



Wipro Limited Earnings Conference Call

April 25, 2017

MANAGEMENT:

MR. ABIDALI Z. NEEMUCHWALA -- CEO & MEMBER OF THE BOARD
MR. JATIN DALAL – CFO & SENIOR VICE PRESIDENT
MR. SAURABH GOVIL – PRESIDENT & CHIEF HUMAN RESOURCES OFFICER
MR. N. S. BALA – PRESIDENT (MANUFACTURING & TECHNOLOGY)
MR. B.M. BHANUMURTHY – COO, WIPRO LIMITED
MR. SHAJI FAROOQ – PRESIDENT (BANKING, FINANCIAL SERVICES & INSURANCE)
MR. ARAVIND VISWANATHAN – CORPORATE TREASURER & VICE PRESIDENT



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Moderator: Ladies and Gentlemen, Good Day and Welcome to Wipro Limited 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 for an operator by pressing '*' followed by '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, Zaid. A warm welcome to our Q4 FY'17 Earnings Call. We will begin the call with the "Business Highlights" and overview by Abid -- our Chief Executive Officer and Member of the Board, followed by Financial Overview by our CFO -- Jatin Dalal, afterwards, the operator will open the bridge for Q&A with our Management Team.

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

Abidali Z. Neemuchwala: Thanks, Aravind. Good Day, Ladies and Gentlemen. As always, it is a pleasure to speak to you. I will begin with comments on the Performance of Q4 and follow that up with our view of the Demand Scenario in the IT Services Industry and then like I always do, I will give you an update on the Six Strategic Themes that we have been executing on.

So in Q4, we delivered 1.7% growth in revenues on a constant currency basis which has been quite secular and towards the upper end of our guidance; which is 2.7% growth in US dollar terms. For full year FY'17, we delivered 7% revenue growth in constant currency terms and 4.9% in US dollar terms. While traditionally, Q1 is soft for Wipro, Q1 in FY'18 has its peculiar set of challenges due to the uncertainty in the US Healthcare Industry about which I had spoken last time and the continued structural challenge that we see in the Consumer segment especially in the Retail vertical. We believe that Q1 is not the reflection of the growth potential for the rest of the year and we anticipate the growth momentum to return in Q2 and expect to be at industry growth rates by Q4 of FY'18. Our confidence of the recovery stems from the expectation of HPS to bottom out in Q1; that India business recovering which is on the path for the execution on the restructuring that we have done; the BFSI continuing to perform well and E&U picking up. You will remember I had indicated that the E&U business would start growing again from Q1 FY'18; however, we saw growth in Q4 itself and we expect it to continue in its growth trajectory.

Let me now cover the Update on the Six Strategic Themes.



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Wipro Digital has scaled significantly over the past few years since its inception and we continue to win deals with downstream engagements that leverage, our deep capability across the organization. For instance, a cleaning solutions and hygiene company has chosen Wipro for its Digital Transformation agenda drawing on our full range of Digital Services that we offer. First, our Digital Command Centre has been chosen as a Partner of Choice for support of all build-and-run Digital and IoT initiatives for this customer. Second, drawing on our systems of engagement of front-end services, Designit will transform and enhance the multi-channel customer experience, driving continuous improvement in customer experience across locations.

We are also working with clients of many emerging technologies. We have won an advisory deal with a large European Energy and Utilities customer to evaluate the operational readiness for the production rollout of their block chain-based solution.

In FY'17, our Digital revenues grew from 17.5% of our total revenues in Q1 when we started reporting it to 22.1% of our total Q4 revenues. Similarly, our Consulting revenues grew from 4.9% in Q1 to 5.6% in Q4.

In line with the growing demand for Digital Services, we continue to augment our workforce with digital skills. We have seen great enthusiasm amongst our employees to upskill themselves; against our annual plan of training 33,000 people in FY'17, we trained 39,600 employees. Overall, now we have reached 61,000 technical employees trained on Digital skills.

Let me talk a little bit about Client Mining:

I am pleased to note that the number of customers in greater than 75 million, 50 million and 20 million buckets, have all increased by one each. The top-10 client bucket has grown 2.9% sequentially, which is above company average. Client mining continues to be a key focus of our strategy. Our initiatives put together and our integrated services offerings and the delivery experiences are delighting our customers. Our Net Promoter Score has improved by 740 basis points in FY'17 over FY'16.

