

WIPRO LTD  
Form 20-F  
May 30, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 20-F**

(Mark One)

- Registration statement pursuant to section 12(b) or (g) of the Securities Exchange Act of 1934**
- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended March 31, 2007**
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

- Shell Company Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
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

None

Name of Each Exchange on Which Registered

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: 1,458,999,650 **Equity Shares.**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act, 1934

Yes  No

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  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (As defined in Rule 12b-2 of the Securities Exchange Act of 1934)

Yes  No

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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 to £ 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. unless otherwise stated. Our financial statements are presented in Indian rupees and translated into U.S. dollars solely for the convenience of the readers 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 indicated otherwise or the context indicates otherwise, our consolidated subsidiaries. Wipro is a registered trademark of Wipro 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 30, 2007, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which was Rs. 43.10 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 (THE SECURITIES ACT ), AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE EXCHANGE ACT ). 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 MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION 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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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, 2007 and selected consolidated balance sheet data as of March 31, 2003, 2004, 2005, 2006 and 2007 in Indian rupees have been derived from our audited consolidated financial statements and related notes except for cash dividend per equity share, which have been prepared and presented in accordance with U.S. GAAP.

(In millions, except per equity share data)

	2003	2004	Year ended March 31,		2007	2007
			2005	2006		Convenience translation into US\$
Consolidated statements of income data:						
Revenues:						
Global IT Services and Products						
IT Services and Products	Rs. 28,623	Rs. 39,102	Rs. 54,280	Rs. 73,061	Rs. 101,509	\$ 2,355
BPO Services	1,644	4,363	6,433	7,664	9,413	219
India and AsiaPac IT Services and Products						
Services	2,240	3,109	4,709	6,097	8,369	194
Products	5,801	6,305	8,694	10,380	15,519	360
Consumer Care and Lighting	2,942	3,567	4,555	5,625	7,558	175
Others	1,599	1,987	2,681	3,279	7,063	164
Total	42,849	58,433	81,353	106,107	149,431	3,467
Cost of revenues:						
Global IT Services and Products						
IT Services and Products	16,763	25,047	33,780	46,986	66,818	1,550
BPO Services	975	2,884	4,740	5,810	6,173	143
India and AsiaPac IT Services and Products						
Services	1,187	1,661	2,679	3,549	4,612	107
Products	5,100	5,643	7,815	9,286	13,943	324
Consumer Care and Lighting	2,008	2,355	2,926	3,556	4,905	114
Others	1,143	1,410	1,914	2,460	5,749	133
Total	27,176	39,000	53,855	71,647	102,200	2,371

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Gross profit	15,673	19,433	27,498	34,460	47,231	1,096
Operating expenses:						
Selling and marketing expenses	(2,916)	(5,278)	(5,466)	(6,764)	(9,173)	(213)
General and administrative expenses	(3,277)	(3,172)	(3,744)	(5,239)	(7,639)	(177)
Amortization of intangible assets	(166)	(308)	(140)	(64)	(269)	(6)
Other operating income/ (expenses)	172	226	(291)	(421)	(282)	(7)
Operating income	9,486	10,901	17,857	21,972	29,868	693
Gain/ (loss) on sale of stock by affiliates, including direct issue of stock by affiliate		(206)	(207)			
Other income/ (expense), (net)	718	868	800	1276	2,667	62
Equity in earnings of affiliates	(355)	96	158	288	318	7
Income before taxes, minority interest and cumulative effect of changes in accounting policy	9,849	11,659	18,608	23,536	32,853	762
Income taxes	(1,342)	(1,611)	(2,694)	(3,265)	(3,723)	(86)
Minority interest (1)	(30)	(56)	(81)	(1)		
Income before cumulative effect of change in accounting principle	8,477	9,992	15,833	20,270	29,130	676
Cumulative effect of change in accounting principle					39	1
Income from discontinued operations	(378)					
Net income	Rs. 8,099	Rs. 9,992	Rs. 15,833	Rs. 20,270	Rs. 29,169	\$ 677

Earnings per share from continuing operations:



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	2003	2004	Year ended March 31,		2007	2007
			2005	2006		Convenience translation into US\$
<b>Basic</b>						
Income before cumulative effect of change in accounting principle	6.11	7.20	11.38	14.41	20.42	0.47
Cumulative effect of change in accounting principle					0.03	0.00
Net income	6.11	7.20	11.38	14.41	20.45	0.47
<b>Diluted</b>						
Income before cumulative effect of change in accounting principle	6.10	7.20	11.29	14.24	20.17	0.47
Cumulative effect of change in accounting principle					0.03	0.00
Net income	6.10	7.20	11.29	14.24	20.20	0.47
Cash dividend per equity share	0.17	0.17	4.84	2.50	10	0.23
<b>Additional data:</b>						
<b>Revenue by segment</b>						
<b>IT Services and Products</b>						
	Rs. 28,949	Rs. 39,412	Rs. 54,256	Rs. 72,888	Rs. 101,353	\$ 2,351
BPO Services	1,644	4,363	6,433	7,626	9,389	218
<b>Global IT Services and Products</b>						
	Rs. 30,593	Rs. 43,775	Rs. 60,689	Rs. 80,514	Rs. 110,742	\$ 2,569
India and AsiaPac IT Services and Products	8,046	9,445	13,395	16,475	23,863	554
Consumer Care and Lighting	2,942	3,567	4,555	5,625	7,563	175
Others	1,268	1,646	2,714	3,493	7,263	169
<b>Total</b>	<b>Rs. 42,849</b>	<b>Rs. 58,433</b>	<b>Rs. 81,353</b>	<b>Rs. 106,107</b>	<b>Rs. 149,431</b>	<b>\$ 3,467</b>
<b>Operating income by segment</b>						
<b>IT Services and Products</b>						
	Rs. 8,034	Rs. 8,505	Rs. 14,817	Rs. 18,398	Rs. 24,399	\$ 566
BPO Services	247	795	1,008	1,011	2,129	50

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Global IT Services and Products	Rs. 8,281	Rs. 9,300	Rs. 15,825	Rs. 19,409	Rs. 26,528	\$	616
India and AsiaPac IT Services and Products	539	761	970	1,405	2,039		47
Consumer Care and Lighting	422	546	671	798	1,069		25
Others	256	308	466	487	433		10
Reconciling items	(12)	(14)	(75)	(127)	(201)		(5)
Total	Rs. 9,486	Rs. 10,901	Rs. 17,857	Rs. 21,972	Rs. 29,868	\$	693

**Consolidated Balance Sheet Data:**

Cash and cash equivalents	Rs. 6,283	Rs. 3,297	Rs. 5,671	Rs. 8,858	Rs. 12,412	\$	288
Restricted cash					7,238		168
Investments in liquid and short-term mutual funds	7,813	18,479	22,958	30,315	32,410		752
Working capital (2)	21,473	30,649	36,449	50,691	58,575		1,359
Total assets	42,781	57,738	72,075	102,827	146,102		3,390
Total debt	537	969	564	705	3,781		88
Total stockholders equity	35,431	46,364	56,729	78,764	101,468		2,354

**Notes:**

1. Minority interest represents the share of minority in the profits of Wipro BPO Solutions Limited (formerly Wipro Spectramind Services Limited) and Wipro Healthcare IT Limited. The minority interest in Wipro Healthcare IT Limited was acquired in the year ended March 31, 2003. The minority

interest in  
Wipro BPO was  
acquired in the  
year ended  
March 31, 2006.

