



“Wipro Limited Q2 FY'25 Earnings Conference Call”

October 17, 2024



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Wipro Limited
October 17, 2024

Moderator:

Ladies and gentlemen, good day and welcome to Wipro Limited Q2 FY'25 Earnings Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

Dipak Bohra:

Yes. Thank you, Yashashri. A Warm Welcome to our Q2 Financial Year '25 Earnings Call.

We will begin the call with the “Business Highlights and Overview” by Srinu Pallia – our Chief Executive Officer and Managing Director, followed by “Updates on Financial Overview” by our CFO – Aparna Iyer. We also have our CHRO – Saurabh Govil on this call. Afterwards, the Operator will open the bridge for Q&A with our Management Team.

Before Srinu 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 Reform 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 explained in our detailed filings with SEC. Wipro does not undertake any obligation to update the forward-looking statements to reflect events and circumstances after the date of filing. The conference call will be archived, and a transcript will be available on our website.

With that, I would like to turn over the call to Srinu. Thank you.

Srinu Pallia:

Thanks, Dipak. Hello, everyone. Thank you for joining me and my Leadership Team for our 2nd Quarter Results for the Financial Year 2024-25.

In Q2, we met our expectations for revenue, bookings and margins. The long-term potential of our business is strong, and we are prepared to handle the current economic uncertainties. We continue to focus on our five strategic priorities and building a strong talent pool to capture AI opportunities.

Now, let me go over the “Financial Highlights for the Quarter” and share some “Specific Insights on our Markets and Industry Sectors.” All the revenue growth numbers I share will be in constant currency.



Wipro Limited
October 17, 2024

Our IT Services revenue for Q2 was \$2.66 billion, reflecting a sequential growth of 0.6%. This brings us closer to the upper end of our guidance.

Operating margins came in at 16.8%, which is an expansion of 35 basis points quarter-on-quarter and 71 basis points year-on-year.

In terms of total bookings, we ended the quarter at \$3.6 billion, which is an 8.4% increase quarter-on-quarter.

Our Capco business continues to see traction and grew 3.2% quarter-on-quarter and 6.9% year-on-year.

Coming to our “Strategic Market Unit Performances”:

We saw sequential growth in three of the four markets in Q2. Americas 1 achieved sequential growth of 1.2% driven by good performance in Healthcare, Technology and Communication sectors.

Americas 2 also recorded sequential growth of 0.8%, supported by robust demand and strong execution in the BFSI sector. APMEA grew by 0.3%, driven by traction in Capco. We are seeing early signs of our business stabilizing in this region. Europe registered a sequential decline of 0.1% due to overall weak demand and client-specific issues in few accounts.

Among industry sectors, we experienced varied performance. With strong account mining and traction in Capco business, BFSI continue to accelerate, delivering 2.7% sequential growth. This growth was led by Americas. Additionally, we are seeing momentum in both APMEA and Europe. This marks the third consecutive growth quarter of growth in BFSI.

Technology and Communications grew by 1.6% sequentially, driven by the ramp up of a recent large deal and momentum in existing relationships. However, Manufacturing remained soft for us, with a sequential decline of 2%.

We are seeing good progress with our consulting-led industry solutions in the automotive Manufacturing segment. In addition, there are also signs of uptick in demand in the industrial segment. We will focus on converting this into wins to revive growth in Manufacturing.

Energy and Utilities also remained weak, with the sequential decline of 3.7%. However, we see opportunities for vendor consolidation and cost takeout, particularly in the energy sector.



Wipro Limited
October 17, 2024

As you may remember from the last two quarters, we identified five strategic priority areas of growth. We have advanced in all five areas, and I would like to take this opportunity to share some indicators of our progress in Q2:

One, we stayed focused on growing our large accounts in our four profitable markets and six priority sectors and we will continue to invest in them for expansion and growth. In Q2, our top account grew 4% sequentially, the top 5 accounts grew 6.2% sequentially and the top 1 accounts grew 3.7% sequentially, reflecting our focus on expanding our footprint and scaling our large accounts.

Of course, large deals are crucial for our growth. During the quarter, we booked 19 large deals with a TCW of \$1,489 million. This translates to a growth of 29% sequentially and 16.8% on a year-on-year basis.

It is encouraging to see the diversity in our large wins across sectors. The deals we won cover a variety of themes, from cost reduction and vendor consolidation to application modernization and cloud operations. In fact, we are leading these deals with industry and cross-industry solutions, which are consulting-led and AI-powered.

