



“Wipro Limited Q1 FY’25 Earnings Conference Call”

July 19, 2024



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Moderator: Ladies and Gentlemen, Good Day and Welcome to Wipro Limited Q1 FY'25 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 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 and Investor Relations. Thank you and over to you, sir.

Dipak Bohra: Thank you, Yashashree. A Warm Welcome to our Q1 Financial Year '25 Earnings Call.

We will begin the call with the "Business Highlights and Overview by Srini 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 Srini 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 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 factor are explained in our detailed filing 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.

With that, I would like to turn over the call to Srini.

Srini Pallia: Thanks, Dipak. Hello, everyone. Thank you for joining me and my leadership team for our first quarter results for the Financial Year 2024-25.

In these past 90-days I have travelled across our markets, meeting clients, employees and engaging with partners and stakeholders. With each conversation, my appreciation of our business has deepened and my confidence in our team has grown stronger. It's truly inspiring to witness the trust our clients have placed in Wipro.

Additionally, I have been able to hone the focus of our "Five Strategic Priorities" that I shared with you last quarter. I will provide you with an update on this shortly.

But let me first start with the "Financial Highlights for the Quarter":



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In Q1, we did not see a significant shift in the demand environment. Clients remain cautious and our discretionary spending continues to be muted. Our IT services revenue for Q1 was US\$2.63 billion, reflecting a sequential decrease of 1% in constant currency, which was within our guided range for the quarter. The operating margin was 16.5%, an increase of 0.1% over the last quarter.

Let me now provide you with some color on how our SMUs performed in Q1 and our industry sectors. I will begin with Americas 1 which delivered a sequential growth of 0.4% in Q1. You may recall that Americas 1 had a good year in Financial Year 2024 with the health and technology sectors leading the way. We now see momentum in the consumer and communication sectors also.

Americas 2 had a sequential decline of 0.7%, but BFSI performed well, achieving a sequential growth of 1.4% in Q1 with a year-on-year growth of 12.1% in Q1. Bookings in Americas 2, we are optimistic about returning to growth in this market in the medium-term. In Q1, we also maintain positive momentum in our Capco business, achieving a sequential growth of 3.4%. However, Europe and APMEA remained soft for us, with sequential decline of 1.4% and 4.2% respectively. Our pipeline in Europe remains healthy and our primary focus there will be on improving conversion. We are reviewing our strategy for APMEA and we will keep you informed of our progress in the upcoming quarters.

Among industry sectors, we had varied performance. Banking and financial services retained its positive momentum from last quarter, and we have now seen growth in this sector for two consecutive quarters. This sector grew 0.5% sequentially in Q1.

Driven by deal flow, the consumer business grew by 1.6% this quarter. However, manufacturing and energy and utility sectors continue to show weakness for us, experiencing sequential decline of 3% and 6.3% respectively.

Moving to order booking, our overall bookings TCV for the quarter was US\$3.3 billion with large deal TCV of US\$1.2 billion.

Now, let me “Update you on the Progress” we have made on the “Five Strategic Priorities” that I outlined last quarter:

#1. If you recall, we discussed prioritizing large deals as a clear area of focus. We are driving large deal creation systematically across our client base. We are shaping these opportunities by proactively engaging with influencers and partners. As a result, our pipeline for large deals remains robust. Once again, we had a quarter where our large deal bookings exceeded US\$1 billion. Our success in securing 10 large deals in Q1 was a key factor that made this possible.

Let me call out two of the deals that we signed in Q1. The first is with a US-based communication services provider where we were chosen for a five-year contract to provide managed services



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for select products and building industry-specific solutions. You'd have already heard about this in the media.

The second win is in the automotive segment in manufacturing. A US-based OEM has selected us to streamline their global infrastructure services. We will develop a solution leveraging both automation and AI to improve user experience and reduce operating costs.

#2. Our next area of focus, which I had called out, is to strengthen our relationships with our major clients and strategic partners. We are investing in our established strategic accounts and high potential accounts. Our focus will be on these clients within our priority sectors and markets we have defined internally. We will further strengthen our capabilities in consulting, delivery and solutioning in these accounts.

In addition, we are actively collaborating with hyperscalers and strategic partners to co-innovate and develop unique propositions for our clients.

In fact, I would like to emphasize that even in an otherwise soft demand environment, our revenue from top ten accounts have grown 1.3% sequentially and 3.8% year-on-year in constant currency terms.