2. Working capital  
equals current  
assets less  
current  
liabilities.

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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 Depository, 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.

<b>Fiscal Year Ended March 31,</b>	<b>Period End</b>	<b>Average</b>	<b>High</b>	<b>Low</b>
2007	Rs.43.10	Rs.45.06	Rs.46.83	Rs.42.78
2006	44.48	44.21	46.26	43.05
2005	43.62	44.87	46.45	43.27
2004	43.40	45.78	47.46	43.40
2003	47.53	48.36	49.07	47.53

On May 29, 2007, the noon buying in the City of New York as certified for customs purposes by the Federal Reserve Bank of New York was Rs. 40.19.

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:

<b>Month</b>	<b>High</b>	<b>Low</b>
April 2007	43.05	40.56
March 2007	44.43	42.78
February 2007	44.21	43.87
January 2007	44.49	44.07
December 2006	44.70	44.11
November 2006	45.26	44.46

**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. The following risk factors should be considered carefully in evaluating us and our business.

**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, pricing terms 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 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;

unanticipated variations in the duration, size and scope of our projects, as well as changes in the corporate decision-making process of our clients;

currency exchange fluctuations; and

other economic and political factors.

Approximately 53% of our total operating expenses in our IT Services and Products business, 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. Therefore, 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 periodic 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 44% in the year ended March 31, 2007, as compared to the year ended March 31, 2006. 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.

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**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.**

We have experienced significant growth in all our businesses. We expect our growth to continue 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 revenues.**

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.

**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 compensation 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.



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**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 our business will be impaired and our revenue could decline. We believe that there is significant competition for professionals with the skills necessary to perform the services we offer. We may not be able to hire and retain enough skilled and experienced employees to replace those who leave. Additionally, we may not be able to re-deploy and retain our employees to keep pace with continuing changes in technology, evolving standards and changing client preferences. We are experiencing high employee attrition rates, in line with industry, in our BPO services business. Continued employee attrition rates in this business may adversely affect our revenues and profitability.

The Central Government in India is considering introducing legislation mandating employers to give preferential hiring treatment to under-represented groups. State Governments in India may also introduce such legislation. The quality of our work force is critical to our business. The legislation may affect our ability to hire the most qualified and competent technology and other professionals.

Changes in government policies also affect our ability to hire, attract and retain personnel. For instance, the Finance Bill, 2007 seeks to impose a fringe benefit tax (FBT) on companies in respect of specified securities or equity shares allotted or transferred, directly or indirectly, by the company free of cost or at a concessional rate to its employees. The FBT could act as deterrent on our ability to use stock option grants to attract, hire and retain qualified personnel.

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

Approximately 73% of our revenues are earned in major currencies of the world while a significant portion of our costs are 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.

**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 66% 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 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.

**Our Global IT Services and Products service revenue depends to a large extent on a small number of clients, and our revenue could decline if we lose a major client.**

We currently derive, and believe we will continue to derive, a significant portion of our Global IT Services and Products service revenue from a limited number of corporate clients. The loss of a major client or a significant reduction in the service performed for a major client could result in a reduction of our revenue. Our largest client for the years ended March 31, 2005, March 31, 2006 and March 31, 2007, accounted for 4%, 3% and 3% of our Global IT

Services and Products revenue, respectively. For the same periods, our ten largest clients accounted for 27%, 27% and 25% of our Global IT Services and Products revenue. The volume of work we perform for specific clients may vary from year to year, particularly since we typically are not the only outside service provider for our clients. Thus, a major client in one year may not provide the same level of revenue in a subsequent year.

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There are a number of factors, other than our performance, that could cause the loss of a client and that may not be predictable. In certain cases, clients have reduced their spending on IT services due to challenging economic environment and consequently have reduced the volume of business with us. If we were to lose one of our major clients or have significantly lower volume of business with them, our revenue and profitability could be reduced. We continually strive to reduce our dependence on revenue from services rendered to any one client.

**Restrictions on immigration may affect our ability to compete for and provide services to clients in the United States, which could hamper our growth and cause our revenue to decline.**

If U.S. immigration laws change and make it more difficult for us to obtain H-1B and L-1 visas for our employees, our ability to compete for and provide services to clients in the United States could be impaired. In response to recent terrorist attacks in the United States, the U.S. Citizenship and Immigration Services has increased the level of scrutiny in granting visas and has decreased the number of its grants. These restrictions and any other changes in turn could hamper our growth and cause our revenue to decline. Our employees who work on site at client facilities or at our facilities in the United States on temporary and extended assignments typically must obtain visas.

A majority of our personnel in the United States hold H-1B visas or L-1 visas. An H-1B visa is a temporary work visa, which allows the employee to remain in the United States while he or she remains an employee of the sponsoring firm, and the L-1 visa is an intra-company transfer visa, which only allows the employee to remain in the United States temporarily. Although there is no limit to new L-1 petitions, there is a limit to the aggregate number of new H-1B petitions that the U.S. Citizenship and Immigration Services (USCIS) may approve in any government fiscal year. The U.S. Citizenship and Immigration Services have limited the number of H-1B visas that may be granted as of the 2005 fiscal year to 65,000 per year, from 195,000 in each of the three years prior to 2004. Although the U.S. government has approved the grant of approximately 20,000 additional H-1B visas, these visas are only available to skilled workers who possess a Master's or higher degree from educational institutions in the United States.

The L-1 and H-1B Visa Reform Act of 2004 further proposes to preclude foreign companies from obtaining L-1 visas for employees with specialized knowledge: (1) if such employees will be stationed primarily at the worksite of another company in the U.S. and the employee will not be controlled and supervised by his employer, or (2) if the placement is essentially an arrangement to provide labor for hire rather than in connection with the employee's specialized knowledge. The L1 Reforms Act provisions became effective in June 2005.

The USCIS announced on April 3, 2007, the second day that the window was open for receipt of H-1 B visa petitions, for fiscal 2008, that it had received enough H-1 B visa petitions (approximately 150,000) to meet the congressionally mandated cap for fiscal 2008. For all petitions received on April 2, 2007 and April 3, 2007, USCIS will use a random computer-generated selection process to select the applications. In this random selection process we may not obtain adequate H1-B visas and this could hamper our growth.

Immigration laws in the United States may also require us to meet certain levels of compensation, and to comply with other legal requirements, including labor certifications, as a condition to obtaining or maintaining work visas for our technology professionals working in the United States.

Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our technology professionals.

Although we currently have sufficient personnel with valid H-1B visas, we cannot assure you that we will continue to be able to obtain any or a sufficient number of H-1B visas on the same time schedule as we have previously obtained, or at all.

**We focus on high-growth industries, such as networking and communications. Any decrease in demand for technology in such industries may significantly decrease the demand for our services, which may impair our growth and cause our revenue to decline.**

Approximately 35% of our IT Services and Products business is derived from clients in high growth industries who use our IT services for networking and communications equipment. These industries have experienced periods of above normal growth and periods of contraction. Any significant decrease in the growth of these industries will decrease the demand for our services and could reduce our revenue.

