside that we got. The other area primarily was in a couple of customers in Europe and US within our top 10 customers, some of the projects had project shutdowns and that is why if you look at our top 10 customer growth rate, that has been affected there. And it’s happened primarily some of the large projects that were finished. The new projects were not initiated. We expect to see the situation continuing for at least one more quarter and then we expect to see this coming back.

Sandeep Shah Just in terms of the deal win momentum in this quarter outside the deal win from Canada, can you throw a color, because last quarter you said that we expect the record TCV wins of fourth quarter to continue in the first quarter, I am just asking outside the Canada, has it been as good as what we have seen in the Q4?

T.K. Kurien Not as good as we have seen in the Q4, but been good enough for both in Q1, it has been decent. So, from that perspective, it has been spread between North America and Europe.

Sandeep Shah And just the last question, with the good order books for the last couple of quarters, can one assume that the growth momentum should be better in Q3 Vs Q2. I am not asking guidance but qualitatively is it a fair assumption?

T.K. Kurien I think Jatin answered that question pretty clearly. Really, as far as we are concerned, if you look at our Q1 and Q2, our endeavor would be to make sure that we perform better in Q3 and Q4.

Moderator Thank you. Our next question is from the line of Manish Hemrajani from Oppenheimer. Please go ahead.

Manish Hemrajini Good growth in the India business. Can you talk about the India business on longer-term basis – how you see it playing out given the new regime in the center?

T.K. Kurien Manish, typically what happens is if you look at our India business, there are a couple of things that we must really see. One is after the new government, there has been a renewed sense of kind of positivity that has come up, and that is opening up opportunities for us, primarily around a couple of specific industry segments – one is Banking, other one is Government and third is in traditional areas like Manufacturing, these are the 3 areas. But, overall, if you look at the trend this year, we do not see being worse than what it was last year, we actually hope to see it better. But, if you want to get more color on it, Soumitro Ghosh who runs our India and Middle East business is on the call and he can kind of give you some more specific color if you may.

Soumitro Ghosh; We had a pretty strong quarter, and fundamentally, if I look at it from different lenses, from a geography perspective, I think since Wipro Infotech looks after 3 regions – India, KSA and Gulf – we did very well in KSA, which is Kingdom of Saudi Arabia, and we had a good growth even in India. From a vertical specific, we had pretty strong traction in Financial Services, we had strong traction in the Telecom segment, and we had strong traction in the Energy and Utilities segment. Going forward, with the new government, the new budget, there is a lot of optimism which is there in the market, right. And one sees good opportunities coming up in government as you yourself has seen, the type of investments which the government is willing to make in say the railways or the Mission Mode Projects, or the Financial Inclusion piece or the Smart Cities piece, etc., there is a lot of opportunity, but many of these will take time, for example, Smart Cities, it is a long-haul opportunity, right. So a lot of the initiatives, one will have to break into herein now opportunities and opportunities which are going to take time. But, there will be a lot of opportunities from government, we will be selected, but we will be focused on the ones which give high returns. Financial Services – we see lot of traction in the market, especially around when new business license which has been issued, some of the core banking replacements, some of the risk management initiatives, etc. In the Energy and Utilities segment, a lot of traction in the Middle East, is in the Engineering Construction piece and the Oil & Gas piece. Overall, there is a fair bit of deal traction, and we hope to continue the momentum which we had in Q1.

Manish Hemrajani And the margins in the India business, are they similar to corporate average?

Soumitro Ghosh So on margin, yeah, the rate realizations in India are obviously very different from what it is globally. So the entire focus is in terms of how we can drive cost lower, and drive productivity to have margins which are in line with our expectations. So the entire game is all about driving efficiency.

Manish Hemrajani T.K., attrition seems to be ticking up again. Is that a result of a better business environment? What steps are you taking to curb attrition? What impact do you expect high attrition levels to have on wage inflation?

T.K. Kurien: I will ask Saurabh Govil, who runs our HR function to talk through that.