Another key priority I had previously highlighted is to develop AI-powered industry and cross-industry solutions using a consulting-led approach. Clearly, our goal here is to help clients transform their business and operating models using the power of AI. We are also actively strengthening and accelerating our industry consulting capabilities to support this. We continue to build cross-industry solutions that will deliver value to clients across our horizontal play.

Let me give you two examples of our recent wins in Q1. In the healthcare sector, we have been selected by a leading US-based health solutions company to help them comply with CMS guidelines. Our consulting-led AI-powered industry solution will seamlessly integrate CMS provisions into billing and various other processes. This will simplify prescription cost management for all the members.

Moving on to the second example, we are collaborating with the leading financial services company in North America to develop Gen AI-powered assistant for wealth management to help portfolio advisors.

Let me now shift to our next area of focus which is building talent at scale. Our goal at Wipro is to attract, nurture and grow a diverse talent pool. We have ramped up our upskilling efforts across various practices covering both emerging and core technology areas. In fact, during Q1, we rolled out. iAspire and AI-powered career development platform. iAspire offers personalized learning pathways and aids in the career progression for each and every one of our employees.



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We have already provided foundational training to over 225,000 of our employees and an additional 30,000 employees have received advanced AI training.

With Wipro as Client Zero, we are utilizing our in-house AI expertise to develop GenAI solutions across all units and functions within the company. We believe this will help us boost not only the capabilities of our employees, but also make Wipro GenAI ready.

And finally, we are driving execution rigor with speed, helping client centricity and delivery excellence. We are focused on nurturing innovation in our delivery capabilities by investing in our Lab 45 AI platform and the Wipro Enterprise GenAI Studio. In fact, we are also incorporating various GenAI tools throughout our software development lifecycle to enhance both the productivity and quality of our delivery.

In closing, I would like to say this. The initial climb is both challenging and exciting. I am pleased with the momentum we have built in Q1. Across the company I have noticed a fresh energy and renewed dedication towards achieving our goal. With the commitment and passion of our 230,000 plus employees across the world, I firmly believe we will seize market opportunities ahead of us and will continue to progress steadily one step at a time.

Now, on to guidance. As we move into Q2, we do believe that we are now in a better position compared to the start of Q1. For Q2, we are guiding for a sequential revenue growth of (-1.0%) to (+1.0%) in constant currency. We are confident that we can sustain our margins within a narrow band with an upward bias in the coming quarters.

With that, let me turn it over to Aparna for a detailed overview of our financials. Thank you. Over to you, Aparna.

Aparna Iyer:

Thank you, Srini. Hello, everybody. Let me quickly summarize the financial highlights for Q1'25, post which we can open it up for questions.

Our IT services revenues declined 1.2% sequentially in reported currency terms, which is a 1% decline in constant currency terms, which is well within our guided range for Q1.

We are also pleased to share an expansion in our IT services margin of 0.4% year-on-year and 0.1% quarter-on-quarter. We delivered the 16.5% margin on the back of a tough revenue environment and even after continuous investments in talent. Improved utilization, fixed price productivity and optimization of overheads have been the key levers at play. We expect to gain from the tailwinds of our operational rigor and are confident of being able to operate in a narrow band with an upward bias.

We generated yet another quarter of strong cash flows. Our cash flows of \$479 million in Q1 is at 132% of our net income. With this, our current investments and cash balance now stands at



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\$5.4 billion. Our other income net of finance expenses grew by 21% quarter-on-quarter and year-on-year. Our accounting yield for average investments held in India in Q1 was at 7.6%. Our net income at INR30 billion grew 6% sequentially and our EPS for the quarter at Rs.5.75 grew 10% year-on-year.

In terms of other key matrices, our ETR is at 24.5% for Q1 versus 24% in Q1'24. Our hedges continue to be in line with our policy. We had about \$3 billion of FOREX derivative contracts as hedges at the end of Q1.

Finally, I would like to reiterate the guidance for Q1. We expect revenues from our IT services business segment to be in the range of \$2.6 billion to \$2.652 billion. This translates to a sequential guidance of (-1%) to a (+1%) in constant currency terms.

With that, we can open up for Q&A.

Moderator: We will now begin the question-and-answer session. We have a first question from the line of Abhishek Bhandari from Nomura. Please go ahead.

Abhishek Bhandari: Srini, my first question is on the quarter gone by. Most of the peers who have reported were kind of positively surprised by the execution during the quarter. While we have reported a number which is within the band, it's towards the lower end. So, was there any incident in terms of negative surprises for you or do you think your Q1 performance was in line with what you had anticipated at the start of the quarter?