**Our failure to complete fixed-price, fixed-timeframe contracts on budget and on time may negatively affect our profitability, which could decrease the value of our shareholders' investment.**

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We offer a portion of our services on a fixed-price, fixed-timeframe basis, rather than on a time-and-materials basis. Although we use specified software engineering processes and our past project experience to reduce the risks associated with estimating, planning and performing fixed-price, fixed-timeframe projects, we bear the risk of cost overruns, completion delays and wage inflation in connection with these projects. If we fail to accurately estimate the resources and time required for a project, future rates of wage inflation and currency exchange rates, or if we fail to complete our contractual obligations within the contracted timeframe, our profitability may suffer.

**Disruptions in telecommunications could harm our service model, which could result in a reduction of our revenue.**

A significant element of our business strategy is to continue to leverage and expand our software development centers in Bangalore, Chennai, Hyderabad and Pune, India, as well as overseas. We believe that the use of a strategically located network of software development centers will provide us with cost advantages, the ability to attract highly skilled personnel in various regions of the country and the world, the ability to service clients on a regional and global basis and the ability to provide services to our clients 24 hours a day, seven days a week. Part of our service model is to maintain active voice and data communications between our main offices in Bangalore, our clients' offices, and our other software development and support facilities. Although we maintain redundancy facilities and satellite communications links, any significant loss in our ability to transmit voice and data through satellite and telephone communications could result in a disruption in business, thereby hindering our performance or our ability to complete client projects on time. This, in turn, could lead to a reduction of our revenue.

**The markets in which we operate are subject to the risk of earthquakes, floods and other natural disasters.**

Some of the regions that we operate in are prone to earthquakes, flooding and other natural disasters. In the event that any of our business centers are affected by any such disasters, we may sustain damage to our operations and properties, suffer significant financial losses and be unable to complete our client engagements in a timely manner, if at all. Further, we may also incur costs in redeploying personnel and property. In addition, if there is a major earthquake, flood or other natural disaster in any of the locations in which our significant customers are located, we face the risk that our customers may incur losses, or sustained business interruption and/or loss which may materially impair their ability to continue their purchase of products or services from us. A major earthquake, flood or other natural disaster in the markets in which we operate could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We may be liable to our clients for damages caused by disclosure of confidential information or system failures.**

We often have access to or are required to collect and store confidential client and customer data. Many of our client agreements do not limit our potential liability for breaches of confidentiality. If any person, including any of our employees, penetrates our network security or misappropriates sensitive data, we could be subject to significant liability from our clients or from our clients' customers for breaching contractual confidentiality provisions or privacy laws. Unauthorized disclosure of sensitive or confidential client and customer data, whether through breach of our computer systems, systems failure or otherwise, could damage our reputation and cause us to lose clients.

**We are investing substantial cash assets in new facilities and physical infrastructure, and our profitability could be reduced if our business does not grow proportionately.**

As of March 31, 2007, we had contractual commitments of approximately Rs. 3,432 million (\$ 80 million) related to capital expenditures on construction or expansion of our software development facilities. We may encounter cost overruns or project delays in connection with new facilities. These expansions may increase our fixed costs. If we are unable to grow our business and revenues proportionately, our profitability will be reduced.

**Our international operations subject us to risks inherent in doing business on an international level that could harm our operating results.**

Currently, we have software development facilities in eight countries around the world. The majority of our software development facilities are located in India. We intend to establish new development facilities in Southeast Asia and Europe. We have not yet made substantial contractual commitments to establish any new facilities and we cannot assure you that we will not significantly alter or reduce our proposed expansion plans. Because of our limited

experience with facilities outside of India, we are subject to additional risks related to our international expansion strategy, including risks related to complying with a wide variety of national and local laws, restrictions on the import and export of certain technologies and multiple and possibly overlapping tax structures. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with

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international operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture. Our international expansion plans may not be successful and we may not be able to compete effectively in other countries.

**Our business will suffer if we fail to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and the industries on which we focus.**

The IT services market is characterized by rapid technological change, evolving industry standards, changing client preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product and service offerings to meet client needs. We may not be successful in anticipating or responding to these advances on a timely basis, or, if we do respond, the services or technologies we develop may not be successful in the marketplace. Further, products, services or technologies that are developed by our competitors may render our services non-competitive or obsolete.

**Most of our client contracts can typically be terminated without cause and with little or no notice or penalty, which could negatively impact our revenue and profitability.**

Our clients typically retain us on a non-exclusive, project-by-project basis. Most of our client contracts, including those that are on a fixed-price, fixed-timeframe basis, can be terminated with or without cause, with between zero and ninety days notice and without termination-related penalties. Additionally, most of our contracts with clients are typically limited to discrete projects without any commitment to a specific volume of business or future work. Our business is dependent on the decisions and actions of our clients, and there are a number of factors relating to our clients that are outside our control that might result in the termination of a project or the loss of a client, including:

- financial difficulties for a client;

- a change in strategic priorities, resulting in a reduced level of IT spending;

- a demand for price reductions; and

- a change in outsourcing strategy by moving more work to client in-house IT departments or to our competitors.

**We may engage in future acquisitions, investments, strategic partnerships or other ventures that may harm our performance, dilute our shareholders ownership and cause us to incur debt or assume contingent liabilities.**

We have acquired and in the future may acquire or make investments in complementary businesses, technologies, services or products, or enter into strategic partnerships with parties who can provide access to those assets. For example, in November 2006, we acquired 100% of the equity of Hydrauto Group AB (Hydrauto), a company engaged in the production, marketing and development of customized hydraulic cylinders solutions for mobile applications such as mobile cranes, excavator, dumpers and trucks. Also in November 2006, we acquired 100% of the India, Middle East and SAARC operations of 3D Networks and Planet PSG. 3D Networks provides business communication solutions that include consulting, voice, data and converged solutions, and managed services. In the future, we may not identify suitable acquisition, investment or strategic partnership candidates, or if we do identify suitable candidates, we may not complete those transactions on terms commercially acceptable to us or at all. We could have difficulty in assimilating the personnel, operations, technology and software of the acquired companies. In addition, the key personnel of an acquired company may decide not to work for us. If we make other types of acquisitions, we could have difficulty in integrating the acquired products, services or technologies into our operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses. Changes in competition laws in India and abroad could also impact our acquisition plans.

**Our revenues could be significantly affected if the governments, in geographies we operate in, restrict companies from outsourcing work to foreign corporations**

In the United States, despite economic recovery, unemployment levels have not declined significantly from pre-economic recovery levels. There has been concern among the legislators about the impact of outsourcing on unemployment levels in the United States. Legislation has been proposed to prohibit federal and state governments from outsourcing IT and IT enabled services to foreign corporations. Legislators have also proposed to introduce economic deterrents for U.S. companies outsourcing work to foreign corporations.



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Independent research agencies have conducted research and concluded that outsourcing benefits the U.S. economy. Several U.S. companies have also supported outsourcing as a competitive advantage. However, if the proposed laws come into effect it would adversely affect our revenues and profitability.