Saurabh Govil Manish, a couple of things; attrition uptick has been seen across the industry, and that is a function of a better business environment. Very clearly from our side, this quarter, as TK mentioned earlier, we have gone ahead with the salary increases and stocks to key people and very clearly we see that in the coming quarter, attrition would come down. The other critical piece I want to highlight is that attrition for us has spiked only in the 2 to 5-year category. For people with more experiences, it is very flat. And the third is given that we have differentiated our MSI or Merit Salary Increases, we have seen clearly attrition in the top performers coming down drastically, which is what we had wanted. So it is a combination, but as we move forward, we clearly see that this would come down.

Manish Hemrajini Then what impact do you expect to have on wage inflation from this high attrition level?

T.K. Kurien: Manish, as far as wage inflation is concerned, we have already given our salary hike; we do not expect any more increases happening in terms of wages till next year June.

Moderator Thank you. Our next question is from the line of Ankur Rudra from CLSA. Please go ahead.

Ankur Rudra Mr. T.K., you have done really well in the large deal space in the last couple of years, but just wondering what is happening in the $20 million to $75 million band of accounts? It seems to be a bit of struggle in terms of mining those. What are you doing there to maybe improve this going forward? Secondly, if you could just comment on, you have done very well in terms of increasing utilizations in the last few quarters; do we have further headroom for margin expansions from utilizations for rest of the year?

T.K. Kurien I will ask Jatin to take the second question and maybe even continue with the first because he's completely aware of the first, but I can jump in.

Jatin Dalal Ankur, if I understood your second question was utilization improvement by 1% and what is the head space for us to do more?

Ankur Rudra That is right, yeah.

Jatin Dalal Ankur, we have historically operated at significantly higher utilization and therefore, I do not see at all a constraint on growth because of utilization. We also continue to induct people through the year from campuses as well as selective lateral hires that we do, and that adds to our flexibility of staffing the newer engagement. So, I do not see that should be a cause of any concern vis-à-vis our ability to grow. As we grow, I think it will continue to flex that capacity that we have created. Now, on your first question, you are right from between $20 million to $75 million accounts, have been a stable number for us and not a number that has increased much really, but as you are aware, last 2 years we have done very well in our top accounts, the accounts we call Mega/Gamma and that have been reflected in the growth that you have seen in the top 10 accounts in last 2 and 3 years. And this year, our focus is to really go after the smaller accounts which could contribute meaningfully to the revenue growth and therefore we have effectively charged that unit with a structure which enables faster growth, and therefore, we believe that this year, you would see some incremental growth meaningfully coming out of the second layer of our tiered organization account hierarchy.

Manish Hemrajini If I could just get a clarification on the utilization question, the question was I am not so worried about growth being a challenge; I was just questioning whether you got juice left in margin levers for the rest of the year?

Jatin Dalal Yes, certainly. I mean, if we grow and use from our bench, certainly that will help in terms of margin.

Moderator Thank you. Our next question is from the line of Edward Caso from Wells Fargo. Please go ahead.

Edward Caso With the attrition rising year-over-year on the voluntary basis, you did mention that this is getting better, but is it a mix killing, is some of the turnover reflecting the fact that the incremental business may be at areas where you have to develop new capabilities?

T.K. Kurien If you look at the ways of business is kind of changing, in the past if you dealt with 12 or 13 specific skill sets on the application side, that number has now expanded multi-fold. And to that extent what is happening is that there is a certain level of attrition which is caused by people trying to hire niche skills away from the organization. And similarly, we do the same when it comes to making sure that we staff up our projects with people where we need these skills. So to that extent, I think that part of the market would continue to churn. But, if you look at the secular number, the real issue that we have as far as Wipro is concerned is the 2 to 5 years category, and in that particular case, there are 2 reasons behind that – #1 is that these guys have acquired specific skills set, and #2 what happens is the remuneration that they get outside sometimes, especially with captives is significantly higher than what they get here. So, for us that is the band that we need to worry about. The critical band that kinds of holds the customers together, our attrition rates have been significantly lower in that.

Edward Caso Could you talk a little bit about the India budget proposals and any implications that may have for the company around say transfer pricing, tax rates and so forth?

T.K. Kurien I will hand that over to Senapaty.