Srini Pallia: Abhishek, the first point I want to talk about is we gave a Q1 guidance range, and we were within that guidance range. That's number one. Second, like I said, we are still not seeing a significant change in the demand environment. We see clients still cautious and discretionary spend is low. However, we have seen an uptick in CAPCO, BFSI, consumer business in the US, which I called out. Sectors like E&U and manufacturing have been soft for us. Outside of the US, we are yet to see momentum build up in our other two SMUs, specifically Europe and APMEA. We are also still in the early stage of the deal that we have signed and deals like this usually take a few quarters to realize its full potential and that's where our Q2 guidance is between minus (-1%) to (+1%).

Abhishek Bhandari: My second and last question is on the telco deal what you won in Q1. Is it due for full ramp up in Q2 or there will be staggered ramp up between Q2 and Q3?

Aparna Iyer: Yes, Abhishek. Like Srini said, these deals typically take some time to ramp up and it will take a few quarters for it to realize its full revenue potential. Of course, some upside is factored in the Q2 guidance.

Moderator: Next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.



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Gaurav Rateria: Srini, first question is on deal wins. Would you be able to provide some color on how average tenor has changed versus the last few quarters, and also has there been any change in the new versus renew mix in the current quarter versus the last few quarters?

Aparna Iyer: I will go first and then Srini you can add. See, we don't share that mix between new versus renewal. But you know that the large deals that we had announced were net new. So, that should give you some color. On your point on tenure of deal wins, we do see that the TCV bookings continue to be signed for longer tenor. Some of it is also a portfolio of what we win, but that continues to go up. It's something that we have noticed, Gaurav.

Srini Pallia: So, just to add to that. Hi, Gaurav. Deal tenures are definitely becoming shorter. Three-year to five-year deals are becoming more commonplace. The only deals where tenures exceed five years include optionalities and clients agree only when cost savings are front-loaded with potentially financial engineering involved.

Gaurav Rateria: Second question is on how are you thinking about implementing GenAI in your internal software development from a delivery point of view and could you share some color on initial results that you might have seen across different service lines?

Srini Pallia: Thanks, Gaurav. GenAI is very exciting and from my effective there are three ways where we are deploying GenAI. First, number one like I said, as Wipro as a client zero, we are actually implementing GenAI across various process areas within Wipro across all the units. In fact, we are helping, for example, in the HR segment, the whole employee experience, if you will. Second, the iAspire that I talked about, we launched, is about how do you build career for our employees. They define what career they want to take and what kind of training programs that we can apply to them in the context of GenAI. So, those are the things that we are already doing, and this is also helping our teams kind of build more capabilities and competencies in GenAI. It's also helping Wipro to be really a truly a GenAI ready company. Second, Gaurav, is that in fact if I have to really talk about some examples, one of the things that we have done is "We Now." It's actually a conversational digital assistant interacting with the various corporate systems. As of today, we had almost 7.4 million queries resolved in IT, HR and policy, and it has almost touched I think 230k users. What excites me is the fact that 80% favorability rating from our employees, that actually is significant. Another one which I am really excited about is "Eliza," which is an AI-powered sales assistant, which is supporting almost 3,000 sales force across the globe for us. So, there are multiple, what I would say, GenAI related solutions that we are implementing within Wipro. I tell people that you got to drink your collate first and I am very excited that employees are bringing in so much out there with GenAI. As far as the clients are concerned, Gaurav, there are three components to it. One is how do we deploy GenAI in the context of software development life cycle, right. We all heard of GitHub Copilot. So, how do you not only improve the productivity but also improve the quality? In that if you ask me both on the coding side and also on the testing side. And this to me, Gaurav, will continue to improve



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as we move forward and there is an excitement across our clients and our own employees deploying this thereby we can improve the productivity and quality. The second part is how do you infuse GenAI into managed services, both on the infrastructure side and also on the process side. I think that's one area that we are constantly looking at and how we can leverage GenAI again from productivity and also experience for our clients. The third piece, Gaurav, what we are trying to do, like I talked about the industry solutions, cross-industry solutions that we are building, right. I talked about telecom, I talked about the OEM, manufacturing, I talked about healthcare, I also talked about wealth management in the context of financial services. These are all AI-powered industry solutions which are consulting-led. So, combination of knowing the domain aspects of the client, understanding the technology landscape of the client, becomes very critical and more so data. So, we are also able to help the clients in the context of their entire data strategy, data governance and how do you leverage the enterprise data within a reliable and secure way and implement GenAI. And I feel very excited because of the deals that we have won and now we are out there to execute them and some of these can be replicated across, Gaurav.