An Australian broadband network operator has acknowledged Wipro for providing win-win Solution and investing in their long-term success.

On the back of the Integrated Services offering, we won a deal with an American retailer. The scope involves Application Development, QA Services, Analytics and Mainframe across IT and Business Operations at the client's organization.

In the beginning of the year, I had talked about the launch of the ADROIT program which is designed for delivery leaders to enable them to do delivery-led sales and next-generation delivery. We have completed the training of 1,000 delivery leaders in FY'17.



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Let me talk about Non-Linearity and Our Investments in Intellectual Property in the form of Products, Platforms, Frameworks and Solutions. Wipro HOLMES, our flagship Artificial Intelligence platform continues to be a differentiator in the marketplace and has been recognized by various analysts. The clearly defined use cases of Wipro HOLMES enabled us to win a deal with an F1 Racing Team.

Wipro IP Solutions are designed to tackle some of the industry's complex challenges. Let me talk about one of our IPs this quarter. It is the Data Discovery Platform or DDP. The DDP is an integrated platform capturing and managing data to generate actionable insights through advanced predictive analytics, offering cost performance and time benefits to clients. It accelerates the time to insight for an enterprise using pre-build industry apps including advanced visualization, thereby enabling faster decision-making. In the last quarter, we have onboarded about five customers across industry verticals on the Data Discovery Platform. One of the examples is an American Medical Technology company which has chosen Wipro as its preferred partner to enable its advanced analytics journey. Wipro will leverage the DDP to build data lakes and analytical use cases for the client. At the end of FY'17, we have total 1,662 patent applications which is over 50% increase from end of FY'16.

Our Hyper Automation journey has been progressing very well and we continue to scale the deployment of the instances of Wipro HOLMES, our Artificial Intelligence platform across clients. In FY'17, we generated productivity of over 12,000 people across 140 customer engagements by deploying over 1800 instances of HOLMES bots in IT Services across Application, Business Process Operations and Infrastructure Services.

Localization is the theme that we picked up since the launch of our strategy and in FY'17 we have seen immense progress in localization in our key markets. In Q1 FY'18, we expect to have more than 50% of our US operations localized. We have been significantly investing in US in terms of increased hiring, setting up of delivery centers and focusing on sustainability initiatives specifically in the area of education. In US, we have further enhanced our capability by adding two more multi-client delivery centers – one is located in Mountain View, California, which is a new hub for next horizon technology and collaboration, a center for our partners and clients, with a focus on creating highly relevant advanced digital offerings for our US customers. We have also added another center to our delivery network in Farmington Hills, Michigan, to offer Engineering Services to our customers particularly in the Automotive segment in the Engineering space, thus becoming strategic for our customers from a time-to-market perspective. This center also is predominantly staffed with local talent from the local Michigan or Detroit regional community.

Our partner ecosystem continues to deliver well and M&A continues to be integral part of our strategy. We had announced the InfoSERVER acquisition which we consummated in April. Appirio has had its full quarter as part of Wipro and we are incredibly excited about what it brings to us. We had numerous wins in Appirio including 14 synergy wins in Wipro customers



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where we are able to take Appirio offerings. We completed the divestment of EcoEnergy and received a sale consideration of \$70 million in this quarter. Wipro Ventures completed four minority investments plus a follow on in the last 12-months. We are leveraging the capabilities in our investee companies. We now have 10 commercial engagements across a number of our portfolio companies in various areas of our investment including Security, Customer Care Automation, Business Process Automation and Big Data Life Cycle Management.

I had spoken about our “Horizon Program” which is Wipro’s intrapreneurship program. Our employees continue to be very excited about this program and in FY’17, 11 new ideas were approved and funded and a total of 15 ideas incubated in the areas of Artificial Intelligence, Cyber Security, Digital, Industry 4.0, IoT and Software-Defined Everything. We successfully delivered around 40 proof-of-concepts and pilots proactively to our existing customers to drive the innovation agenda for our key clients. In Q4, we approved three new themes in areas such as Artificial Intelligence, Industry 4.0 and Digital. Overall, I am confident that we are making the right investments and we will see the trajectory starting to shift from Q2 onwards.

I will now request Jatin to speak on the financials.

