WIPRO LTD
Form 20-F
June 13, 2005

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

o **Registration statement pursuant to section 12(b) or (g) of the Securities Exchange Act of 1934**

þ **Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended March 31, 2005

o **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ____________________ to ____________________

Commission File Number 001-16139

WIPRO LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant s name into English)

Karnataka, India

(Jurisdiction of incorporation or organization)

Doddakannelli
Sarjapur Road
Bangalore, Karnataka 560035, India
+91-80-2844-0011

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	Not applicable

Securities registered pursuant to Section 12(g) of the Act:

American Depositary Shares,
each represented by one Equity Share, par value Rs. 2 per share.

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Not Applicable

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report: **703,570,522 Equity Shares.**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 þ

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Currency of Presentation and Certain Defined Terms

In this Annual Report on Form 20-F, references to U.S. , or United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. References to U.K. are to United Kingdom. Reference to $ or US$ or dollars or U.S. dollars are to the legal currency of the United States, references £ or Pound Sterling are to the legal currency of United Kingdom and references to Rs. or Rupees or Indian rupees to the legal currency of India. All amounts are in Rs. or in U.S. dollars unless stated otherwise. Our financial statements are presented in Indian rupees and translated into U.S. dollars and are prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). References to Indian GAAP are to Indian Generally Accepted Accounting Principles. References to a particular fiscal year are to our fiscal year ended March 31 of such year.

All references to we , us , our , Wipro or the Company , shall mean Wipro Limited and, unless specifically indicate otherwise or the context indicates otherwise, our consolidated subsidiaries. Wipro is a registered trademark of Wipro Limited in the United States and India. All other trademarks or trade names used in this Annual Report on Form 20-F are the property of the respective owners.

Except as otherwise stated in this Annual Report, all translations from Indian rupees to U.S. dollars are based on the noon buying rate in the City of New York on March 31, 2005, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 43.62 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. Information contained in our website, www.wipro.com, is not part of this Annual Report.

Forward-Looking Statements May Prove Inaccurate

IN ADDITION TO HISTORICAL INFORMATION, THIS ANNUAL REPORT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THE SECTIONS ENTITLED RISK FACTORS AND OPERATING AND FINANCIAL REVIEW AND PROSPECTS AND ELSEWHERE IN THIS REPORT. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH REFLECT MANAGEMENT S ANALYSIS ONLY AS OF THE DATE HEREOF. IN ADDITION, READERS SHOULD CAREFULLY REVIEW THE OTHER INFORMATION IN THIS ANNUAL REPORT AND IN THE COMPANY S PERIODIC REPORTS AND OTHER DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC) FROM TIME TO TIME.

This Annual Report includes statistical data about the IT industry that comes from information published by sources including International Data Corporation (IDC), Gartner, Inc. (Gartner), National Association of Software and Service Companies (NASSCOM), and Dataquest India (Dataquest). This type of data represents only the estimates of IDC, Gartner, NASSCOM, Dataquest and other sources of industry data. In addition, although we believe that data from these companies is generally reliable, this type of data is inherently imprecise. We caution you not to place undue reliance on this data.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

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Item 3. Key Information

Summary of Selected Consolidated Financial Data

The selected consolidated financial data should be read in conjunction with the consolidated financial statements, the related notes and operating and financial review and prospects which are included elsewhere in this Annual Report. The selected consolidated statements of income data for the five years ended March 31, 2005 and selected consolidated balance sheet data as of March 31, 2001, 2002, 2003, 2004 and 2005 have been derived from our audited consolidated financial statements and related notes, which have been prepared and presented in accordance with U.S. GAAP.