Gaurav Rateria:

Last question for Aparna. What has been driving the depreciation and amortization down for the last two quarters? And you did talk about margin in a narrow band with an upward bias. So, what would be the levers going forward?

Aparna Iyer:

I think the depreciation, amortization expense doesn't really have anything that's very particular for me to call out. Perhaps a couple of quarters back we may have had some acceleration of amortization of a particular intangible, but other than that, I don't think there are any one-off to call out for Q1. Lever that plays like I said will continue to be the fixed price productivity, improvement in our pyramid. Saurabh has spoken about onboarding freshers. We did a good number in Q1, and as we build our muscle on that, that will bring down the cost of delivery. The optimization of overheads is something that we have done in the context of declining revenues. It's very critical for us to shed weight and remain lean and efficient and that's something that we are doing. There is also some synergies to be realized as acquired entities come into the larger Wipro fold administratively. So, these are all levers that can help us as we look at our margins in the future. Hope that answers.

Moderator:

Next question is from the line of Abhishek Kumar from JM Financial. Please go ahead.

Abhishek Kumar:

Srini, first question is on Capco. Some of your peers have also indicated green shoots in BFSI, especially around discretionary short cycle span. Have you seen in Capco expansion of the area where Capco has been winning deals from what you're doing maybe couple of quarters back?

Srini Pallia:

Hi, Abhishek. Thank you for the question. First and foremost, I did talk about Capco having sequential growth in the last couple of quarters and our growth has come in across Europe and Americas and we are also looking at Asia-Pacific. For us, Capco is like tip of the sphere which



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is consulting and strategy-led and then the rest of the Wipro engine actually implement that. So, we are seeing good traction around that, and we are seeing greater demand at larger institutional clients across the banks and financial services companies. So, to me what I would say, Abhishek, is this gives you a little bit of a color to how discretionary spending is coming back, at least in the banking and financial services, and it's also reflected in our BFSI growth, right, sequentially as well.

Abhishek Kumar: Energy and Utilities, this vertical has been unusually soft for us. While we have not seen that for any of our peers, so any more color on what is driving softness -- is it client-specific, are we losing out to peers in the consolidation scenario, any color here and how do we see this going forward?

Aparna Iyer: So, Abhishek, we lost you like for 10 seconds. Did you mean E&U?

Abhishek Kumar: Yes, energy and utilities.

Aparna Iyer: I will go and then maybe Srini if you want to add something. See, in E&U we have had some end of large programs and as a result we have seen some softness in that industry vertical. We got a good pipeline which we need to convert, and it has been perhaps something that has been softer for Wipro as compared to what the market has been. Srini has spoken about both industry-specific and cross-industry service offerings that we have. We particularly bolstered our presence in E&U. Capco is doing pretty well in that space and especially in America. So, we are seeing some bounce back there on that count. But we have some work to do. We have got a good set of service offerings that we need to win at the marketplace.

Srini Pallia: See, oil and gas is one of the areas where Capco actually has the consulting capabilities. That's number one. Second, we are also building GenAI-powered solutions. For example, we call it as "Blue Skies," which is actually autonomous monitoring to detect flare and smoke in degassing stations and we are getting good traction in some of the clients. Because we want to actually lead through specific business problem that our clients are facing. And in fact, this particular one, there was an 80% reduction in efforts response time to some of the two events. And so this is what our strategy will be going forward in the context of oil and gas. Like Aparna said, energy and utilities for us, because of some of the large projects coming down has been soft in Q1 and that's why you're seeing the sequential degrowth.

Moderator: Next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: The first question, Srini, Wipro being the first one to call out green shoots especially selectively in Capco financial services, healthcare, and directionally the growth is expected to improve versus 4th Quarter being a flattish growth versus this quarter, at least it should have shown the trend of upward trajectory versus actually a (-1%) kind of a growth. So, has it surprised you



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negatively or is it more Wipro-specific rather than external factors and which you believe can be rectified going forward?