Let me briefly talk about the two largest deals we won in Q2:

- A leading transportation and logistics company has selected Wipro to drive a business-critical SAP S/4HANA transformation program. This win involved collaboration between all our consulting arms, Rizing, Designit and Capco. It also highlights our industry knowledge and ability to deliver customized solutions to clients.
- Second Example: A software technology company has selected us to support its product development and IT operations end-to-end. This is a total outsourcing deal where Wipro will consolidate vendors and take over Engineering, Application, Infrastructure and Operations for the Client. Additionally, we will implement GenAI-powered solutions to solve business challenges and deliver operational efficiency.

It's important to highlight that one of these deals involves a new client, while the other marks a transition from having a minimal presence to becoming a strategic partner.

Let me now talk about another strategic priority, which is "Building Talent at Scale":

We believe all our employees should adopt an AI mindset, have the right skill set and use the right tool set in their work for our clients. In previous quarters, I have discussed our investments in rescaling our workforce for AI opportunities. We have now trained and certified over 44,000 employees on Advanced AI, and we have a significant number of employees actively using AI



Wipro Limited
October 17, 2024

developer tools across the company. In addition, we are developing talent closely aligned with our clients business needs. For this, we have established account-specific academies to upskill employees, providing a clear road map for building capabilities relevant to both the industry and the technology context.

Before I share our guidance for the next quarter, I want to thank all my colleagues for their amazing support. As an organization, we grow by actively listening to feedback. In August, we conducted our Annual Employee Engagement Survey, and in addition. I have made it a priority to connect with employees wherever I go. We have taken specific actions based on their feedback. As you're aware, we implemented a merit salary increase effective September 1, just nine months after the last cycle, demonstrating our ongoing commitment to our employees.

Last month, we hosted a Leadership Summit where our top-300 leaders from across the globe gathered right here in Bangalore to reflect on our business and chart our future direction. It was encouraging to see that we have come together as Team Wipro and there's a strong commitment to driving client success. I hope to harness this momentum and continue moving forward together.

Now, on to "Guidance":

Our Q3 revenue is expected to be affected by seasonal furloughs and fewer working days in this quarter. As a result, we are guiding for a sequential revenue growth of minus 2% to 0% in constant currency. Despite the softness in revenue in Q3, we are confident of maintaining our margin in a narrow band.

With that, let me turn it out, "Aparna, for a Detailed Overview of our Financial Financials." Thank you. Aparna, over to you.

Aparna Iyer:

Thank you, Srin. Good evening, ladies and gentlemen. I will share a quick update after which we will open up for Q&A.

On the IT Services revenue for Q2, we delivered a sequential growth of 1.3% quarter-on-quarter in the reported currency and a growth of 0.6% in constant currency. This is closer to the upper end of our guidance range that we had laid out last quarter.

We are pleased to share that our operating margin for the quarter was at 16.8%, an expansion of 35 basis points quarter-on-quarter and 71 basis points year-on-year. This brings us one step closer to our earlier conveyed target band of 17% to 17.5%. This expansion in margins was achieved on the back of operational improvements and after absorbing one month of salary increments that we rolled out for our associates effective 1st September.



Wipro Limited
October 17, 2024

We begin Q3 with headwinds of furlough and the incremental impact of salary increases. Yet, we remain confident of staying in a narrow band of margins. Our net income grew 21.3% year-on-year. This was on the back of higher operating profits, which grew at 11.4% year-on-year. Our EPS was at INR6.14 which grew 6.8% sequentially.

Q2 was yet another quarter of strong cash flows. Our operating cash flows of \$510 million in Q2 is 132.3% of our net income. With this, we have cumulatively for H1 generated nearly a billion dollars in operating cash flows. At the end of Q2, our investments and cash balances on our balance sheet now stand at \$6.2 billion.

In other key matrices, our other income, net of the finance expenses, grew 34.2% sequentially. Our accounting yields for the average investments held in India was at 7.9%. ETR was at 24.6% in Q2. Our hedges continue to be in line with our policy. We are about \$2.8 billion of FOREX derivative contracts as hedges at the end of Q2.

Finally, before I move to guidance, I would like to share that in our recently concluded board meeting, the board of directors have recommended issue of bonus shares to our shareholders in the ratio of 1:1 subject to the approval of shareholders. Rationally, we are working through our revised capital allocation in line with our strategy and hopefully we will be able to share the details of that after our January board meeting.

In terms of our guidance, to reiterate what was stated by Srinu, we expect the revenues from our IT Services business segment to be in the range of \$2.607 billion to \$2.660 billion. This translates to a sequential guidance of minus 2% to 0% in constant currency terms.

With that, we can open up for questions. Operator?

Moderator:

We will now begin the question-and-answer session. We will take our first question from the line of Abhishek Kumar from JM Financial. Please go ahead.