(In millions, except per equity share data)

	Year ended March 31,					
	2001	**2002**	**2003**	**2004**	**2005**	**2005** Convenience translation into US$ (Unaudited)
Consolidated statements of Income data:						
Revenues:						
Global IT Services and Products						
Services	Rs. 17,816	Rs. 21,457	Rs. 30,118	Rs. 43,343	Rs. 60,550	$ 1,388
Products		955	149	122	164	4
India and AsiaPac IT Services and Products						
Services	1,873	1,914	2,240	3,109	4,709	108
Products	6,771	5,037	5,801	6,305	8,694	199
Consumer Care and Lighting	3,144	2,939	2,942	3,567	4,555	104
Others	1,039	1,171	1,599	1,987	2,681	61
Total	30,643	33,473	42,849	58,433	81,353	1,865
Cost of revenues:						
Global IT Services and Products						
Services	9,205	11,419	17,635	27,853	38,372	880
Products		891	103	78	149	3
India and AsiaPac IT Services and Products						
Services	1,192	1,160	1,187	1,661	2,679	61
Products	5,459	4,268	5,100	5,643	7,815	179
Consumer Care and Lighting	2,195	1,999	2,008	2,355	2,926	67
Others	866	924	1,143	1,410	1,914	44

Total	18,917	20,661	27,176	39,000	53,855	1,235
Gross Profit	11,726	12,812	15,673	19,433	27,498	630
Operating expenses:						
Selling and marketing expenses	(2,670)	(2,601)	(2,916)	(5,278)	(5,466)	(125)
General and administrative expenses	(1,926)	(1,758)	(3,277)	(3,172)	(3,744)	(86)
Amortization of intangible assets			(166)	(308)	(140)	(3)
Other operating income/ (expenses)	424	(11)	172	226	(291)	(7)
Operating income	7,554	8,442	9,486	10,901	17,857	409
Gain/ (loss) on sale of stock by affiliates, including direct issue of stock by affiliate				(206)	(207)	(5)
Other income/ (expense), (net)	87	838	718	868	800	18
Equity in earnings of affiliates	(53)	147	(355)	96	158	4
Income before taxes and minority interest	7,588	9,427	9,849	11,659	18,608	427
Income taxes	(1,150)	(1,016)	(1,342)	(1,611)	(2,694)	(62)
Minority interest (4)			(30)	(56)	(81)	(2)
Income from continuing operations	Rs. 6,438	Rs. 8,411	Rs. 8,477	Rs. 9,992	Rs. 15,833	$ 363
Earnings per share from continuing operations:						
Basic	9.36	12.13	12.22	14.40	22.76	0.52
Diluted	9.28	12.11	12.20	14.39	22.58	0.52
Cash dividend per equity share	0.10	0.17	0.33	0.33	9.67	0.22
Additional data:						
Revenue by Segment						
Global IT Services and Products (1)	Rs. 17,942	Rs. 22,668	Rs. 30,593	Rs. 43,775	Rs. 60,689	$ 1,391

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	Year ended March 31,					
	2001	2002	2003	2004	2005	2005 Convenience translation into US$ (Unaudited)
India and AsiaPac IT Services and Products	8,598	6,950	8,046	9,445	13,395	307
Consumer Care and Lighting	3,144	2,939	2,942	3,567	4,555	104
Others	959	916	1,268	1,646	2,714	62
Total	Rs. 30,643	Rs. 33,473	Rs. 42,849	Rs. 58,433	Rs. 81,353	$ 1,865
Operating Income by Segment (2)						
Global IT Services and Products (3)	Rs. 6,038	Rs. 7,609	Rs. 8,281	Rs. 9,300	Rs. 15,825	$ 363
India and AsiaPac IT Services and Products	825	578	539	761	970	22
Consumer Care and Lighting	450	404	422	546	671	15
Others	48	41	256	308	466	11
Reconciling items	193	(190)	(12)	(14)	(75)	(2)
Total	Rs. 7,554	Rs. 8,442	Rs. 9,486	Rs. 10,901	Rs. 17,857	$ 409

Transitional disclosures pertaining to adoption of SFAS No. 142, Goodwill and Other Intangible Assets.