Jatin Dalal:

Thank you, Abid. Good day, Ladies and Gentlemen. As always, it is a pleasure to speak to all of you. Let me start with a view of Financials with Consolidated Wipro Limited Performance.

Gross revenues for the quarter ended March 31, 2017 grew 2.6% YoY to Rs.139.9 billion; net income for the quarter was Rs.22.6 billion, an increase of 1% YoY. Gross revenue for the year grew 7.4% YoY to Rs.550.4 billion; net income for the year was Rs.84.9 billion, a decrease of 4.7% YoY.

Now, let me go to our IT Services segment.

IT Services revenue for the quarter grew by 1.7% in constant currency which was towards the upper end of our guidance band. The revenues in US dollar terms for the quarter grew 2.7% due to strengthening of major currencies against US dollar. IT Services margin for the quarter was at 18.3%, flat as compared to Q3. During the quarter, we completed the sale of EcoEnergy division. Consequently, we recorded gains due to profit on sale of EcoEnergy division in our profit & loss account. Also, during the quarter, uncertainties around regulatory changes relating to the Affordable Care Act led to a revision in estimates of our revenue and earnings of our acquisition-HealthPlan Services. This resulted in revision of carrying value of certain liabilities and assets. The net effect of these two events were 70 basis points favorable to the margins in Q4. Barring the effect of these two transactions, our margin would have been therefore 17.6%.

IT Services revenue for the year grew 7% in constant currency. Revenues in US dollar terms for the year grew 4.9% which was a headwind of 210 basis points primarily on account of depreciating Pound Sterling. IT Services margin for the year stood at 18.0%, 220 basis points



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lower, primarily due to the investment that we made in our acquisition and restructuring activity that we undertook in our India and Middle East business.

Let me talk about FOREX and Effective Tax Rate now.

On the FOREX front, our realized rate for IT Services in Q4 was Rs.68.57 Vs rate of Rs.69.35 which was realized in Q3. As of period end, we had about Rs.2.5 billion of FOREX derivative contract as hedges. The Effective Tax Rate for Q4 was 22.9%; ETR for FY'17 was 22.8% compared to 22.1% in fiscal '16.

We sustained strong cash generation in the quarter. Operating cash flow was 113% of net income for the quarter; for the full year, operating cash flow was 109% of net income as compared to 89% of net income in fiscal 2016. We grew our operating cash flow YoY 17%.

Net cash as at March 31, 2017 was Rs.202 billion or \$3.1 billion.

Now, let me talk about Acquisitions and Divestiture.

As I mentioned before, we completed the sale of our EcoEnergy business during the course of the quarter. We had announced an agreement to acquire InfoSERVER during the course of the quarter. We have announced the completion of this acquisition in the first half of April.

Shareholder Return.

We have always strived to enhance shareholder value for our investors. The company's policy has been to provide regular, stable and consistent distribution of return. There is no change in our philosophy on shareholder return.

Last quarter, we had announced an interim dividend of Rs.2 per equity share for the year 2016-17. The Directors of the company did not recommend any final dividend for the year but adopted this (the interim dividend of Rs 2 per equity share) as a final dividend for the year ended March 31, 2017.

We have announced that the Board of Directors will consider a proposal for buyback of equity share of company around July 2017. You may remember that we were among the first few to successfully execute a buyback strategy in 2016.

Now, let me talk about the Outlook for the Quarter ending June 30, 2017.

We have guided for a revenue growth in IT Services of -2% to 0% sequentially in constant currency. We expect Q1 margins to be soft due to lower revenues, impact of rupee appreciation, annual salary increase and absence of 70 basis points that I had spoken about earlier, emanating from the two events which ensued in Q4. We have not made any compromises in our

investments, in business as well as talent. We have said that we will continue our merit salary increase as always from 1st June. We expect our profitability to improve after Q1 as revenue growth picks up and acquisitions become more profitable and our Automation initiatives scale significantly. Our endeavor will be to keep our full year margins in a narrow band on a constant currency basis and we will endeavor to improve our operating margin in every quarter post Q1.

Let us conclude our remarks and we will be happy to take questions from you.

Moshe Katri: Can we get some clarification on organic growth on a constant currency basis sequentially for the quarter, what was that? And then if we look at your guidance for the June quarter, what does that include in terms of organic growth assumptions?