Abhishek Kumar:

My first question is on the guidance. Is this just the furloughs or are we also seeing flow-through of the client-specific challenges that you mentioned, which kind of informing slightly mutish guidance for next quarter?

Srinu Pallia:

Thanks, Abhishek. As far as Q3 guidance is concerned, clearly furloughs like Aparna called out has one and also the number of working days obviously is much lower. We also have some slowdown in Europe, thanks to client specific reasons. Having said that, we see good momentum in our deal pipeline across Americas 1 and Americas 2 and also APMEA. We do have good pipeline in Europe too. The focus for us is to actually win some of those and maximize our deal bookings for this quarter.



Wipro Limited
October 17, 2024

Abhishek Kumar: Next question is on your Energy and Utilities. You had mentioned last quarter also there are certain client-specific challenges here. Are these now behind us or are they still there in front of us? How should we think about E&U as a continuous headwind to our overall growth?

Aparna Iyer: So, like Srini shared in his speech as well, it is work-in progress. There is a good pipeline, there is a demand across vendor consolidation cost takeout, and there are very, very good deals in the pipeline. We have to focus on conversion for us to improve our overall performance in E&U. That's all that we have to say this... it's all down to execution.

Srini Pallia: Just to add a little bit more color to what Aparna said, Abhishek, specifically in the energy sector, we are seeing opportunities around cost optimization and vendor consolidation as well, which is a good news.

Abhishek Kumar: Maybe just what I wanted to understand here is, are there any ramp downs that are continuing in few clients that is impacting us? And if that is so, when do we expect those ramp downs to be behind us?

Aparna Iyer: Yes, our guidance for Q3 has several puts and takes; it has furloughs, it does have fewer working days, it also factors in certain impact of certain client-specific challenges that we have alluded to in Europe. All of this is factored into the guidance as we start Q3. Given the momentum that we are building up, if you see there are performance across market units in sectors, it has improved, and it is becoming a little bit more secular than what it was maybe three or four quarters back. So, we are hopeful that we will build on that momentum once we are behind the seasonality of Q3.

Moderator: We have a next question from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Aparna, wanted your thoughts on the drivers that are helping margin, the initiatives that are sort of offsetting the wage increase impact and the revenue headwind, special things?

Aparna Iyer: So, we have a set of traditional levers that have been at play. We have been improving our utilization consistently over the last few quarters. I do think the levels at which we are, we have to continue to sustain that. In Q2, we have dipped our utilization slightly, but we are well above the benchmark that we would like to be at. Secondly, offshoring is also a lever that we have flexed. Going forward, what are the levers that we will use? There are the traditional set of levers -- fixed price projects, pyramid improvements. The other lever that's very topical to us is around G&A optimization. We have spoken about that. We have done some work on it over the last few quarters. Some of it is paying off as we get into Q3. Also, some of the acquired entities, as they are getting integrated into the organization, there are certain synergy benefits that we are realizing around overheads and G&A. Those are some of the levers. If you look at our SMU wise profitability metrics that we share, I think Europe and APMEA have improved profitability and Americas 2 has improved profitability year-on-year. So,



Wipro Limited
October 17, 2024

there is a good again orientation towards profitable growth, which is leading to operational improvements, Nitin.

Nitin Padmanabhan: The second question was around; I think a lot of work has gone behind building deal momentum and sort of looking at the cost and all of those things over the last couple of quarters. In that context, do you think that return to growth could happen sooner rather than later overall? Are you happy with the way things are moving, or do you see there are further areas that require fixes before we are able to really move back to growth?

Aparna Iyer: Nitin, we have grown in Q2. I think the key for us is to really build sustainable growth that we can deliver consistently, right? And that is still work-in-progress. There are parts of the business which are performing much better. We have alluded to Capco I think, BFSI as an overall sector is doing very well, Americas 1 has momentum that's secular, right, and Americas 2 outside of (EMR), Energy and Manufacturing is doing well. So, there is more secular return in some sense of momentum at least in Americas for us to bounce back to growth deterministically, Europe and APMEA also have to chip in. APMEA, we are seeing some early signs of stabilization. Europe is still work-in-progress. And that's something that we will have to look at before we are able to give you a better color. Srin, if you want to add something.

Srini Pallia: Sure. So, Nitin, let me give you in the context of the deal pipeline that we have built. All I can say at this point in time is healthy, there is momentum around the deal pipeline and it's also secular across the four markets and across the six sectors that we operate in, which is for me a good news. I think the focus for me and my team right now is how do we secure those winds quickly within Q3 and move forward in Q4. The advantage in Q4 is that the furloughs and the number of working days would change. That itself is one of the positives and the deal momentum and the wins could actually add to that. So, net-net, Nitin, I think I continue to state that we have good momentum. We need to execute to that.