Income from continuing operations, as reported	Rs. 6,438	Rs. 8,411
Add: Amortization of goodwill	45	175
Income from continuing operations, adjusted	6,483	8,586
Earnings per share: Basic		
Continuing operations, as reported	9.36	12.13
Add: Amortization of goodwill	0.07	0.25
Continuing operations, adjusted	9.43	12.38
Earnings per share: Diluted		
Continuing operations, as reported	9.28	12.11
Add: Amortization of goodwill	0.07	0.25
Continuing operations, adjusted	9.35	12.36

Consolidated Balance Sheet Data:						
Cash and Cash equivalents	Rs. 5,623	Rs. 3,251	Rs. 6,283	Rs. 3,297	Rs. 5,671	$ 130
Investments in liquid and short-term mutual funds		4,126	7,813	18,479	22,958	526
Working Capital	11,216	18,495	21,473	30,649	36,449	836
Total assets	26,187	33,639	42,781	57,738	72,075	1,652
Total debt	1,768	291	537	969	564	13
Total stockholders equity	19,081	27,457	35,431	46,364	56,729	1,301

Notes:

1. In the operating income by segment, amortization of goodwill is included in reconciling items.

2. Operating income of Global IT Services and Products, India and AsiaPac IT Services and Products, Consumer Care and Lighting, Others and Reconciling Items is after Rs. 310 million, Rs. 19 million, Rs. 6 million, Rs. 5 million and Rs. 14 million respectively, of amortization of deferred stock compensation cost arising from the grant of options.

3. Minority interest represents the share of minority in the profits of Wipro BPO and Wipro Healthcare IT. The minority interest in Wipro Healthcare IT was acquired in the year ended March 31, 2003.

4. We have reclassified certain costs for the years ended March 31, 2001 and 2002 between cost of revenues and operating expenses to conform to the current presentation. These reclassifications reduced the previously reported gross profits by Rs. 190 million and Rs. 224 million, respectively, but did not have any impact on the reported net income.

5. Until March 31, 2004, we reported an aggregate amount of selling, general and administrative expenses. We now report selling and marketing expenses and general and administrative expenses separately. Amounts reported in prior periods have been reclassified to conform to the current presentation.

6. Losses from discontinued operations, net of tax for the years ended March 2001, 2002 and 2003, were Rs. 1 million, Rs. 127 million and Rs. 377 million respectively.

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Exchange Rates

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of our equity shares on the Indian stock exchanges and, as a result, will likely affect the market price of our American Depositary Shares, or ADSs, listed on the New York Stock Exchange, and vice versa. Such fluctuations will also affect the U.S. dollar conversion by our depository for the ADSs, Morgan Guaranty Trust Company of New York, or Depositary, of any cash dividends paid in Indian rupees on our equity shares represented by the ADSs.

The following table sets forth, for the fiscal years indicated, information concerning the number of Indian rupees for which one U.S. dollar could be exchanged based on the average of the noon buying rate in the City of New York on the last business day of each month during the period for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. The column titled Average in the table below is the average of the daily noon buying rate on the last business day of each month during the year.

Fiscal Year Ended March 31,	Period End	Average	High	Low
2005	Rs. 43.62	Rs. 44.87	Rs. 46.45	Rs. 43.27
2004	43.40	45.78	47.46	43.40
2003	47.53	48.36	49.07	47.53
2002	48.83	47.81	48.91	46.58
2001	46.85	45.88	47.47	43.63

On June 9, 2005, the noon buying rate in the city of New York was Rs. 43.46.

The following table sets forth the high and low exchange rates for the previous six months and are based on the noon buying rate in the City of New York on each business day during the period for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York:

Month	High	Low
May 2005	Rs. 43.62	Rs. 43.21
April 2005	43.72	43.48
March 2005	43.70	43.44
February 2005	43.73	43.28
January 2005	43.82	43.35
December 2004	44.52	43.27

Capitalization and Indebtedness

Not applicable.

Reasons for the Offer and Use of Proceeds

Not applicable.