Jatin Dalal: We have not broken down our organic and inorganic growth for Q4. In Q1, we will have a small stream on account of InfoSERVER acquisition that we have concluded but we have shared the size of this acquisition in past when we announced this acquisition and therefore the impact on this would be quite small. So the performance of Q1 would be almost entirely organic.

Moshe Katri: How about if we factor in Appirio?

Jatin Dalal: Appirio as we have mentioned before got consolidated from 23rd of November 2016, so we have seen the full consolidation of that execution in Q4 and hence there is no incremental consolidation of that in Q1.

Moshe Katri: You mentioned narrow range for margins during fiscal year 2018. Can you quantify that for us?

Jatin Dalal: No, we have not quantified that, Moshe. We wanted to give a directional sense on the margin.

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

Sandeep Shah: The first question is in terms of the margins, Jatin. If we look at on a recurring basis, the margin is 17.6% which is a decline of 70 bps on QoQ basis. I do agree there is a currency on a realized basis, there is appreciation but that was restricted at 1% versus the other peers are at close to 2%. You had a tailwind coming through fixed price, you had a tailwind coming through higher utilization, and you had a tailwind coming through offshore pricing. So what has led to this 70 bps margin decline -- so is pricing pressure a big culprit for this margin decline and how do we see that going forward in terms of a pricing pressure.

Jatin Dalal: Sandeep, operationally, there were puts and takes and certainly you have seen that in our global business, we have driven operating parameters which have provided a tailwind. But, we have spoken about that, we will continue our restructuring of India, Middle East will be complete only at the end of Q1. Second, in some form, there is an additional dilution which has flown in on account of full quarter integration of Appirio which has had its impact on the margins. So I would think that effectively we had an offset between the 70 basis points upside, we got on one-

time transactions which occurred in Q4 and additional dilution that took place give or take some basis points.

Sandeep Shah: Coming to some client-specific issues which we had in communication as well as in the BFSI especially with some Europe-based clients, are those largely over? Communication vertical, can you believe that the growth has bottomed out and it can now start growing, the challenges are bottomed out?

Abidali Z. Neemuchwala: Sandeep, in BFSI, some of the softness that we were seeing in certain customers, I think we have been able to overcome that as you see from the trend and we feel quite positive about it. Our Digital offerings in BFSI customers are being accepted well. In Telecom, we have had some completion of transformational engagements that we were doing for across three (CSPs) Communication Service Providers and we do expect the softness in Communications to continue as we ramp up new deals which is taking relatively longer right now.

Sandeep Shah: Last thing, in terms of the deal pipeline, how does the bookings look like in this quarter versus last quarter -- is there any change where the decision-making has further slowed down or it has picked up and that gives you confidence to say that 2Q onwards you would be back to the growth path or what gives you confidence to say that?

Abidali Z. Neemuchwala: Some of the investments that we have made as part of our strategy in specific areas of Digital Transformation, Consulting, Domain-based IP, Hyper Automation. Based on these investments, we see good traction with our customers and certain engagements that we are ramping up that we won. Some of them I mentioned in my opening remarks as well, gives us a good sense of the traction we are seeing in the market. Overall, I think from Wipro perspective, we believe that we are on the receiving end of some of the opportunities that come up in our customers in both Client Mining and Digital Transformation and that makes us feel quite good. Obviously, if there is certain level of overall uncertainty as you know at an overall industry level and we carefully continue to monitor that.

Moderator: Thank you. The next question is from the line of Pankaj Kapoor from JM Financial. Please go ahead.

Pankaj Kapoor: Couple of clarifications first; Jatin, you mentioned you expect margins to be in a narrow band on constant currency basis. So should I presume you are referring to the current spot rate or the FY'17 exit spot rate and the margins will be constant on that basis?

Jatin Dalal: So our reference was really the way the period over which the period year margins were delivered which is fiscal '16.

Pankaj Kapoor: So on a spot rate basis, there could be some headwinds coming into the reported numbers?

Jatin Dalal: That is right.



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Pankaj Kapoor: Second, did Abid mention Appirio contribution in this quarter was about 70 million, was that the number?