Nitin Padmanabhan: Are you seeing an increase in smaller deals within the pipeline that could convert faster? Your peer had mentioned that in the recent call. Some of your peers have been suggesting that they're also seeing heightened smaller deals within their closures as well. So, just curious to know your thoughts on what you are seeing on this aspect?

Srini Pallia: So, Nitin, while we talk about the pipeline, it's a combination of both large deals, mid-size deals and smaller deals. That's number one. Number two, if you look at our own bookings for Q2 of the 3.6 billion, 1.5 billion came in from large deals. But if you remove that 1.5 billion, the balance is a combination of both mid-size deals and smaller deals. Second, if you look at the kind of opportunities that we get especially when during the discretionary spend around Capco, BFSI, some of them tend



Wipro Limited
October 17, 2024

to be much smaller, they need not be large deals. Overall, I think the way I see it is, we do have smaller deals, mid-size deals and large deals and we continue to remain optimistic on those pipeline.

Moderator: We will take our next question from the line of Sudheer Guntupalli from Kotak Mahindra AMC. Please go ahead.

Sudheer Guntupalli: So, just your internals are looking very good, deal wins are looking good, you seem to sound more confident on a broad-based set of segments this time versus last quarter, however, the guidance seems to be a bit counterintuitive. So, in that backdrop, a couple of questions. So, when you say furloughs, so this time around most of the other companies are actually indicating that furloughs are just in line with normal seasonality with some of them actually saying the furlough impact will be lower than the previous year and historically, we had a relatively slightly better H2 compared to H1. So, why is furlough such a game changer for Q3 guidance, that is number one? And number two, when you say client-specific issues in Europe, is it some part of the business that you want to rationalize as a new CEO, and you have taken a strategic call to kind of cut that business or is this something where we have a certain client because of whatsoever their specific reasons has been hurting us? Again, I'm asking the Europe question because surprisingly this quarter Europe has been good for most of the companies which reported so far and we have been having very localized teams in Europe. So, it's surprising why we are facing those challenges while others are not. So, just those couple of questions, first on furloughs, second on Europe.

Sudheer Guntupalli: Sudheer, in terms of our furlough, the visibility that we have is very similar to what we experienced last year and that's the assumption that we are factoring in. Obviously, during the quarter we will have to work through it with our clients. As far as lower working days is concerned, that's also something that is very seasonal for Q3 compared to Q2, both of which are factored. Additionally, we have called out for us, which is factored into our guidance is the softness that we have in Europe, and I will ask Srini to respond to the questions that you posted in Europe.

Srini Pallia: Thanks, Aparna. Hi, Sudheer. So, I think Aparna answered the question on furloughs. I think for us relative to what you heard from other companies seems to be constant what happened last year at this time. Maybe it could be very specific to the clients that we are engaged with and the decisions that they take because some of the sectors have a lot more furloughs than the rest. So, maybe that's one reason why we have some impacts. we continue to have the same level of impact on furloughs. Now, coming specific to Europe and client-specific need, I would say a couple of clients where we have been working with them have actually changed the direction because of which there has been some ramp downs. So, it's very, very specific to the combination of some of the industries and Europe which is actually contributing to that slowdown for us and weak growth both in this quarter that you've seen, Sudheer. But having said that, I want to reiterate that the countries and the specific



Wipro Limited
October 17, 2024

industries that we are focusing in those countries, the pipeline has built up and right now myself and my team are focused on winning those.

Sudheer Guntupalli: So, is it fair to expect that possibly when we look through this furlough and specific impacted time period of December quarter, subsequently we will be able to build that secular growth momentum, part of which we had seen in this quarter as well?

Srini Pallia: Sudheer, as a process we just guide for the next quarter, which is Quarter 3. So, you are right, in Quarter 3, we got impacted for the reasons that we stated. Having said that, some of them will not be there in Quarter 4 and also with the deal pipeline and the momentum that we have that should also help us going into Quarter 4, but I will not be able to predict how the Quarter 4 is going to be at this point in time.

Moderator: Thank you. We will take our next question from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: My first question is with respect to the large deal momentum. If you look at the rolling 12-month data for a while, you were stuck at \$4.5 billion and now we have crossed that and gone to \$4.7-\$4.8 billion. Just trying to understand what has driven this change. Is it more specific to Wipro in terms of the initiatives around largest put in place which is triggering this increase and increase in the win ratio, or something has changed around the pipeline or our approach to the overall large deal wins, so just trying to understand how sustainable this improvement is that we are seeing here?