**Our BPO services revenue depend to a large extent on a small number of clients, and our revenue could decline if a major client reduces the volume of services obtained from us.**

We currently derive, and believe we will continue to derive, a significant portion of our BPO services revenue from a limited number of corporate clients. The reduction in volume of work done to a major client could result in a reduction of our revenue. Since we recruit and train employees in anticipation of continued growth in volume, reduction in the volume of work from these major clients would adversely impact our gross margins.

There are a number of factors that could cause the loss of a client and such factors are not predictable. We could fail to achieve performance standards due to a lack of clarity between us and the client on the performance standards or due to deficiencies in processes. In certain cases, a client could reduce their spending on such services due to a challenging economic environment and consequently reduce the volume and profitability of business with us. In other cases, a client could reduce its spending on such services with us and form internal competing operations in the U.S., India or other price competitive geographies.

**Some of our long-term client contracts contain benchmarking provisions which, if triggered could result in lower contractual revenues and profitability in the future.**

As the size and complexity of our client engagements increase, our clients may require further benchmarking provisions in our client contracts. Benchmarking provisions allow a customer in certain circumstances to request a benchmark study prepared by an agreed upon third-party comparing our pricing, performance and efficiency gains for delivered contract services to that of an agreed upon list of other service providers for comparable services. Based on the results of the benchmark study and depending on the reasons for any unfavorable variance, we may be required to reduce the pricing for future services to be performed under the balance of the contract, which could have an adverse impact on our revenues and profitability.

**We may be liable to our clients for damages caused by system failures, which could damage our reputation and cause us to lose customers.**

Many of our contracts involve projects that are critical to the operations of our clients' businesses and provide benefits that may be difficult to quantify. Any failure in a client's system could result in a claim for substantial damages against us, regardless of our responsibility for such failure. Although we attempt to limit our contractual liability for consequential damages in rendering our services, we cannot be assured that the limitations on liability we provide for in our service contracts will be enforceable in all cases, or that they will otherwise protect us from liability for damages. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our operating results.

**Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.**

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations, NYSE rules, Securities and Exchange Board of India rules and Indian stock market listing regulations, are creating uncertainty for companies like ours. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

In particular, continuing compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting requires the commitment of significant financial and managerial resources. With respect to our Form 20-F for the year ended March 31, 2007, our management has performed an assessment of the effectiveness of the internal control over financial reporting. We have determined that the internal controls are effective.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, the new laws, regulations and standards regarding corporate governance may make it more difficult for us to obtain director and officer liability insurance.

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Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws or regulations and standards differ, our business and reputation may be harmed.

**Risks Related to Investments in Indian Companies and International Operations generally.**

We are incorporated in India, and substantially all of our assets and our employees are located in India. Consequently, our financial performance and the market price of our ADSs will be affected by political, social and economic developments affecting India, Government of India policies, including taxation and foreign investment policies, Government currency exchange control, as well as changes in exchange rates and interest rates.

**Wages in India have historically been lower than wages in the United States and Europe, which has been one of our competitive advantages. Wage increases in India may prevent us from sustaining this competitive advantage and may reduce our profit margins.**

Our wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, and this has been one of our competitive advantages. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. We may need to increase the levels of our employee compensation more rapidly than in the past to retain talent. Unless we are able to continue to increase the efficiency and productivity of our employees, increase in proportion of employees with lower experience or source talent from other low cost locations, like Eastern Europe, China or South-East Asia, wage increases in the long term may reduce our profit margins.

**We would realize lower tax benefits if the special tax holiday scheme for units set up in special economic zones is substantially modified**

The Government of India introduced a separate tax holiday scheme for units set up in special economic zones. Under this scheme, units in designated special economic zones which began providing services on or after April 1, 2005 will be eligible for a deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits or gains for a further five years.

Recently there have been demands by legislators and various political parties in India that the Government of India should actively regulate the development of special economic zones by private entities. There have been demands to impose strict conditions which need to be complied with before an economic zone developed by a private entity is designated as special economic zone. If such regulations or conditions are imposed it would adversely impact our ability to set up new units in such designated special economic zones and avail ourselves of tax benefits.

**Our net income would decrease if the Government of India imposes additional taxes or withdraws or reduces tax benefits or other incentives**

Currently, we benefit from certain tax incentives under Indian tax laws. As a result of these incentives, our operations have not been subject to significant Indian tax liabilities. These tax incentives currently include a tax holiday from payment of Indian corporate income taxes for our Global IT Services and Products business operated from specially designated Software Technology Parks and Special Economic Zones in India and an income tax deduction of 100% for profits derived from exporting information technology services. As a result, a substantial portion of our pre-tax income has not been subject to significant tax in recent years.

The Finance Bill, 2007 has proposed to include income eligible for deductions under sections 10A and 10B of the Indian Income Tax Act in the computation of book profits for the levy of a Minimum Alternative Tax, or MAT. The rate of MAT, effective April 1, 2007, would be 11.33% (including a surcharge and education cess) on our book profits determined after including income eligible for deductions under Sections 10A and 10B of the Indian Income Tax Act. The Income Tax Act provides that the MAT paid by us can be adjusted against our tax liability over the next five years. Although MAT paid by us can be set off against our future income tax liability, our cash flows could be adversely affected.

**Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.**

South Asia has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. In recent years there have been military confrontations between India

and Pakistan that have occurred in the region of Kashmir and along the India-Pakistan border. The potential for hostilities between the two countries are high due to terrorist incidents in India and the aggravated geopolitical situation

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in the region. Both countries have initiated active measures to reduce hostilities. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a greater perception that investments in Indian companies involve higher degrees of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our equity shares and our ADSs, and on the market for our services.

**Political instability in the Indian Government could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects.**

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian Central and State Governments in the Indian economy as producers, consumers and regulators has remained significant. The last general elections were held in May 2004. The ruling coalition Government, which has over the last several years pushed significant economic reforms, was voted out of power and a new coalition Government has come to the helm. The current Government has announced policies and taken initiatives that support the continued economic liberalization policies that had been pursued by the previous Government. Although we believe that the process of economic liberalization will continue, the rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

The incumbent Government is a coalition of several parties and withdrawal of one or more of these parties could result in political instability. Such instability could delay the reform of the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our equity shares and our ADSs, and on the market for our services.

**Indian law limits our ability to raise capital outside India and may limit the ability of others to acquire us, which could prevent us from operating our business or entering into a transaction that is in the best interests of our shareholders.**

Indian law constrains our ability to raise capital outside India through the issuance of equity or convertible debt securities. Generally, any foreign investment in, or an acquisition of, an Indian company requires approval from relevant Government authorities in India, including the Reserve Bank of India. However, subject to certain exceptions, the Government of India currently does not require prior approvals for IT companies like us. If we are required to seek the approval of the Government of India and the Government of India does not approve the investment or implements a limit on the foreign equity ownership of IT companies, our ability to seek and obtain additional equity investment by foreign investors will be limited. In addition, these restrictions, if applied to us, may prevent us from entering into a transaction, such as an acquisition by a non-Indian company, which would otherwise be beneficial for our company and the holders of our equity shares and ADSs.