Srini Pallia:

Sandeep, I will go first and of course, Srini will add. We guide based on a visibility that we have. There are puts and takes. There are parts of the businesses where we are seeing momentum. And like you rightly said, we remain authentic and true and we share with you proactively where we are seeing some of the discretionary spends come back and true to that I think Capco is one place where we have seen now three quarters it is bouncing back quite broad base. We have spoken about how Americas 1 has had a continued growth momentum; we spoke of healthcare doing well and this quarter we are seeing acceleration of momentum in consumer and telecom in Americas 1. If you look at Americas 2, we have said that BFS has done well in Americas 2 as a sector, and we are seeing a sequential growth there of 1.4% and the bookings have been strong. Those are things that we have shared with you very clearly. The places where we see softness is Europe and APMEA. And our guidance is actually a combination of both the pluses and minuses that we are seeing at the moment. Srini also said that we are entering Q2 with a little bit more confidence than what we did at the start of Q1, right. So, we will have to take all that into consideration, Sandeep.

Sandeep Shah:

Srini, just wanted to understand, is there any timeline which you believe by that time we could be in a full execution mode and the restructuring changes will start delivering the results which have been aspired to under your strategic direction?

Srini Pallia:

Sandeep, at this point in time, I am not calling out the timeline. Our focus is to execute our Q2 guidance. Having said that, Sandeep, we have called out five strategic priorities. I did talk about the progress we made in each of the strategic priorities. I think what we need to do is to bring in that execution trigger with speed. We need to delight our customers, focus on delivery excellence and all the operational metrics that Aparna talked about. We need to continue to focus on building large deals, growing our large clients, continue to build or invest into our building skills within Wipro. I talked about iAspire, which is very exciting for the employees as we speak and we will continue to invest in industry specific solutions which are powered by AI, consulting led and also cross industry solutions that are horizontal. I did talk about four wins in this segment. One was in Telecom, one was in Manufacturing, one was in Healthcare, other one more was in Wealth Management within banking and financial services. That gives me comfort on two areas. One, I think our initial strategy is picking up momentum with our clients. Second, these things can be replicated across as well Sandeep. And the skill sets we are building is someone with people who can execute this as well.

Sandeep Shah:

Fair enough. And last question, Aparna, this quarter there has been a significant shift towards the on-site which has increased by 250 bps versus that the -1% revenue growth. Is it fair to assume the volume growth or volume decline could be even higher than the headline revenue decline? And in that scenario, even the margin has actually been very good in terms of execution



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and employee cost has gone down despite the onsite effort, which could be because of the rationalization and the decline in the employee is happening. So, just wanted some clarity on this?

Aparna Iyer:

Thank you for the question, Sandeep. I want to bring to attention that we have integrated a few of our entities and as a result, which were more onsite specific as so I don't know if they are directly comparable between Q1 and last Q4 in terms of the onsite mix, but everything else that you have said is also true that our employee compensation cost continues to go down because of a focus and a concerted action around productivity and making sure you're able to deliver to a cost that we would like to given where our revenues are. So, there is a lot of focus around it and all levers are being flexed on that count. So, we are not becoming more onsite centric, it's a metric which may not be directly comparable but going forward now that it's in the base it will be. A couple of onsite centric subsidiaries have now got integrated. That's one of the reasons why you're seeing it. But costs are of course comparable and everything else that you set up is taste good.

Moderator:

Thank you. Next question is from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon:

Hi, thank you for the opportunity and congrats on good execution on the margin side. So, yes, I wanted to ask you about how you're thinking about improving growth momentum. Do you want to take an approach where you invest upfront and one of your peers where there's been a CEO change, they have taken an approach to completely disregard I think near term margins and try to focus on your growth first and then thinking that margins will come later. Do you agree with that or what do you think we need to do to accelerate Wipro's growth?

Aparna Iyer:

We have spoken about profitable growth as being our focus. Srini has spoken about it and that remains. You know, our margin has continued to expand because of the operational rigor. This is something that we have been doing over the last 6 quarters. And we continue to March on that. Of course, one of the reasons why we believe that we will hold margins in a narrow band with an upward bias is also because we want to make sure that we are having enough room for us to invest for growth and you can be assured. We won't hold back on our investments for growth, that remains the number one priority. I have also said that in Q1 we invested in our employees as well. We covered a few of our employees under the long-term incentive stock options. So, that's also coming. So, we continue to invest in our people, in our employees, in our associates and we will continue to invest for growth. Everything that Srini has spoken about, we will continue to invest in them.

Ravi Menon:

Great. Thank you very much, Aparna, and there is a question on the customer tiers, yes, we have seen that in the 75 million plus tier, there has been a drop of 3 customers quarter-on-quarter, year-on-year it is still up by 1. But just wanted to understand it and if I look at it, it's not even dropped down to 50 million plus tier by that. When that is down by two, so are we still seeing



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some pressure with even the largest clients in terms of spending? Are they still cutting back in projects?