Srini Pallia: So, Gaurav, if you look at in the context of a large deal, what is very important for us is to be proactive with our clients. Second, we have to lead with consulting and with infuse AI or AI power solutions. So, the industry and cross-industry solutions that we have also help us solution it right for the client and customize it right for the client. So, the deal win that I talked to you about in the transportation industry very clearly demonstrates wherein we brought in our consulting arms and we brought in our industry specific domain solutions to win that particular aspect. Second, it is also disciplined right how you build the pipeline both proactively, how do you qualify that pipeline and then go for the win and the whole process and the nine yards that you do. So, picking the right deal that you want to go after also makes a big difference around. So, there are very small changes, but sometimes these changes can impact. Now going back to a question on sustainability, like any large deal at the end of the day, it is a binary, right, so I will not be able to predict how it is going to go, but if you have noticed, we are consistently being above billion dollars every quarter in terms of the large deals.

Gaurav Rateria: The second question is for Aparna. You did allude to couple of factors which were specific initiatives of Wipro and topical to the company on margins, so have those initiatives already played out in the



Wipro Limited
October 17, 2024

form of resulting in margin tailwind in the last two quarters or do you think that there are some more that will be flowing into the margins over the next 2 quarters?

Aparna Iyer:

Certainly, there is a lot of effort that is still in process in order to improve Gaurav, if you notice that we still have to absorb two months of salary increases and it is also seasonally weak quarter in terms of furloughs, so all hands on the deck, I think what will be very key is to execute Q3 when and the topical levers are also at play. We still feel that there are optimizations that we can still do and achieve.

Moderator:

Thank you. We have our next question from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah:

Just wanted to understand Srini, post you took control, what in your assessment are the internal factors outside the macro factors which is affecting the demand? We have to correct, or we have to rectify for us to go into a sustainable consistent growth path.

Srini Pallia:

Sandeep, if you look at it, what is very important is we have laid out our five strategic priorities and we have to consistently stay focused on that. So, if you look at the focus on large accounts in our priority sectors and prioritized markets, I think that is helping us. If you look at the growth that we got in the top five accounts, top ten accounts reflect some of the focus that we have brought in. And we have to stay focused, we have to be consistent around that going forward. Second is the large deals that I just talked about, the question that Gaurav asked about right, we have to be proactive, we have to shape the demand, and we have to understand the client, both the business and the technology needs and bring in the right industry and cross industry solutions upfront for the client to feel comfortable about Wipro and how we can execute for them. Third one is the industry solution itself that I talked about, right, consistently stay focused on that, which are consulting led and AI powered. We have had some good successes in the last two quarters and a little of this gets into implementation, then becomes more referenceable. I think you can actually more and more depend on those solutions. The fourth one is building talented scale. I did talk about the fact that we have to have the right mindset, skill set, and tool set across our employee base after the initial 230,000 people who got trained on the basics of Gen AI, now we have got 44,000 employees doing that. So, how do you lead with AI in the projects, whether it is in software development cycle or engineering, how do you infuse AI into projects which are more on the managed services, be it application infrastructure or process and then how do you actually build AI powered solution, which is the conceptualization itself starts with AI, right. And so those things we need to stay focused on building their talent also for the specific customers and the clients that I talked about on the academies right. Sometimes it is important to understand the industry the client has been, the specific technology landscape that they are in. So, it becomes much easier for it to execute. And the last point, Sandeep is the customer



Wipro Limited
October 17, 2024

centricity, client centricity. We have defined 5 pillars of client centricity. We got to deliver. We have got to innovate our delivery as the technology landscape changes. So, if we stay focused on these five top priorities that we called out quarter after quarter, year-on-year after, I am sure we will continue to get better.

Sandeep Shah:

But despite this top five priorities every quarter, we have somewhere or the other portfolio related issue which keeps our growth rate marginally positive, negative or flattish. So, any timeline when you expect whatever rectification we wanted to do would be over and we can come back on a consistent growth path?

Srini Pallia:

Fair comment, Sandeep, very fair comment. And if you look at it right, if you look at it from a markets perspective, this quarter has been a little different from the last quarter where three out of the four kind of showed us some sequential growth, which I think is a positive right step. As far as the sectors are concerned, I think we have continued to lag both in Manufacturing and energy and utility. Having said that, I think we have got good momentum going in other sectors, be it BFSI which I talked about healthcare, technology and communications and also consumer. I think we will continue to stay focused on those four, bring in acceleration the momentum in those four sectors while we do the correction in both Manufacturing and E&U which is more specific to Wipro than what you see in the industry.

Sandeep Shah:

And when do you expect those correction to start yielding result in Manufacturing and E&U?