**Our ability to acquire companies organized outside India depends on the approval of the Government of India. Our failure to obtain approval from the Government of India for acquisition of companies organized outside India may restrict our international growth, which could negatively affect our revenue.**

The Ministry of Finance of the Government of India and/or the Reserve Bank of India must approve our acquisition of any company organized outside of India or grant general or special permission for such acquisition. The regulatory authority has recently issued a policy statement permitting the acquisition of companies organized outside India for a transaction value not exceeding 300% of the net worth of the acquiring company and:

if the transaction consideration is paid in cash with proceeds of ADS, up to 100% of the proceeds from an ADS offering; and

if the transaction consideration is paid in stock (i.e., by issue of ADRs/GDRs), up to ten times the acquiring company's previous fiscal year's export earnings.

We cannot assure you that any required approval from the Reserve Bank of India and or the Ministry of Finance or any other Government agency can be obtained. Our failure to obtain approval from the Government of India for acquisitions of companies organized outside India may restrict our international growth, which could negatively affect

our revenue.

**It may be difficult for you to enforce any judgment obtained in the United States against us, the selling shareholders or our affiliates.**

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We are incorporated under the laws of India and many of our directors and executive officers, reside outside the United States. Virtually all of our assets and the assets of many of these persons are located outside the United States. As a result, you may be unable to effect service of process upon us outside India or upon such persons outside their jurisdiction of residence. In addition, you may be unable to enforce against us in courts outside of India, or against these persons outside the jurisdiction of their residence, judgments obtained in courts of the United States, including judgments predicated solely upon the federal securities laws of the United States.

We have been advised by our Indian counsel that the United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment that has been obtained in the United States. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the Reserve Bank of India under the Foreign Exchange Management Act, 1999, to execute such a judgment or to repatriate any amount recovered.

**The laws of India do not protect intellectual property rights to the same extent as those of the United States, and we may be unsuccessful in protecting our intellectual property rights. Unauthorized use of our intellectual property may result in development of technology, products or services which compete with our products. We may also be subject to third-party claims of intellectual property infringement.**

Our intellectual property rights are important to our business. We rely on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. However, the laws of India do not protect proprietary rights to the same extent as laws in the United States. Therefore, our efforts to protect our intellectual property may not be adequate. Our competitors may independently develop similar technology or duplicate our products or services. Unauthorized parties may infringe upon or misappropriate our products, services or proprietary information.

The misappropriation or duplication of our intellectual property could disrupt our ongoing business, distract our management and employees, reduce our revenue and increase our expenses. We may need to litigate to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time-consuming and costly. As the number of patents, copyrights and other intellectual property rights in our industry increases, and as the coverage of these rights increases, we believe that companies in our industry will face more frequent infringement claims. Defending against these claims, even if not meritorious, could be expensive and divert our attention and resources from operating our company.

Although we believe that our intellectual property rights do not infringe on the intellectual property rights of any other party, infringement claims may be asserted against us in the future. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay a substantial damage award and be forced to develop non-infringing technology, obtain a license or cease selling the applications or products that contain the infringing technology. We may be unable to develop non-infringing technology or to obtain a license on commercially reasonable terms, or at all.

**Risks Related to the ADSs****Sales of our equity shares may adversely affect the prices of our equity shares and the ADSs.**

Sales of substantial amounts of our equity shares, including sales by insiders, in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our equity shares or our ADSs or our ability to raise capital through an offering of our securities. In the future, we may also sponsor the sale of shares currently held by some of our shareholders, or issue new shares. We can make no prediction as to the timing of any such sales or the effect, if any, that future sales of our equity shares, or the availability of our equity shares for future sale, will have on the market price of our equity shares or ADSs prevailing from time to time.

**An active or liquid trading market for our ADSs is not assured.**

An active, liquid trading market for our ADSs may not be maintained in the long term. Loss of liquidity could increase the price volatility of our ADSs.



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**Indian law imposes foreign investment restrictions that limit a holder's ability to convert equity shares into ADSs, which may cause our ADSs to trade at a premium or discount to the market price of our equity shares.**

Under certain circumstances, the Reserve Bank of India must approve the sale of equity shares underlying ADSs by a non-resident of India to a resident of India. The Reserve Bank of India has given general permission to effect sales of existing shares or convertible debentures of an Indian company by a resident to a non-resident, subject to certain conditions, including the price at which the shares may be sold. Additionally, except under certain limited circumstances, if an investor seeks to convert the rupee proceeds from a sale of equity shares in India into foreign currency and then repatriate that foreign currency from India, he or she will have to obtain an additional Reserve Bank of India approval for each transaction. Required approval from the Reserve Bank of India or any other Government agency may not be obtained on terms favorable to a non-resident investor or at all.

Investors who exchange ADSs for the underlying equity shares and are not holders of record will be required to declare to us details of the holder of record, and the holder of record will be required to disclose the details of the beneficial owner. Any investor who fails to comply with this requirement may be liable for a fine of up to Rs. 1,000 for each day such failure continues. Such restrictions on foreign ownership of the underlying equity shares may cause our ADSs to trade at a premium or discount to the equity shares.

**An investor in our ADSs may not be able to exercise preemptive rights for additional shares and may thereby suffer dilution of his or her equity interest in us.**

Under the Indian Companies Act, a company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless such preemptive rights have been waived by three-fourths of the shares voting on the resolution to waive such rights. Holders of ADSs may be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to prepare and file such a registration statement and our decision to do so will depend on the costs and potential liabilities associated with any such registration statement, as well as the perceived benefits of enabling the holders of ADSs to exercise their preemptive rights, and any other factors we consider appropriate at the time. No assurance can be given that we would file a registration statement under these circumstances. If we issue any such securities in the future, such securities may be issued to the Depository, which may sell such securities for the benefit of the holders of the ADSs. There can be no assurance as to the value, if any, the Depository would receive upon the sale of such securities. To the extent that holders of ADSs are unable to exercise preemptive rights granted in respect of the equity shares represented by their ADSs, their proportional interests in us would be reduced.

**ADS holders may be restricted in their ability to exercise voting rights.**

At our request, the Depository will mail to you any notice of shareholders' meeting received from us together with information explaining how to instruct the Depository to exercise the voting rights of the securities represented by ADSs. If the Depository receives voting instructions from you in time, relating to matters that have been forwarded to you, it will endeavor to vote the securities represented by your ADSs in accordance with such voting instructions. However, the ability of the Depository to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure that you will receive voting materials in time to enable you to return voting instructions to the Depository in a timely manner. Securities for which no voting instructions have been received will not be voted. There may be other communications, notices or offerings that we only make to holders of our equity shares, which will not be forwarded to holders of ADSs. Accordingly, you may not be able to participate in all offerings, transactions or votes that are made available to holders of our equity shares.

#### **Item 4. Information on the Company**

##### **History and Development of the Company**

Wipro Limited was incorporated in 1945 as Western India Vegetable Products Limited under the Indian Companies Act, VII of 1913, which is now superseded by the Companies Act, 1956. We are deemed to be registered under the Companies Act, 1956, or the Companies Act. We are registered with the Registrar of Companies, Karnataka, Bangalore, India as Company No. 20800. Our registered office is located at Doddakannelli, Sarjapur Road,

Bangalore 560 035, and the telephone number of our registered office is +91-80-2844-0011. In October 2000, we raised gross aggregate proceeds of approximately \$ 131 million in our initial U.S. public offering of our ADSs on the New York Stock Exchange. The name and address of our registered agent in the United States is CT Corporation, located at 1350 Treat Blvd., Suite 100, Walnut Creek, California 94596.