Srini Pallia: So, Ravi, if we look at our client base, the top ten clients have grown, top 25 clients have grown and there are certain clients where you have seen a little bit of a shrink. It's also to do with the discretionary spends which have been a little bit slow in coming. Having said that, Ravi, the strategy for us is we want to invest in our top accounts. We also want to invest in the future top accounts and then I clearly called out the investment will be at an account level where you actually bring in the right solutions, right delivery and the consulting led aspects of it and that will be the journey for us few here and there. I am not too worried Ravi, but what's important is how our top clients are marching forward in terms of growth for us.

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

Nitin Padmanabhan: Good evening. Aparna and Srini, I think you had mentioned that the top 10 have grown around 1.3%, top 20 or 25 have grown around 1%. So, obviously looks like the drag has been from these smaller customers. Are we still cutting tail accounts or is this just a broad based kind of decline that they're seeing or any color that you could give us in terms of what you're seeing on that side of things and what do you think will be the drivers for improvement there?

Aparna Iyer: I think our strategy on tail accounts consolidation is newly towards the end and at least this quarter, I don't think that's the compelling reason for the decline. It was more specific to APMEA, more specific to sectors like India, Middle East where we had a long tail of clients and we felt it was important for us to make the clients fewer but go deeper, we are happy with the place where we are. We have executed on that. The decline that you're also seeing is also a reflection of the lower discretionary spends and the decline that the company has seen overall and therefore it reflects in a few client buckets like you have mentioned. We remain committed to growing our top 100 clients and you should take insurance on the growth that you're seeing from our top 25 like Srini said. There's nothing more that I need to add on that.

Nitin Padmanabhan: Perfect. And lastly on the BFSI side, so well we have been very early in calling this out and it's worked out pretty well. What exactly is the current drag that you're seeing? Any specific sub segments where you're seeing a little more pain because relative to the others, although we called it out earlier, the relative growth is slightly softer. So, is there any specific sub segments which is causing a little more pain for us?

Aparna Iyer: Yes. So, I think BFSI Americas is generally doing better compared to Europe. Asia Pacific has also done well. So, that's the color from a market standpoint, I think Europe is being slightly softer.



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Srini Pallia: So, Nitin, Srini here, just to add a little bit more color to what Aparna said. In the context of BFSI, I think we are seeing secular growth both in Europe and America that I talked about both in Quarter 1 and Quarter 2. And if since you asked the specific where we are seeing that with Capco being the tip of the spear in some of the aspects of the clients across the risk and compliance, across cost optimization and of course some of the business transformation the clients are doing it and Capco is actually leading the charge for us and Wipro is actually becoming more on the implementation side and that's also coming together, Nitin.

Nitin Padmanabhan: Sure, super. Just my final question, the way you see things today and the way things are sort of evolving. And you look at the environment in terms of elections, maybe in the second-half, are you seeing clients basically sort of talking of trying to close in some execution early on, considering there could be some level of uncertainty in the end or that's not a right characterization of what you are seeing?

Srini Pallia: I like the word Nitin uncertainty, right. The macro environment today is definitely not really as predictable. The political situation varies, but also there could be good news from the Fed in terms of the rates and also the inflation aspects of it. So, it's kind of a mixed bag Nitin as we speak, but where we are focused is and how do we execute a quarter two especially in the context of the range that we gave you and also the deals that we have in the pipeline, how do we convert them? I think that's the focus we are going to drive, Nitin.

Moderator: Thank you. Next question is from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

Kumar Rakesh: Thank you for taking my question. Srini, my first question was for the last 4 quarters, the magnitude of Q-o-Q revenue decline was coming down and then in this quarter we have seen the decline has increased. This was despite the strength in BFSI that the industry has seen and you have relatively similar or higher exposure in that vertical. That shakes the confidence in the recovery that we were hoping that at some stage should start kicking in. From your commentary that you have made about the large deal wins that you are winning, some of the larger ones are actually in ENU and the strong deal pipeline you have, some of your peers have also spoken about how the deal to revenue conversion now is improving. Do you think you have reached a stage there; you can at least say that sequentially from here on Wipro should start seeing improving revenue growth and if not, then what is holding you back?