Srini Pallia:

So, Sandeep, I don't give guidance beyond Quarter 3. But having said that, I did tell you that specifically if you look at in Manufacturing sector, I called out automotive segment, I called industrial segment. We are seeing pipeline and traction out there for us. Now, the question is do we win those, if and when we win the deals that will show up on the revenue side sooner than later. On the Energy and Utilities segment, I did talk about specific deals in the energy sector, which has around cost optimization and vendor consolidation. Some of those deals are in the process, but I think you have to win. So, if we do this, if we execute this pipeline and deals that we have in these two sectors, Sandeep, things should get better, but at this point of time, I can't give you a specific timeline.

Sandeep Shah:

And your earlier commentary suggests 4Q could be better than 3Q?

Srini Pallia:

So, Sandeep, what I said was the headwinds we have when it comes to number of working days and furloughs, some of them may not be there in Quarter 4. That is the comment I made, Sandeep.

Sandeep Shah:

And just the last thing, post the budget, there is a tax ruling change on the buyback, so any view will we consider buyback as a continued option to cash return to the shareholders or we may move to



Wipro Limited
October 17, 2024

dividend because the tax treatment of both being neutral going forward, in buyback, we still get a benefit of a reduced share count?

Aparna Iyer: You have said it, Sandeep, we do think that there are benefits of buyback compared to the dividend even after the budget that has been announced. But that said I think we are drawing up our revised capital allocation policy in line with this track plan that we are putting together for the next 2-3 years. And I think we will be in a position to share a more detailed and informed answer to your question in terms of what is going to be our approach. I think that is work in progress and we will do that.

Sandeep Shah: And just related question, as we have indicated earlier, we now look for string of pearls kind of an M&A rather than a big-ticket M&A?

Srini Pallia: Sandeep, the way I see M&A is a strategic advantage for us going forward. We do continue to look for opportunities in the marketplace, whether it is in specific white spaces, markets or sectors. So, in that context, Sandeep, the first thing is to look at what are the opportunities that you have in market and then take your decision. So, I am not calling out anything like a string of pearls, but all I am trying to do is, I want to be very deliberate and very focused in terms of what we want to do with M&A, but M&A is a big part of our strategy.

Moderator: Thank you. We have our next question from the line of Sumeet Jain from CLSA. Please go ahead.

Sumeet Jain: So, firstly, Srini, Aparna, I wanted to know from you in this guidance of -2 to 0%, what are you building for BFSI next quarter? Are you still building in growth momentum to continue, but given it has high furloughs, but you are seeing a strong momentum?

Aparna Iyer: So, our BFSI business also has a component of Capco which has higher furloughs compared to the rest of the work consulting in general and of course Capco is far more susceptible to furloughs. It is factored into our guidance. But other than that, I think the momentum in BFSI has been fairly strong. We have done well. If you look at our Quarter 2 growth, it has done well across all market units. It has done across various service offerings. So, we do think that the momentum in the BFSI sector from a volume trajectory is good, it has also been impacted more deeply by furloughs and that is factored as a part of our guidance.

Sumeet Jain: I just wanted to understand how long this decline in Manufacturing and E&U, the energy utility verticals will continue given that for the last 7-8 quarters now it has been declining. So, the ramp down in the client specific areas should have been over by now. So, is it like a structural problem we are facing in these two verticals? Because when I look at Manufacturing, particularly, it has seen very strong growth for most of our peers plus the SAP S/4 HANA transformation is a big opportunity, which you also mentioned is playing out in your logistics client, so I just want to understand how



Wipro Limited
October 17, 2024

Manufacturing E&U will play out, let us say over the next 6-12 months, forgetting about just next quarter?

Srini Pallia:

Sumeet, first and foremost, these are very two important sectors for Wipro. We have been in Energy and Utilities and Manufacturing sectors for a very long time. I have personally driven this business in the past. Having said that, your observation is right that we have been slow relative to the peer group in terms of our growth or rather lack of growth. However, like I mentioned, in Manufacturing for example, there are specific segments we continue to focus on, for example, automotive right. There are opportunities, for example in software defined vehicles, which is our Cloud Car that is more on the engineering side of it, for example. Second, you yourself mentioned SAP S/4 HANA. Thanks to our acquisition of rising and now we can lead with consulting in SAP S/4 HANA. So, to me, Manufacturing and Energy and Utilities are very important sectors we are staying focused on and we also have the pipeline like I mentioned, we were in energy, we do our pipeline and cost optimization and also in terms of cost transformation. So, what is important for us, what we need to do Sumeet is to double down and focus on these two sectors and bring growth back.