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Wipro Limited was initially engaged in the manufacture of hydrogenated vegetable oil. Over the years, we have diversified into the areas of Information Technology, or IT, services, IT products and Consumer Care and Lighting Products. We are headquartered in Bangalore, India and have operations in North America, Europe and Asia. For the fiscal year ended March 31, 2007, 89% of our operating income was generated from our Global IT Services and Products. For the same period, IT Services and Products represented 82% of our operating income, BPO Services represented 7% of our operating income, India and AsiaPac IT Services and Products represented 7% of our operating income and Consumer Care and Lighting and Others represented 4% of our operating income.

We incurred capital expenditure of Rs. 6,613 million, Rs. 7,486 million and Rs. 11,392 million during the fiscal years ended March 31, 2005, 2006 and 2007, respectively. These capital expenditures were primarily incurred on new software development facilities in India for our IT Services and Products business segment. As of March 31, 2007, we had contractual commitments of Rs. 3,432 million (\$ 80 million) related to capital expenditures on construction or expansion of software development facilities. We currently intend to finance our planned construction and expansion entirely through our cash and cash equivalents and investments in liquid and short term mutual funds as of March 31, 2007.

**Industry Overview***IT Services and Products*

The role of IT in transforming businesses and economies has been widely recognized. Changing economic and business conditions, rapid technological innovation, proliferation of the Internet and increasing globalization are creating an increasingly competitive market environment that is driving corporations to transform the manner in which they operate. Customers are increasingly demanding improved products and services with accelerated delivery times and at lower prices. To adequately address these needs, corporations are focusing on their core competencies and are using outsourced technology service providers to help improve productivity, develop new products, conduct research and development activities, reduce business risk and manage operations more effectively.

The IT and information technology-enabled service or IT-ITES, sector has been experiencing growth in India, with multinational companies building a global presence through cross-border acquisitions and organic growth in other low cost locations. This is complemented by major global players continuing to significantly develop their offshore delivery capabilities, predominantly in India, validating the success of the global delivery model and highlighting India's increasing role in outsourcing.

The shift in the role of IT from merely supporting business to transforming business, which is driving productivity gains and creating new business models, has increased the importance of IT to the success of companies worldwide. The ability to design, develop, implement, and maintain advanced technology platforms and solutions to address business and customer needs has become a competitive advantage and a priority for corporations worldwide. We have found that companies are now focused on moving data residing in disparate IT systems to the decision makers within the company real-time and in a seamless manner. Companies have recognized the transformational capabilities of real-time data and have started integrating IT processes with core business activities, with their clients and with their suppliers. Concurrently, the prevalence of multiple technology platforms and a greater emphasis on network security and redundancy have increased the complexity and cost of IT systems, and have resulted in greater technology-related risks. The need for more dynamic technology solutions and the increased complexity, cost and risk associated with these technology platforms has created a growing need for specialists with experience in leveraging technology to help drive business strategy.

To serve these companies, there is an increasing need for highly skilled technology professionals in the markets in which we operate. IT service providers need cross functional teams of domain experts with deep industry knowledge and process and implementation specialists with technical expertise and application development skills. The cross functional teams should have the ability to integrate solutions across disparate IT systems.

The focus for companies is on objective factors such as:

- providing decision makers with real-time data from disparate IT systems to enhance the effectiveness of the decision making process;

- realizing measurable cost efficiencies;

realizing a defined return on investment on their IT spending;

reducing the cycle time of introducing new software applications, commonly known as time-to- application advantage;

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reducing the time it takes to develop new technologies, commonly known as time-to-market advantage; and increasing the focus on core activities by outsourcing IT infrastructure to integrated IT service providers; and strengthening individual portfolio and expanding geographic footprints through cross-border mergers and acquisitions.

According to the Worldwide Services Spending Forecast, a report published by International Data Corporation, or IDC, in May 2005, the global IT services market is estimated to grow from approximately \$ 383 billion in 2003 to approximately \$512 billion by 2008, reflecting a compound annual growth rate, or CAGR, of 6%.

According to NASSCOM Strategic Review Report 2007, the Indian IT-BPO sector (including domestic and export segment) is growing at approximately 28%. IT-BPO exports are expected by the report to reach US \$60 billion by 2010.

Companies are increasingly using external professional services as an effective tool to meet their IT requirements. Outsourcing IT requirements enable companies to acquire high quality and cost competitive services. We believe that effective outsourcing provides various benefits, including lower total cost of ownership of IT infrastructure, better productivity from IT, converting a portion of fixed costs into variable costs and quick access to the latest technology. By deploying high-speed communications equipment, companies can access skilled IT services from remote locations to meet their complex IT requirements in a cost-effective manner.

*Increasing Trend Towards Offshore Technology Services.* Companies are increasingly turning to offshore technology service providers to meet their need for high quality, cost competitive technology solutions. Technology companies have been outsourcing software research and development and related support functions to offshore technology service providers to reduce cycle time for introducing new products and services. These companies are now outsourcing a larger portion of their IT activities, including core software research and development activities, to offshore locations to access skilled resources at lower costs.

According to the Gartner Forecast titled IT Outsourcing, Worldwide 2004-2009 Update - Worldwide IT, outsourcing spending will rise from \$193 billion in 2004 to \$260 billion by 2009. The Gartner Dataquest report, 2006 indicates that the Business Process Outsourcing market is expected to grow from \$111 billion to \$172 billion during the same period

According to NASSCOMM Strategic Review Report 2006, IDC forecasts a cumulative annual growth rate (CAGR) of over 7% in worldwide IT-ITeS spends, and a CAGR of over 15% in offshore IT spending, for the period 2005-09.

Pure play IT services are becoming a high-volume commoditized service offering. Indian IT service providers have traditionally addressed the application development and maintenance markets. The Indian IT service providers are now acquiring or developing consulting skills to effectively compete against leading global IT services companies as integrated service providers. Indian IT service providers are also benefiting from the growing trend of companies breaking up large IT services contracts into smaller components. The companies can diversify their vendor base, realize cost savings by off-shoring certain components and retain flexibility to ramp up or scale down IT operations lockstep with changing business requirements. Indian IT service providers can now compete more effectively against established IT services companies like Accenture, EDS and IBM.

*The India Advantage.* We believe that India is a premiere destination for offshoring IT services. According to the June 2004 Gartner Strategic Analysis Report, titled India Maintains Its Offshore Leading Position, India will remain the dominant offshore service provider through 2008. According to the report, no other nation will have a double-digit share of global offshore service revenue.

According to NASSCOM s Strategic Review Report 2007, the total combined Indian IT services and IT-enabled services export market in fiscal 2007 was nearly \$ 31 billion, growth of approximately 33%. Also according to this report, the Indian IT-BPO sector is on track to achieve a target of USD 60 billion in export revenues by FY 2010. Key factors supporting this projection are the growing impact of technology led innovation, the increasing demand for global sourcing and gradually evolving socio-political attitudes.



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We believe that there are several key factors contributing to the growth of India-based IT services:

India based sourcing offers significant cost advantages in terms of accessing highly skilled talent at lower wage costs and productivity gains that can be derived from having a very competent employee base.