Suresh C Senapaty I think the budget has primarily been pretty status quo so far as we are concerned, but definitely from IT industry point of view, it gives a huge opportunity in terms of the kind of spends, and the kind of programs that the Government of India has talked about, whether it is private-public partnership models to be strengthened, the kind of investment they are looking at in railways, or the kind of e-commerce that they are talking about, e-governance project they are talking about or reaching out 4G into the hospitals and the schools of the various villages. So that clearly will give a lot more business opportunities. Apart from the fact that there will be two legislations which will be contemplated which is GST and second is Direct Tax Code. I think we need to be cognizant of the fact that these are the two documents – one of them would be coming this year, and the other will perhaps between this year and next year – to be able to contribute in this process that really supplements and encourages more trade and commerce and business as opposed to try to have any kind of impediments more than what is currently in the law.

Edward Caso Any help here on the forward tax rate?

Suresh Senapaty Edward, if you look at the tax rate, we have got some write-backs, so the normalized tax rate that we have, it will be within 1% to 2% range.

Moderator Our next question is from the line of Srivatsan Ramachandran from Spark Capital. Please go ahead sir.

S Ramachandran I just wanted to get the commentary on the Healthcare, we have been doing pretty well for the last four quarters, so just wanted to get on a forward basis, how do you see this shaping up and there are some broader headwinds and tailwinds, so just want to know in terms of both pipeline and order, how it is shaping up?

T.K. Kurien I think if I look at the Healthcare space it has been doing very well over the past couple of quarters, and we have no reason to see that our momentum would slow down in that particular segment. If I look at our structure of the business that we operate in, there are very 3 large segments that we look at – one is primarily in our pharmaceutical companies, and there because of consolidation, we see a play in terms of playing aggressor. The second big opportunity that we see is in payer and provider put together; we have had a lead in terms of the provider segment which we continued and capitalize on; on the payer segment, given the legislation that in the US, again, we see enough opportunities for growth in that particular segment too. So overall if you ask me, it is a secular demand that we see, and no particular reason to feel concerned about the fact that something is going wrong, in fact, we see lots of opportunities coming up as we go into the future.

S Ramachandran Sir, just wanted your comments also on the margins front, assuming your constant currency, how do you see margin shaping up for the remaining of the year?

T.K. Kurien So let me pass the call to Jatin Dalal and he can answer that question.

Jatin Dalal So, as you are aware, we have 2 months impact of our salary in Q2, and we have also given restricted stock units to our employees which has impact in terms of the cost line. But one more factor also play out, that some of the deals that we continue to ramp in, we will hire ahead of the revenue that we generate from that. So that will be another factor that will play in near-term. Having said that we always maintain that there will be volatility in margins in a quarter-to-quarter basis as some of these factors play out. But, our outlook for medium-term is positive from that stand point.

Moderator Thank you. Our next question is from the line of Mitali Ghosh from Bank of America. Please go ahead.

Mitali Ghosh On the deal wins; I think you have mentioned 6 large deal wins and 3 wins in Digital. I was wondering if you could share a similar deal win number or perhaps a TCV number across the last couple of quarters for us to be able to put it in context? And also if you could provide some color on these deals in terms of services, verticals, and geographies? Second question was again on the initiatives and outlook in growing the existing clients, because if I really look at growth in the number of clients more than $50 million dollars, that has been kind of stagnant over the last 1 year. So what really is the plan there? And the third one really is on the reasons for weakness in the U.S., and unlike your peers who actually saw growth in that geography this quarter and what trend you are factoring in for the rest of the year?

T.K. Kurien I think I will answer the last question first which is, I think this quarter what we have seen, we have seen some of our top 10 customers are based on the U.S., a decline in a couple of them, and that has really contributed to the decline of growth in U.S. itself. It is not a secular trend, we expect to see the North American market coming back especially in the next half of the year. We expect to see project campus starting again in Q3. So next quarter, probably have a little bit of headwinds, but up to March and going to Q4 it will probably be stopped. So I do not think need to read too much at it. On the category of account mining, I think Jatin alluded to that at the beginning, I think that has been an area of weakness. So, that is one area we will try to change, and we see that growth in the next category of accounts will again start picking up during this year, that's where our results will come from. In terms of breakup of deals I am sorry, I do not have the data with me right now, but we will be at some point of time happy to kind of give it to the entire investor community.

Moderator Thank you. Our next question is from the line of Ashwin Mehta from Nomura. Please go ahead.