Abidali Z. Neemuchwala: I talked about specifically the number of engagements that we have been able to win in Wipro customers from the Appirio acquisition that we did. So these were the number of synergy engagements. I talked about 14 synergies wins that we had and then I talked about \$70 million coming from EcoEnergy... I am not sure which exactly that you are referring to.

Pankaj Kapoor: Okay, maybe I heard it wrong. On the outlook front, Abid, of course, you expect the revenues to start accelerating from the second quarter onwards and you expect to exit the year with industry-leading or matching growth. But that obviously will require a significant acceleration over the next two-three quarters. So I am just trying to understand that this is more of a hope in terms of recovery in some of our challenged vertical which is giving you this confidence or you actually see some deals in pipeline or some deals which have already won which probably as the ramp up can give us this kind of a growth, if you can give some color, if quantitatively either on the order book or in terms of pipeline that will be helpful.

Abidali Z. Neemuchwala: If you look into our overall portfolio, there are parts of our portfolio which had headwinds through the past year and some very Wipro-specific issues. We have talked about India and Middle East business and the restructuring that we undertook. Our restructuring has been executed per plan and we think we will be done by end of Q1 providing positive momentum in Q2 and beyond. Similarly, I have talked about E&U vertical bottoming out by Q4 and growth starting in Q1. But as you will notice, we have executed on that a quarter in advance and growth has returned to E&U in Q4 itself, which will further accelerate based on what we are seeing today with those customers, as you know we have a significant market share in that space. Similarly, some of the engagements that we have started in the BFSI and the Manufacturing and Technology space will ramp-up in Q1 and we will start seeing some contribution from them in Q2 and beyond. So, overall if I look at the portfolio, I think as you see in Q4, across the board we are seeing some good deal execution and we think that as we execute on some of the Wipro specific headwinds that we have historically had, we should be done by end of Q1 so that growth returns in Q2 and beyond.

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

Ankur Rudra: First question, Abid, you mentioned that HPS expected a bottom-out in 1Q, just some color in terms of what gives you confidence that all of the cancellations will just end in first quarter, it is just contractually that you have visibility or is it other customers that ramp-up after this? Thanks.

Abidali Z. Neemuchwala: So, Ankur, if you look at the HPS business there are two distinct parts of the business. One part is the annuity piece or the ongoing customer service contract that we have. And the second part is when we acquired, if you remember we had three synergy deals for new customers onboarding

on that platform. So we saw in the first couple of quarters after our acquisition, we saw revenue spike coming from the execution of those projects of onboarding the customers. And around the US election results we started seeing cancellation of those projects because it became very apparent that the primary regulation around which that business is based is going to get repealed and replaced. So, the ramp down of those engagements will complete by Q1, which means we will bottom out on our project revenue in Q1. The foundational base revenue of continuing to maintain the servicing piece of the individuals who bought the insurance on the exchanges during open enrolment of November, December for the calendar year FY17, we will continue to do and we get paid on a price per member basis which will continue. So from that perspective we believe that we will bottom out in Q1. There will be clarity by the end of Q1 or early Q2, because the next open enrolment season starts in November. And as we read the situation right now, once there is clarity on what the replace is going to be, a number of payors will need a platform to be able to align their offering and their services in this space. Since we have significant market share and since we have deep domain expertise, we believe that post that we will be able to capture a significant market share of new payors onboarding as there is clarity from the regulation. But right now we do not know the timeline for that but we do know that we have bottomed out on the project cancellations and the foundational servicing business will remain stable till the end of the year.

Ankur Rudra: When you say you want to return to industry levels of growth by the fourth quarter, should we expect this to happen on a year-over-year basis when we look at March 2018 or on a sequential basis? What are the sort of range of numbers you are benchmarking yourself against?

Abidali Z. Neemuchwala: So, the way I would answer this question is, by Q4 we think that our QoQ growth from Q4 to Q1 will become in-line with the industry. And if you look at the overall growth numbers that, although we do not guide, they consist of two components, one component is company specific component for any company and then the market component, the external environment. We do not know about the external environment but from a Wipro perspective, with the company specific challenges and the restructuring and the transformation that we had, we have been executing well over the past four quarters and we believe that in the next three or four quarters some of that execution will reach a logical point, then our growth will be in line with what the external environment provides for.

Moderator: Thank you very much. We have the next question from the line of Dipesh Mehta from SBI Cap Securities. Please go ahead.