According to NASSCOM's Strategic Review 2007, the cost advantage achievable from outsourcing to India is unlikely to go away due to an absolute cost advantage vis-à-vis other key markets and the prospect of further reductions in infrastructure and overhead costs.

India-based IT companies have proven their ability to deliver IT services that satisfy the requirements of international clients who expect the highest quality standards. According to NASSCOM's Strategic Review Report 2007, India based centers (both Indian firms as well as MNC owned captives) constitute the largest number of quality certifications achieved by any single country. As of December 2006, over 440 Indian companies had acquired quality certifications with 90 companies certified at SEI CMM level 5.

India has a large, highly skilled English-speaking labor pool that is available at a relatively low labor cost. According to NASSCOM Strategic Review Report 2007, the Indian IT industry employed nearly 1,080,000 software professionals as of 2006-07, making it one of the largest employers in the IT services industry. According to the same report, India has the largest pool of suitable off-shore talent accounting for 28% of the suitable pool available across all offshore destinations.

With the time differential between India and its largest market, the United States, Indian companies are able to provide a combination of onsite and offshore services on a 24-hour basis on specific projects.

The Indian IT industry has been the primary beneficiary of the rapid transformation of the telecom sector since it was deregulated to allow private participation, with the cost of international connectivity declining rapidly and service level quality improving significantly. This cost advantage is likely to continue due to lower penetration levels and a growing consumer base.

The traditional model for most large companies has been to manage most functions internally. However, current global macroeconomic conditions and intense competitive pressures have forced companies to pursue new business models. Companies are focusing on their core activities and outsourcing critical but non-core activities to companies that specialize in such non-core functions. Outsourcing enables companies to reduce their operating costs, realize benefits of scale and flexible cost structures and achieve significant process improvements.

***BPO Services***

India is a leading destination for BPO services. The proven track record and client relationships of established Indian IT services companies, favorable wage differentials, availability of a large, high quality, English speaking talent pool and a regulatory environment more friendly to investment are facilitating India's emergence as a global outsourcing hub. According to the March 2005 report published by IDC, titled "Worldwide and US Business Process Outsourcing (BPO) 2004-2008 forecast", the worldwide spending on BPO services is expected to grow from \$ 448 billion in 2004 to approximately \$ 682 billion by 2008, a CAGR of 11%. According to NASSCOM Strategic Review Report 2007, the worldwide spending on ITeS-BPO services is expected to grow at a CAGR of around 10% for the period 2005-2009.

***India and Asia Pac IT Services and Products***

According to IDC, the domestic IT market in India grew by 22.4% in 2006. The estimated year-on-year growth in 2007 is estimated to be 21.5% in 2007 making it the fastest growing market in the Asia-Pacific region. The domestic Indian IT industry is primarily composed of hardware, packaged software and IT services.

The domestic IT packaged software market is expected to grow at a CAGR of 20.9% during the period of 2006-2010. Application software will continue to account for the largest portion of the packaged software market. The hardware market is expected to grow at a CAGR of 17.5% during the same period. Within hardware market, the PC market has grown to 5.5 million units in 2006. Desktops constitute the largest component of the market, followed by laptops and servers, in unit and value terms. In unit terms, the PC market in India is estimated to grow at a CAGR of

19.9% over the next 5 years.

Domestic IT services Market in India has witnessed good growth in the last one year. According to IDC estimates, the domestic IT services market for the year 2006 is estimated at US\$ 3.5 Billion. The market is estimated to grow at a CAGR of 16.6% over the next 5 years. According to an IDC study, the retail vertical is expected to witness the maximum growth, followed by utility and healthcare. The key verticals to date BFSI, Manufacturing, telecom, government are expected to maintain their positions as good IT spenders.



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### *Consumer Care and Lighting*

The consumer care market that we address includes soaps, toiletries and infant care products. A large portion of our revenues in these markets are derived from the sale of soaps. The market for soaps in India is dominated by established players like Hindustan Unilever (a subsidiary of Unilever). We have a strong brand presence in a niche segment and have significant market share in select regional geographies. We expect to increase our market share organically in our identified geographies. In addition we continue to look at acquiring established brands which complement our brand presence and distribution strengths. In lighting, we operate in the domestic market for household lamps as well as the institutional market for luminaries and lamps. The market for lighting is led by Philips India (subsidiary of Philips NV). We have a strong brand presence in select regional geographies for domestic lighting, as well as an established institutional presence in offering lighting solutions to select segments including retail, pharma and software development centers. Our business to business (B2B) portfolio has been strengthened, to offer existing customers, office modular furniture and modular light switches.

### **Business Overview**

We are a leading global IT services company. We also provide outsourced research and development, infrastructure outsourcing and business consulting services. We have been acknowledged among leading offshore providers of technology services by Gartner, Forrester and other leading research and advisory firms. We are the only Indian company to be ranked among the Top 10 Global Outsourcing Providers in the International Association of Outsourcing Professionals Fortune Global 100 listings. We are also a winner of NASSCOM's Technology Innovation Award 2005.

We provide a comprehensive range of IT services, software solutions, IT consulting, business process outsourcing, or BPO, services and research and development services in the areas of hardware and software design to leading companies worldwide. We combine the business knowledge and industry expertise of our domain specialists and the technical knowledge and implementation skills of our delivery team in our development centers located in India and around the world, to develop and integrate solutions which enable our clients to leverage IT for achieving their business objectives. We use our quality processes and global talent pool for delivering time to development advantage, cost savings and productivity improvements.

Our objective is to be a world leader in providing a comprehensive range of IT services to our clients. The markets we address are undergoing rapid change due to the pace of developments in technology, changes in business models and changes in the sourcing strategies of clients. We believe that these trends provide us with significant growth opportunities.

### **Our overall business strategy**

#### ***Aggressively build awareness of the Wipro brand name***

We plan to continue aggressively building awareness among clients and consumers both domestically and internationally of the Wipro brand name. We believe we can leverage the strength of an international brand name across all of our businesses by ensuring that our brand name is associated with Wipro's position as a market leader that is committed to high quality standards. To achieve this objective, we intend to expand our marketing efforts with advertising campaigns and promotional efforts that are targeted at specific groups.

#### ***Pursue selective acquisition of IT companies***

We continue to pursue selective acquisitions of IT service companies that will allow us to expand our service portfolio and acquire additional skills that are valued by our clients. We believe this will strengthen our relationships with clients and allow us to realize higher revenues from them. In pursuing acquisitions, we focus on companies where we can leverage domain expertise and specific skill sets, and where a significant portion of the work can be moved offshore to India to leverage our low cost offshore delivery model and realize higher margins.

We have made the following acquisitions:

mPower Software Services Inc. and subsidiaries (mPower) in December 2005

BVPENTE Beteiligungsverwaltung GmbH and subsidiaries (New Logic) in December 2005

cMango Inc. and subsidiaries (cMango) in April 2006

RetailBox BV and subsidiaries (Enabler) in June 2006

Saraware Oy (Saraware) in June 2006

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Quantech Global Services LLC and Quantech Global Services Ltd (Quantech) in July 2006

### ***Sustain growth in operating income and cash flow of our traditional businesses***

We have been in the consumer care business since 1945 and the lighting business since 1992. The consumer care business has historically generated surplus cash for us to be able to grow our other businesses. Our strategy is to maintain a steady growth in operating income for these businesses through efficient capital utilization, strong brand name recognition and expanding our nationwide distribution network. We have invested in brands which complement our brand and distribution strengths.