Ashwin Mehta Hi, I had 3 questions – one, what was the margin impact due to wage hikes in this quarter and what is the anticipated impact next quarter? Second question is, in terms of ATCO, how will the US$195 million cash consideration be accounted for – would it be amortized or would it be considered as an acquisition consideration? And third, why have we stopped giving the cost of goods sold and SG&A breakup in IT Services and Products and also stopped our involuntary attrition disclosures?

T.K. Kurien: I will hand over to Jatin Dalal to answer.

Jatin Dalal So, let me start with the last question first in some form, we have gone through a segment reporting which is the revised segment. We are very happy to share the IT Services gross margin SG&A percentage. Let me go ahead and do that for benefit of everyone. For IT Services segment, the gross margin number is Rs.36,941 million, S&M is Rs.7084 million and G&A is Rs.5856 million for Q1. Now to your second question, which is related to the salary increase, we had 3 different impact effectively in salary – one is the one-month impact of the salary increase that we gave, the second is that we have given restricted stock units in Q1 to our top employees, and in fact for that also flow through. And there is obviously, when you give salary increase, there is a certain amount of actual provisioning related to long-term post-retirement benefits also goes up, and that has also impacted. Collectively, I would say, a very large component of the margin difference that you are seeing is because of salary impact, all 3 put together. Now when we get into Q2, I would think that the RSU and Post-Retirement Benefit-related impact will not come, but there will be 2 months impact of the salary increase that will flow through in Q2. To your first question, we will be happy to answer that question in next quarter, because we are concluding the deal as we speak and accounting we will finalize during the course of the quarter.

Ashwin Mehta And just one thing, in terms of involuntary attrition, if you can share that number as well?

Management: So, Ashwin, the muscle of the organization is really the team which is performing, and to that extent, that is the impact which is felt by the organization in terms of the customer connect or internal performance and so on and so forth. So, we felt that there was a greater importance of sharing voluntary information and we should share that and we had that thought for some time now, but we did not want to make the change on the disclosure during the course of the year, but now we have made a call to share voluntary information going forward, because that is what really impacts our ability to perform in front of our customers.

Moderator Thank you. Our next question is from the line of Sandeep Agarwal from Edelweiss. Please go ahead.

Sandeep Agarwal I have just a question for Kurien. Can you please highlight a little bit more on the U.S side? Already, you have mentioned this quarter has not turned out as expected, because if you see we were expecting that at least US and Europe will do well in this quarter and we were building in a little bit of negativity from India, but it turned out that India was not that bad, it was actually better than expectation, but there were some disappointments coming in U.S. and Europe. So, if you can highlight something, would it be right to see it as a one-off or is there a strained or you are saying that it is not picking up the way we expected, what is the right way to look at it?

Jatin Dalal This is Jatin, I will try and attempt that question and if needed T.K. can jump in. If you see our number for Q1 for U.S. and Europe both they are respectively YoY growth of 9.9% and 11.8%. Sandeep, that number is ahead of company growth rate. So effectively for last 4 quarters we have been doing better in our largest markets which is U.S. and Europe. You are right, that when we started the quarter, we had an expectation that maybe those markets will continue to do well, and India will get impacted. But the reality of business is that there will always be certain movement during the quarter that you would not have visibility in the beginning of the quarter, and this turns out to be one of such quarters. Having said that, we remain confident of our performance in our largest markets. This is one quarter where it has played out like this, but over the course of last year we have continued to do well.

T.K.Kurien If I can just add on, I think what happened was two things affected us – one was the fact that our ramp ups or our deal wins did not happen the way we expected them to. That to some extent hit our revenue. Second was in some of our larger accounts, we had a few ramp downs that happened; we expected projects to again restart, which did not happen. We expect that to continue for one more quarter, that piece of it. But overall as far as we are concerned, in Q2, and in Q3 especially, we should see growth coming back. Q2 it is a little early to judge right now to say what is going to look like, but my own sense is we will see some positive momentum happening in Q2 also.

Moderator Participants, that was the last question. I now hand the floor back to Mr. Aravind Viswanathan for closing comments. Thank you. And over to you sir.

Aravind Viswanathan Ladies and Gentlemen, thanks for joining the call. If you have any questions that we could not take due to time constraints, please feel free to write to us and we will be happy to answer them. Thank you and have a good day.

Moderator Thank you. Ladies and Gentlemen, on behalf of Wipro Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.