Dipesh Mehta: Can you help us understand about industry wise trend and geography wise trend how you see, and how it is likely to play out? Some of the vertical you already alluded, but if you can provide broad based commentary.

Abidali Z. Neemuchwala: I will go industry-by-industry, and I have a few of my colleagues over here so I will have them pitch in, but I feel quite good about Banking and Financial Services. Shaji is on the call and he

will give a little more color. I feel better about our Manufacturing and Technology business, as I said E&U has bottomed out, we have had some good deal wins and we see that returning back to growth which has been the growth first time in about past ten quarters for us. In Consumer, there is structural issue in the retail vertical which I think the entire industry is seeing. We think that our Digital offering in that space is getting good traction but it will still continue to have headwinds, given the state of the retail business, although in some of the new age companies we are seeing some traction but it is relatively very small compared to the large core which still is in the brick and motor space for us. We do see headwinds in the Healthcare and the Life sciences business, both on the healthcare side as well as life sciences side. And we see softness in Communication because some of our large turnkey engagements have got over and ramped down and some decision making on some of the deals which we are currently bidding for is taking longer. So that is kind of the broad summary, and then I will ask Shaji to throw some light on BFSI.

Shaji Farooq:

We are seeing pretty secular trends overall in the financial services industry, if I look medium-term to long-term things look good particularly as the CHANGE spend kicks in. There is continued downward pressure on RUN spend and as the shift happens one should expect a little bit of volatility that might create a little bit of choppiness. But from a secular medium-term to long-term perspective I feel that this industry, as is reflected in the strength of most of the financial services firms out there, should actually pickup. And we will continue to see traction in areas we are seeing traction is a shift of the CHANGE spend into digital which is an area of strength for us. And we are also seeing a lot of interest in our offerings around automation, robotics and artificial intelligence which is our HOLMES platform.

Abidali Z. Neemuchwala:

BFSI as you know is our largest vertical and M&T, or manufacturing and technology, is the second largest. I will have Bala give some color on the M&T segment.

N. S. Bala:

Hi, this is Bala. I head the Manufacturing and Technology business. We have seen good recovery in the discretionary spend in parts of our business, which gives us good confidence that we will see a recovery in the business. We have had some challenges in the technology sector over the past year but we see some good recovery in that part of the business. The areas of growth are basically around cloud transformation where we see customers wanting to move their workloads to the cloud and variabilize their cost model. We also see a good pickup in the digital conversations we are having with our customers, particularly in areas like aftermarket service transformation, we are seeing a lot of conversations around that and we have been able to invest in platforms that are able to give us the momentum to pick-up that business. We are also seeing a reasonable recovery in the technology part of the spend where we are seeing customers going back and looking at creating a more of a standardized ecosystem, and therefore we are seeing that their ability to spend in the discretionary parts of the business again picked up and we are well poised for that. So, overall I would say that we are quite confident about what we see going ahead. There could be some quarter specific challenges because of movement in specific

accounts, but overall from a market environment it looks slightly better than what it has been in the past. Thank you, Abid.

Dipesh Mehta: In BFSI which sub-segment we are more positive than others, if you can provide some color sub-segment wise?

Shaji Farooq: Yes, overall if you look at Banking, Capital Markets, I think definitely they are the ones that are clearly trending positive, you will always find exceptions here and there that are specific to certain client challenges. Insurance, again, it is a mixed bag, some areas are growing and some are not. I think the most relevant thing to note is that whole shift from reducing run and run-spend and moving into change and the entire change portfolio gradually shifting over to digital and digital ways of working which I think is the most important thing to note about this sector. And different clients are at different stages of the cycle and consequently you will see some level of variability within how clients react, but overall I would say banking and capital market sectors are beginning to see a secular trend that is moving in this direction.

Moderator: Thank you. Our next question is from the line of Mukul Garg from Haitong Securities. Please go ahead.

Mukul Garg: First, just a question to Jatin. Jatin, what levers do you think you have in FY18 to stabilize margins? You are exiting the year with 17.6% EBIT margin which has again declined because of the acquisition and then first quarter and second quarter you will have impact which will come in from wage hikes, and then the growth is still a little bit weak. So, if you can highlight some of the levers which you have which you can utilize? And second, if you can give an idea of what the wage hike is going to be for FY18?