Srini Pallia: Kumar, I will not comment how our growth will be beyond Quarter 2 the guidance that we have given. But having said that, Kumar, I want to call out a few things, right? We are still not seeing a significant change in the demand environment. There is caution from our clients and discretionary spend is low. However, like I called out, we are seeing an uptick in Capco. We are seeing an uptick in BFSI and also talked about consumer business in the US, but the sectors like ENU and Manufacturing specifically for us has been soft. And if you look at outside of Americas one and Americas two, while they are building the momentum, the other two market units, which



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are specifically Europe and APMEA, we have seen a sequential decline and in the context of large deals, some of the deals we are in the early stage. Some of them are net new, are in the early stage, we have signed, and I presume that it will take few quarters for us and Aparna did talk about some component being taken in quarter two and quarters ahead. I would say that would be my summary for your question, Kumar.

Kumar Rakesh:

Thanks for that. My second question was more of a clarification. So, last month, Airbus came out with a profit warning and since then we have seen a couple of Europe based ID services, some of the services companies issuing their own profit warning as well cutting their guidance. Does our manufacturing weakness has anything to do with that or do you think any of that has any implication for Wipro?

Aparna Iyer:

No, not really. All what you mentioned really is not impacting us in fact like Srini mentioned, we have a good pipeline, we won a good deal. For us, this is about our own conversion of the pipeline that we have, and I don't think the companies you mentioned or their profit warnings there have had anything to do with the softness that we have experienced.

Moderator:

Thank you. We have a next question from the line of Sudheer Guntupalli from Kotak Mahindra AMC. Please go ahead.

Sudheer Guntupalli:

Hi Srini, thanks for the opportunity and just perplexed with a set of comments from your side, which seems to be contradicting each other. On one side, we are saying that for the last three quarters, we are seeing an uptick in Capco, which is consulting/discretionary heavy and that is not necessarily translating into a very strong growth at the BFSI level or at the overall company level, which I think some of our competitors have reported almost 7.5% to 8% sort of sequential revenue growth in BFSI in this quarter. So, if you were to give us a cut on if Capco within BFSI is doing well, what is not doing well? I understand the geographical slicing and dicing you gave earlier, but any specific color on if you're facing any client specific issues or any corporate action related impacts so on and so forth. That would be helpful.

Aparna Iyer:

Sudheer, I think let me summarize all the comments that we made. For us, we were the first to call out the momentum coming back in Capco in Q3. Q3, Q4, Q1, I think we have three dots of Capco doing well both on bookings and a revenue standpoint. I think they have grown 3, were upwards of 3% sequentially. The momentum looks good for Q2 and within Capco, we have secular growth. Maybe there are some pockets of continental Europe that are weak, but other than that, they have a broad-based bounce back. BFSI outside of Capco, Americas two certainly is bouncing back. We have had some good wins with a few large regional banks, and we are accelerating momentum and things look to be in better shape there, right. On the Europe BFSI outside of Capco, we are seeing some softness which we have shared with you. It's a combination of a lot of things we have said along with the macroeconomic environment being weak and lower discretionary spend.



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- Sudheer Guntupalli:** Thanks, Aparna. And Srini, if you can, is that in any way related to the corporate action that's going on between a couple of large European banks by any chance?
- Aparna Iyer:** No, I don't want to call out anything specific. It's a combination of multiple factors. It's not really just one client or so.
- Sudheer Guntupalli:** Sure. And the other question is, it looks like we are now completely integrating Capco and Rizing on our books if I were to understand one of the prior responses that we had given. Is that correct understanding?
- Aparna Iyer:** No, they always integrated, they're fully consolidated. That's not what I meant. I meant in terms of just the bringing together the larger, perhaps the functions and the facilities and the optimization that you have by bringing perhaps to organizations closer and that's what I meant, including maybe integration of the systems and the IT systems and the people, cross pollination of talent, things like that. But they are fully integrated, fully consolidated, yes.
- Sudheer Guntupalli:** Yes. No, I was asking because earlier one of the concerns a few quarters back was that if they are deeply integrated, then probably the go to market positioning of then Capco and Rizing will have to see a bit of a reset. So, I am just thinking as to whether that concerns were completely addressed now?
- Srini Pallia:** So, one of the things that we see is both the teams are actually leveraging the complementary capabilities, especially in the context of transformation deals. So, I think the collaboration between both Capco and Wipro's business has yielded strong origination and also significant number of synergy deals. This is also evident where we are jointly entering some of the new financial services market, especially in the APMEA region specific to Middle East and India domestic and the advantage we have here is like I said, Capco is the tip of the spear, right and the areas that I called out whether risk and compliance, whether it's to do cost optimization or the transformation of the bank or the customer experience, right. I think it's a very good partnership between Capco and Wipro. I forgot to mention Rizing. As far as Rizing is concerned, if you look at the Rizing, they are very strong and dominant on certain industry segments, for example, fashion, retail, right. So, the way we are doing it here is that or SAP HANA. So, whenever there's a large transformation program, the clients are looking us as sort of bringing the consulting capabilities of Rizing along with the delivery and execution capabilities of Wipro together, and that's where we are able to win some of the transformation deals specifically in SAP and we are seeing a good traction there.
- Moderator:** Thank you. We have our next question from the line of Manik Taneja from Axis Capital. Please go ahead.
- Manik Taneja:** While some of my questions have already been answered, I just wanted to quiz you on the segmental margin performance, especially with regards to Europe and APMEA margins, while