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RISK FACTORS

This Annual Report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the following risk factors and elsewhere in this Annual Report.

Risks Related to our Company and our Industry

Our revenues and expenses are difficult to predict because they can fluctuate significantly given the nature of the markets in which we operate. This increases the likelihood that our results could fall below the expectation of market analysts, which could cause the price of our equity shares and ADSs to decline.

Our revenue historically has fluctuated and may fluctuate in the future depending on a number of factors, including:

- the size, complexity, timing and profitability of significant projects or product orders;
- changes in our pricing policies or those of our competitors;
- the proportion of services we perform at our clients sites rather than at our offshore facilities;
- seasonal changes that affect the mix of services we provide to our clients or the relative proportion of services and product revenue;
- seasonal changes that affect purchasing patterns among our consumers of desktops, notebooks, servers, communication devices, consumer care and other products;
- unanticipated cancellations, contract terminations or deferral of projects, including those resulting from our clients or those occurring as a result of our clients reorganizing their operations;
- the duration of tax holidays or exemptions and the availability of other Government of India incentives;
- the effect of seasonal hiring patterns and the time we require to train and productively utilize our new employees; and
- currency exchange fluctuations.

Approximately 54% of our total operating expenses in the services component of our Global IT Services and Products business segment, particularly personnel and facilities, are fixed in advance of any particular quarter. As a result, unanticipated variations in the number and timing of our projects or employee utilization rates may cause significant variations in operating results in any particular quarter. We believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. Thus, it is possible that in the future some of our quarterly results of operations may be below the expectations of public market analysts and investors, and the market price of our equity shares and ADSs could decline.

Our net income increased 58% in the year ended March 31, 2005, as compared to the year ended March 31, 2004. We continue to face increasing competition, pricing pressures for our products and services and wage pressures for our work force in India primarily due to large U.S. multinational corporations establishing offshore operations in India. We are also investing in developing capabilities in new technology areas and deepening our domain expertise.

While we believe that our global delivery model allows us to manage costs efficiently, as the proportion of our services delivered at client sites increases, we may not be able to keep our operating costs as low in the future. In our Business Process Outsourcing, or BPO, business, we are diversifying our service offerings to include process transformation services. High attrition levels and higher proportion of revenues from customer interaction services could adversely impact our operating margins. As a result, there can be no assurance that we will be able to sustain our historic levels of profitability.

If we do not continue to improve our administrative, operational and financial personnel and systems to manage our growth, the value of our shareholders investment may be harmed.

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We have experienced significant growth in all our businesses. We expect our growth to place significant demands on our management and other resources. This will require us to continue to develop and improve our operational, financial and other internal controls, both in India and elsewhere. In particular, our continued growth will increase the challenges involved in:

- recruiting and retaining sufficiently skilled technical, marketing and management personnel;
- adhering to our high quality standards;
- maintaining high levels of client satisfaction;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems; and
- preserving our culture, values and entrepreneurial environment.

If we are unable to manage our growth effectively, the quality of our services and products may decline, and our ability to attract clients and skilled personnel may be negatively affected. These factors in turn could negatively affect the growth of our Global IT Services and Products business and harm the value of our shareholders investment.

Intense competition in the market for IT services could adversely affect our cost advantages, and, as a result, decrease our revenue.

The market for IT services is highly competitive. Our competitors include software companies, IT companies, systems consulting and integration firms, other technology companies and client in-house information services departments. We may also face competition from IT companies operating from China and the Philippines. Many of our competitors command significantly greater financial, technical and marketing resources and generate greater revenue than we do. We cannot be reasonably certain that we will be able to compete successfully against such competitors or that we will not lose our key employees or clients to such competitors. Additionally, we believe that our ability to compete also depends in part on factors outside our control, such as the availability of skilled resources, the price at which our competitors offer comparable services, and the extent of our competitors responsiveness to their clients needs.

Appreciation of Indian Rupee against major currencies of the world could negatively impact our revenue and operating results.