Sumeet Jain:

Look forward to that revival maybe in few quarters. And secondly on the deal side, we can see our reported deal wins have been good, but the conversion to revenues have been a bit slow. So, is it like there is a delayed conversion of deals to revenue or is it like the duration of these deals is much longer? So, the ECV is lower leading to a lower revenue conversion?

Aparna Iyer:

Large deals typically have a cycle for ramping up, right. One of the large deals that we had earlier alluded to that we had won it will take several quarters to ramp up. On the contrary, there is another large deal that we won in Q2 that has instantly ramped up and is giving us revenues. I think it depends on deal to deal. Overall, we are not concerned about the deal conversion being slower. We are happy with our large deal bookings. In fact, while we don't give out a number, the Net New in these bookings is fairly good, especially in Q2. I think we just need to focus on winning more and the conversion will happen. Yes, it takes 2 to 3 quarters for it to fully ramp up and deliver, but that will happen, Sumeet.

Sumeet Jain:

Are you seeing any sort of delay in deal closures because of US election related uncertainty in the US geography?

Srini Pallia:

So, Sumeet, I know you have been tracking US politics irrespective of which party comes in, which leader comes in. Traditionally, the US economy continues to grow, and the US is a dominant economy. If you look at it post COVID as well in terms of growth, I will say the impact of politics will not be that significant at least from my vantage point, Sumeet.



Wipro Limited
October 17, 2024

- Sumeet Jain:** And just lastly, when I look at your number of active customers, it has been consistently coming down for last 7 to 8 quarters. So, any particular strategy we are following out there?
- Aparna Iyer:** No, not really, Sumeet. I think we had referred to the exit of certain tail accounts in context of one of our market units, which was up in APMEA, I think this was several quarters back. Other than that, we have also said that this number typically gets impacted because of the discretionary spend environment being weaker and as a result, it also impacts the number of clients, especially at the bottom end of the pyramid. What I think you should also take heart with is that our top client, our top 5 or top 10, in fact our top 25 clients are doing really well. So, I am not going to read too much into that number. I think we need to focus on driving differentiated growth in our future metal accounts and that is what we are focusing on.
- Moderator:** Thank you. We have our next question from the line of Ankur Rudra from JP Morgan. Please go ahead.
- Ankur Rudra:** Maybe the first question, Srini, if you can elaborate a bit more on the US BFS strong credit sale and also how that leads into discretionary spending, your business at Capco has a very high exposure to the capital market segment and the segment, which is seeing very strong growth recovery over the recent results season. Many of your peers have commented about how they expect that to help them. If you could elaborate how you expect to see that opportunity?
- Srini Pallia:** Since the question is very specific to the US and BFS, the strategy for us in the US market is to combine Wipro's strength of execution with Capco's consulting capabilities. So, if you look at the banking financial services, capital markets, insurance, I think our go-to-market strategy is to combine the expertise of both these companies and take it forward. Now, specific to discretionary spend comment that you made, obviously if Capco is growing for us that means there is a discretionary spend because their dependence is completely on discretionary spend which to me is good news in the context of what is coming in the future for us because some of this discretionary spend could be also transferred to the downstream revenue as well Rudra. So, I would say at this point of time, I continue to be optimistic around the spend in BFS segment especially in the US.
- Ankur Rudra:** And just to read a bit more into your previous comment you said and how the US has been a dominant economy and financial services, if I might add, is a dominant vertical. At what point does US BFS strength overcome all the small pocket challenges you are seeing all of your other verticals where the smaller challenge you are seeing is overwhelmed by this and overall good momentum begins to look a bit stronger?
- Aparna Iyer:** So, Ankur, for us to really grow well at an overall org level, I think we need to have nearly all cylinders firing, right. And I think that is the endeavor. Yes, we are happy with the momentum that



Wipro Limited
October 17, 2024

we have in BFSI. I think not just the US but across we have a good momentum in BFSI, and we are happy about that, but I do think we need to at least arrest the decline and stabilize E&U and Manufacturing, which Srini spoke of, and I think that is very key. We need to have more and more sectors joining in. I think Health is doing well. BFSI has done well. We are seeing deals that we had won ramping up giving us growth in technology and communications, so 3 sectors good, consumers also done well. So, if you are able to revive and win new deals in energy and Manufacturing, I think that will hold the key.

Ankur Rudra:

Just one question maybe on AI and generative AI, overall deal wins have been relatively strong. How are you seeing the adoption of Gen AI in particular into your deal construct to an extent? Are there any early conversations about potential productivity passthrough or gain share as a result of those constructs in the deals you win?