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you have spoken about some of the revenue challenges in that geography, if you could help us understand what's driven the margin decline in those geographies, that's question number one. And the second question was with regards to the financial services performance in Europe with some of the leadership changes in Capco and even at the company wide level, is that also creating some drag for the financial services business in Europe for you?

Aparna Iyer:

So, I will take your second question first. I want to like ally of yours fully. The Capco leadership is fully stable and it's doing really well. Srinu alluded to it where he said the collaboration is deeper, better and the secular growth is back, so I don't think there is absolutely anything to do with that. The softness in Europe is actually outside of Capco and actually even though we were doing well on synergy deals, there are some softness that is coming both due to the macroeconomic environment, the lower discretionary expense and a few client specific issues as well, right. So, it's a combination and I will leave it at that. The first question on segment margin, yes there is a decline in both Europe and APMEA, actually, APMEA has improved year-on-year, but Europe has actually declined year-on-year and what you will see in the segment is that our unallocated costs have come down substantially between Q4 and Q1. We have changed the methodology in which we absorb some of these group costs. And therefore, their costs have been spread to the market unit. So, therefore you're seeing a decline to be a little bit more exhaustible, deeper than it should be. But Europe, the weakness in margins is again linked back to our revenue performance and nothing more to add on that. APMEA actually is doing better year-on-year and perhaps someone in the IR can give you more details.

Moderator:

We will take our last question from the line of Girish Pai from BOB Capital Markets. Please go ahead.

Girish Pai:

Aparna, the commentary on margins, it's moved from a narrow band to a narrow band with an upward bias. I am seeing that being introduced for the first time. So, what's leading to that?

Aparna Iyer:

I think we have been able to execute on a bit-by-bit improvement over the last six quarters. The tailwind of the operational rigor gives us confidence as we get into Q2. You must note that the guidance that we have given for quarter two is also perhaps amongst the better guidance range that we have given in the last six quarters. So, all of that adds to the confidence as we look at quarter two and beyond.

Girish Pai:

An upward bias could be in a 50 to 100 basis point upward bias?

Aparna Iyer:

I think it's very that's why you should read it along with narrow band and with an upward band.

Girish Pai:

Last year you pushed the wage hike, I think by about 3 months. Would we see the same cycle this year and the quantum, would it be pretty similar?



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- Srini Pallia:** Salary hikes last year we done it in December. We have not decided when to give the salary hikes. We will decide in this quarter but will be in line with the market whenever we decide.
- Girish Pai:** My last question is to do with competitive intensity and one of your larger peers is discussing that it was giving out fairly large productivity gains back to customers in areas like BPO and testing and stuff like that because of generative AI. Is that what you're seeing in the market, heightened competitive intensity because of GenAI?
- Srini Pallia:** So, Girish, like I said, clearly we have a strategy for GenAI, and I talked about the three places where we are doing it. So, whenever we put a solution to the client, all the deals that we have, we leverage GenAI. So, what goes to the client is GenAI powered solutions if you will and we are also infusing, like I said, GenAI into some of the engagements that we have with our clients. So, that would be the combination of the two. So, GenAI does help us in terms of productivity. So, to me, this kind of trend is not new. There will be always in the context of bidding and risky deals. There will be some companies who will try to pick up deals at an extremely low margin or extremely high risk. But those trends do not last for long as such, approach is clearly not sustainable in the longer-term mark, Girish. However, we are not worried about this trend and neither does it require any changes to our strategy.
- 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 the Investor Relations team. Have a nice evening. Thank you so much.
- Moderator:** Thank you members of the management team. On behalf of Wipro, that concludes this conference. Thank you for joining us and you may now disconnect your lines.