Approximately 78% of our revenues are earned in major currencies of the world while a significant portion of our costs is in Indian rupees. The exchange rate between the rupee and major currencies of the world has fluctuated significantly in recent years and may continue to fluctuate in the future. Appreciation of the rupee against the major currencies of the world can adversely affect our revenues and competitive positioning, and can adversely impact our gross margins. We enter into forward exchange contracts to minimize the impact of currency fluctuations on our revenues. However, volatility in exchange rate movement and/or sustained rupee appreciation will negatively impact our revenue and operating results.

Our hedging strategy could negatively impact our competitive positioning.

We have entered into forward contracts to hedge a significant portion of our forecasted foreign currency inflows until March 2006. Although the forward contracts minimize the impact of volatility in foreign exchange rates on our income statement, this could result in our realizations of foreign currency denominated revenues or foreign currency denominated expenses to be at a rate different from prevailing market rates and different from the rates realized or incurred by our competitors. This could adversely affect our competitive positioning in the market.

An economic slowdown, terrorist attacks in the United States, and other acts of violence or war could delay or reduce the number of new purchase orders we receive and disrupt our operations in the United States, thereby negatively affecting our financial results and prospects.

Approximately 68% of our Global IT Services and Products revenue is from the United States. During an economic slowdown our clients may delay or reduce their IT spending significantly, which may in turn lower the demand for our services and affect our financial results. Further, terrorist attacks in the United States could cause clients in the U.S. to delay their decisions on IT spending, which could affect our financial results. Any significant decrease in

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the IT industry, or significant consolidation in that industry or decrease in growth or consolidation in other industry segments on which we focus, may reduce the demand for our services and negatively affect our revenues and profitability. Although we continue to believe that we have a strong competitive position in the United States, we have increased our efforts to geographically diversify our clients and revenue.

We may face difficulties in providing end-to-end business solutions for our clients that could cause clients to discontinue their work with us, which in turn could harm our business.

We have been expanding the nature and scope of our engagements and have added new service offerings, such as IT consulting, business process management, systems integration and outsourcing of entire portions of IT infrastructure. The success of these service offerings is dependent, in part, upon continued demand for such services by our existing and new clients and our ability to meet this demand in a cost-competitive and effective manner. In addition, our ability to effectively offer a wider breadth of end-to-end business solutions depends on our ability to attract existing or new clients to these service offerings. To obtain engagements for such end-to-end solutions, we also are more likely to compete with large, well-established international consulting firms, resulting in increased competition and marketing costs. Accordingly, we cannot be certain that our new service offerings will effectively meet client needs or that we will be able to attract existing and new clients to these service offerings.

The increased breadth of our service offerings may result in larger and more complex projects with our clients. This will require us to establish closer relationships with our clients and a thorough understanding of their operations. Our ability to establish such relationships will depend on a number of factors, including the proficiency of our IT professionals and our management personnel. Our failure to understand our client requirements or our failure to deliver services which meet the requirements specified by our clients could result in termination of client contracts, and we could be liable to our clients for significant penalties or damages.

Larger projects may involve multiple engagements or stages, and there is a risk that a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. These terminations, cancellations or delays may result from the business or financial condition of our clients or the economy generally, as opposed to factors related to the quality of our services. Such cancellations or delays make it difficult to plan for project resource requirements, and inaccuracies in such resource planning may have a negative impact on our profitability.

Our success depends in large part upon our management team and other highly skilled professionals. If we fail to retain and attract these personnel, our business may be unable to grow and our revenue could decline, which may decrease the value of our shareholders investment.

We are highly dependent on the senior members of our management team, including the continued efforts of our Chairman and Managing Director. Our ability to execute project engagements and to obtain new clients depends in large part on our ability to attract, train, motivate and retain highly skilled professionals, especially project managers, software engineers and other senior technical personnel. If we cannot hire and retain additional qualified personnel, our ability to bid on and obtain new projects and to continue to expand