Srini Pallia:

Ankur, specific to Gen AI, the way I see it is there is definitely excitement and opportunity for a company like Wipro. We want to be AI powered Wipro and clearly we are investing big into Gen AI. In terms of the engagements, I would put it in three buckets. Number 1 is we have AI LED projects, whether it is in a software development cycle or product engineering that is one stream. The second one is infusing AI into the managed services right, which could be for existing or for the new ones where the point that you made it is also operational efficiency, customer experience that you can improve and the third is AI powered solutions that I talked about which is you are conceptualizing your solution for a process into with AI being the core. So, to me, this will continue to grow and there will be productivity benefits in each of these areas. At this point in time, the way I see it is that there are specific projects in Gen AI which are going to help the clients in terms of improving some of their back-office operations, if you will, right. So, those are the projects that you get, but it is not necessarily a specific SDLC lifecycle, but it is an opportunity for the client to improve their processes or operations and so on and so forth. So, those are the three buckets, Ankur, I would say Gen AI and we will continue to improve. Net-net, I think Gen AI will be positive for us and for the industry.

Moderator:

Thank you. We will take our next question from the line of Kawaljeet Saluja from Kotak Securities. Please go ahead.

Kawaljeet Saluja:

The question I had for you Srini is that when I look at your performance in Manufacturing in EU in maybe communication though it has changed somewhat this quarter, it does indicate that it is not so much the environment but shares losses in consolidation exercise. So, at a broader level, I wanted to have your view that I was Wipro positioned as let us say vendor consolidation exercises at an overall level and then going into verticals if there are any nuances as such?



Wipro Limited
October 17, 2024

Srini Pallia: You know one of the things that I am really excited is the opportunities and the vendor consolidation. One of the large deals that I did talk about today is a vendor consolidation which is a very large deal where we are doing end to end operations for us across infrastructure applications and the process. To me, there are multiple deal wins around vendor consolidation. We have our own opportunities. We have our own wins where we have displaced competition. And if I look at the current pipeline, there are opportunities and Kawal what happens sometimes is the combination of cost optimization and vendor consolidation comes together in the broader context of cost benefit to the client. Sometimes the vendor consolidation happens purely because you are already dominant in one area. You can actually take care of the adjacent areas and bring in experience and operational efficiencies as well. So, I am very excited about the opportunities for vendor consolidation for us, Kawaljeet and we are winning.

Kawaljeet Saluja: And in this example that you gave on vendor consolidation, who did you consolidate out? Are you consolidating out other India heritage vendors or are these legacy vendors who are on their last legs?

Srini Pallia: Kawaljeet, I am sure a lot of people are listening to this conversation. All I can say is that it is a variety of vendors across the spectrum. That is all I can say.

Kawaljeet Saluja: The second question I had is for Aparna. Aparna, when I go through your expenses in the IFRS financial statements, it appears to be quite busy with the number of notes. Was there any one-off benefit into the quarter because there seem to be a number of line items in which there are some one-off charges, there are one-off gains, if you can just walk in through, what is really happening in margin there?

Aparna Iyer: Kawal, if you look at it, we did have a higher S&M and we have a lower G&A. And if you look at SG&A as a bucket, there is no change. If you look at our operating margin improvement that has come through the gross margin improvement. The noise that you have referred to, yes, we have had certain one-off credits which are a part of our financials, but there are also hits which are in its part and parcel of every quarter and what I will request is perhaps Abhishek or Dipak can take you through those items. But if a broader direction that you can look at is S&M and G&A as a bucket have more or less remained flat and the improvement is coming in through the gross margins.

Kawaljeet Saluja: And Aparna what kind of environment do you require to get to your aspirational band of aspirational margin number? Actually, it is not even aspiration is getting there almost. But you can just walk me through it?

Aparna Iyer: So, are you asking me for levers?

Kawaljeet Saluja: Environment, the type of environment required to get to the EBIT margin that you aspire for here?



Wipro Limited
October 17, 2024

Aparna Iyer:

Kawal, we have laid out, like you rightly said, we are one step closer to that 17%-17.5% target band that we had laid out several quarters ago, we are happy with the performance that we have had in Q2. We have taken one big step towards that. Obviously in Q3, we will have to work through the headwinds that we are starting the quarter with. I think all hands on the deck as far as Quarter 3 execution is concerned, perhaps at the end of Quarter 3, we will be in a better position to tell you how the margins look beyond. I think over a long term for it to like really to let us say touch and sustain beyond 17% operating margins, we said that the revenue environment also needs to improve. A lot of the margin improvement that we have delivered is on the backdrop of revenue decline, so certainly the growth in revenues will help the trajectory both to surpass that 17% and also sustain, Kawal.

Moderator:

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

Dipak Bohra:

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

Moderator:

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