Jatin Dalal: So there are two types of levers that one is focused on, one is the structural levers and second is the operational levers. Structural levers we have already spoken about in my opening remarks which is making as we realize more synergy benefits from our acquisition, both on revenue and cost side, they become more and more profitable and less dilutive at a company level, that is one. And two is, India and Middle East will complete its restructuring effort and come back with growth and expansion in margins from quarter two onwards. So these are two structural levers. I will request Bhanu, who is our Chief Operating Officer, to talk about the levers that he is focusing on overall IT business to improve the cost structure and expand.

B. M. Bhanumurthy: So, at the operational level we talked to you about one of the big levers that we have and we have started to utilize that lever well, which is focused around our HOLMES hyper automation platform. And utilizing that, if you look at the last year we generated about close to 12,000 people's worth of work across the delivery organization. And as we look more and more into deploying HOLMES significantly into our delivery organization, we do see opportunities for looking at further optimization of our work. The second lever that we want to look at is, we have engaged with our crowd-sourcing platform within Wipro. The platform that we got as part of



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Appirio, TopCoder. We have leveraged the same platform within Wipro as well, we call the TopCoder for Wipro or TopGear, and utilizing that platform variable to get higher value from Wipro associates for executing our programs. The third lever I want to look at is in terms of executing the large programs with rigor. There is a significant amount of best practices we have generated across running various programs in various geographies. And looking at those levers we are trying to improve the operational execution for some of the programs that we are running right now. So, three broad levers, hyper automation, crowd sourcing capabilities and operational excellence in terms of our delivery.

Mukul Garg: And any idea, Saurabh, which you can provide on the wage hikes during the quarter?

Saurabh Govil: The wage hikes for us will be effective 1st of June (for one month in Q1), in line with what we are doing as an industry, single-digit growth.

Mukul Garg: And then final one for Abid. Abid, can you provide any idea in terms of the first quarter growth even if we take out the issues which are happening at HPS? So any idea about other areas from a quarterly point of view, your peers have commented about optimism and hope in the banking vertical, so are you sharing the same hope that it is going to improve from next quarter onwards or are there any other issues as well except for the ones which you highlighted?

Abidali Z. Neemuchwala: So, the first quarter de-growth is primarily impacted by two major units, one is the HLS and the second is the Communications unit. Rest of the others, while it does not become evident from the guidance which is at a net level, but other four verticals are delivering positive growth in Q1 which will kind of continue for the rest of the year.

Moderator: Thank you very much. Our next question is from the line of Ankit Pande from Quant Capital. Please go ahead.

Ankit Pande: My question is, in the press conference you actually alluded to Retail segment, seeing some softness in Q1 could you highlight that? And my second question would be, in the next year, again drilling down on March and so, sorry for belaboring there but, in the next year if I look at your margin levers, again, the way you say that the constant currency terms you may expect to be in range. But would you expect it to be in a range given the impact of Appirio or HPS, excluding these will you be in a range?

Jatin Dalal: So Ankit, I will answer both questions. I think our guidance factors in all the headwinds and tailwinds that we have shared. And Abid has given his view on individual business units. And beyond that it is difficult to breakdown what specific business unit will do what. So I would much rather stay at the overall guidance that we have shared for Quarter one. Now, and very similarly, while we do not guide formally on the margin, we have shared our current endeavor would be that we will remain in a narrow band of FY17 margins as we improve margins from next quarter which is Quarter two. And that is a broad directional sense that we are giving. We have called out currency because currency remains sort of a joker in the pack; it has been hugely

volatile in the last 40 days and before that it was also quite volatile. And we are also seeing some new volatility emerging in Europe as we speak. So that is the reason we have called it out to give a view of what our operational focus would be. So Ankit, it would be difficult for me to share including / excluding a certain acquisition or entity.

Ankit Pande: And just a quick comment on the softness in retail.

Abidali Z. Neemuchwala: So, softness in retail is more structural and we saw it last quarter and we saw it this quarter and we will see it next quarter. The specific two verticals that I talked about, HLS and Communications are creating de-growth from Q4 to Q1. So, softness in Retail is more an ongoing phenomena that we see whereas HLS and Communications, as I mentioned, turnkey engagements getting logically over, and that is creating a dip in one particular quarter for us.

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

Sandeep Agarwal: I am very happy with the extremely positive commentary which is coming out. Just a couple of things, Abid. I agree from the industry vertical side, the E&U and other things have kind of bottomed out and that gives us a big advantage, and that we will be a big beneficiary out of that. But I wanted to just understand that, one, is it going to be only because of bottoming out or you see some kind of secular uptrend in spend? That is question number one. And question number two, are we behind the damage in the legacy business which has been happening for the industry and everyone? And third, are you seeing some kind of structural change in the digital deals and sizes and participations so that it gives us some comfort that we will get lot of compensation from the destruction in the legacy side?

Abidali Z. Neemuchwala: So, Digital if we look at it, we have been reporting our Digital percentage of revenues as a ratio of our total revenues. And you will see that in FY17 we brought it up from about 17.9% to 22.1% where we see good traction in deals. We do see a certain increase in average deal sizes and we are getting more and more opportunities to become the digital partner of certain clients which helps us play in a large space in the digital transformation of our customers. I think overall, from second part of your question, there were certain Wipro specific issues that we have had and we have worked on it over the last three or four quarters and we see some green shoots in that, so that is the reason for our optimism, although there are a lot of industry uncertainties, so I would not call it an extremely positive commentary but we need to continuously watch the uncertainty in the environment around the sociopolitical, around the regulation, around the mobility piece and that is why I would say that in some company specific issues we are better off than we were earlier. And the overall environment continues to remain the same. And from a strategic investment that we have made, we do see some good traction with our clients.

Moderator: Thank you very much. Our next question is from the line of Moshe Katri from Wedbush Securities. Please go ahead.

Moshe Katri: Just another point for clarification. One, did you include the proceeds from the sale of EcoEnergy in Operating Income rather than below the line and then is there a way to kind of quantify the dilutive impact from Appirio in margins during the quarter and maybe for the fiscal year 2018?

Jatin Dalal: So, your first question was whether the sale proceeds of the EcoEnergy business and the resultant gain, whether the gain has been included in the operating profit line? And the answer to that is yes. And your second question was, the dilution which came through on account of Appirio for quarter four, that would be approximately 40 basis points that we accounted in quarter four.

Moshe Katri: So, just as a follow-up, if we take out the gain from proceeds of sale of EcoEnergy from your operating income, the margin degradation sequentially would have been, I would say, significant to report, right?

Jatin Dalal: So, Moshe, we have spoken about two events which took place during the course of the quarter; one was the one-time gain on sale of eco energy business which is part of Operating Income line. We also talked about the impact of the certain changes in accounting that we did for the intangible assets that we had for the HPS business and net effect of that was 70 basis points at an Operating Margin level for quarter four which will not recur in quarter one.

Moshe Katri: Is there any way to quantify the actual impact that you are seeing in terms of cannibalization in your legacy business, especially given the structural headwinds that we are seeing? And obviously, I think you are doing whatever you can do in terms of client mining and getting business onboard, but on the other hand clearly that is not offsetting the deflation that you are seeing in the legacy business. Any color on that will be really helpful to kind of understand where we are and that process is kind of migrating away from legacy and going towards digital. Thanks.

Jatin Dalal: So, Moshe, I am afraid we have not broken that down. But you are right, the impact on legacy business continues to be quite a bit in terms of the pricing pressure. We are mitigating that to a good extent by the automation initiatives and other cost drivers. We also get premium for the new services that we sell, which is digital and cloud and some of the newer service lines which are in vogue and client is ready to pay right premium for that. As we speak, the balance for FY16-17 was more tilted towards legacy reduction in pricing vis-à-vis the off-take of new services, but we remain optimistic that some of the work that we have done, acquisitions, investments that we have made will overall make a balanced play and enhance the overall scenario. But we have to be cognizant that in short-term the pressure on legacy business is real and we will continue to do, as Bhanu indicated before, everything to reduce its impact. But it is there and that is reflected in our margins.

Moderator: Thank you very much. Ladies and Gentlemen, that was our last question. I now hand the conference over to Mr. Aravind Viswanathan for closing comments. Over to you.



*Wipro Limited
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Aravind Viswanathan: 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. Have a nice day.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Wipro Limited, that concludes today's conference call. Thank you all for joining us. And you may disconnect your lines.