### ***Applied innovation***

Through applied innovation, we infuse newer ideas and newer ways of doing things into all parts of the organisation. This approach covers process, delivery, business and technology innovation and enables us to work collaboratively with the client. It improves the business outcome, often without major disruptive change.

### ***Continue development of our deep industry knowledge***

We continue to build specialized industry expertise in the IT service industry. We combine deep industry knowledge with an understanding of our clients' needs and technologies to provide high value, quality services. Our industry expertise can be leveraged to assist other clients in the same industries, thereby improving quality and reducing the cost of services to our clients. We will continue to build on our extensive industry expertise and enter into new industries.

## **Segment overview**

### **Global IT Services and Products**

Our Global IT Services and Products segment provides IT services to customers in the Americas, Europe and Japan. The range of our services includes IT consulting, custom application design, development, re-engineering and maintenance, systems integration, package implementation, technology infrastructure outsourcing, BPO services and research and development services in the areas of hardware and software design. Our service offerings in BPO services include customer interaction services, finance and accounting services and process improvement services for repetitive processes.

Business lines with similar economic characteristics and which comply with segment aggregation criteria specified in U.S. GAAP have been combined to form our reportable segments. Consequently, IT Services and Products and BPO Services qualify as separate reportable segments.

The operations of mPower, New Logic, cMango, Enabler, Saraware and Quantech Global Service, which were acquired through 2005 and 2006 are part of IT Services and Products, are currently reviewed by our Chief Operating Decision Maker, or CODM, separately, and have accordingly been reported separately under *Acquisitions* in the segment information.

Our Global IT Services and Products segment accounted for 74% of our revenues and 89% of our operating income for the year ended March 31, 2007. Of these percentages, our IT Services and Products segment accounted for 68% of our revenue and 82% of our operating income for the year ended March 31, 2007, and our BPO Services segment accounted for 6% of our revenue and 7% of our operating income for the year ended March 31, 2007.

## **Our strategy**

### ***Significantly expand our IT Services and Products business and our BPO Services Business***

We expect to continue to grow each of our IT Services and Products business and our BPO Services business and the percentage of our total revenues and profits contributed by these businesses over the next few years. We believe that we can achieve this objective through the following means:

Identify and develop service offerings in emerging growth areas as separate business opportunities.

Currently we are focusing on areas such as business intelligence services, package implementation, niche consulting, data warehousing and network storage;

Increase our share of the total IT spending by our large customers through focused account management and more effective selling of all service lines to our existing customers;

Develop industry specific point solutions and use them as entry strategies by demonstrating industry knowledge and understanding of customer businesses and the benefits of outsourcing;

Offer new pricing models, sharing the risks and rewards of the impact of IT solutions on business, productivity improvements and timeliness of delivery;

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Use efficient global sourcing models to source IT services from various geographies and develop methodologies to develop and integrate solutions from around the globe.

Leverage our experience in providing IT infrastructure management services in the Indian market and our access to existing clients outside India to provide technology infrastructure support services;

Grow our research and development services by focusing on high growth markets such as telecommunications, mobile communications and the Internet, and high growth technologies such as embedded software;

Expand our market presence by providing enterprise application integration and system integration services; and

Expand our service line by investing on eBusiness solutions around information security, business intelligence and information system, service oriented architecture and web based applications.

Expand our business consulting services and position consulting services as strategic differentiator over other competing entities.

### ***Increase the number of clients and penetration with such clients of our IT Services and Products and our BPO Services***

We intend to increase the number of our clients through a dedicated sales team focused on new client acquisition and increasing our presence in Europe and Asia. Our goal is to make new client accounts generate at least \$ 1 million in annual revenues within twelve months of opening each account. We intend to increase our share of business with existing clients by expanding our range of IT solutions and by increasing our knowledge of industry segments and individual client businesses to allow us to better understand client needs and requirements. We intend to grow our BPO Services business by leveraging our existing client relationships to offer BPO Services to clients of our IT Services and Products segment. We intend to expand our range of service offerings, migrate from providing solely rules-based processing activities to offering an entire set of enhanced processes, provide value-added services and partner with clients in business transformation initiatives.

### **Service offering**

#### **IT Services and Products**

Our IT Services and Products business segment, which we call Wipro Technologies, is a leader in providing IT services to international companies. We provide our clients customized IT solutions to improve their business competitiveness. Our IT services are focused on the following areas:

enterprise IT services;

technology infrastructure support services; and

research and development services;

In our IT service offerings, we typically assume primary project management responsibility. We offer these services globally through a team of over 50,350 professionals.

#### ***Enterprise Solutions Business***

We provide a comprehensive range of enterprise solutions primarily to Fortune 1000 and Global 500 companies to meet their business needs. Our services extend from Enterprise Application Services (CRM, ERP, e-Procurement and SCM), to e-Business solutions. We combine the business knowledge and industry expertise of our domain specialists and the technical knowledge and implementation skills of our delivery team to create customized solutions for delivering time to development advantage, cost savings and productivity enhancements. Our delivery capabilities are supplemented by a holistic quality approach that integrates quality processes like Six Sigma, SEI CMM Level 5 and CMM to eliminate deficiencies in execution.

Our enterprise solutions have served clients from a range of industries including Energy and Utilities, Finance, Telecom, and Media and Entertainment. Our enterprise solutions division accounted for 63%, 63% and 65% of our IT Services and Products revenues for the fiscal years ended March 31, 2005, 2006, and 2007, respectively.

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Our services include:

*Customised applications.* We enable our clients to leverage IT to achieve business goals and to align their IT systems with their business strategy by creating customized solutions, selecting appropriate technologies, implementing systems on a fast-track basis, and ensuring overall quality.

*Development.* We offer well-defined and mature application development processes over a broad spectrum of technology areas that include client or server applications, object-oriented software, Internet or intranet applications and mainframe applications. For example, a leading electronics company in the United States used to sell products of a particular division online. We helped the client to develop online sales capability at other divisions by building an oracle application interface with EDI systems, third-party software and third-party suppliers. Through this process, the client now obtains online information about inventory levels of various products, reconciles sales returns, credits and charge backs and generates automated invoices.

*Re-engineering.* We study a client's business processes and existing systems and convert or redevelop them to improve efficiency and reduce costs. For example, we assisted one of the world's largest water companies in a strategic re-engineering initiative to streamline its IT operations to ensure better service delivery, improved customer relationship and closer links with business. Over a two year period, through a series of strategic initiatives, we enabled the client to realize significant cost savings and improvements in the quality of the IT applications. We followed a cycle of define, perform, review and refine for each of the IT applications assigned to us. We realized savings in the IT application support budget by consolidating IT applications to derive economies of scale and redistributing IT applications among third party vendors for optimum cost savings.

*Maintenance.* To meet the needs of a changing business environment with limited internal resource utilization, we maintain legacy software applications that require frequent upgrades. Our maintenance services also support a distributed delivery environment wherein work responsibilities can be effectively divided between the various organizations depending on the criticality of the requests. For example, we have assisted a leading owner, operator and developer of gas transportation systems in adopting an offshore development center model for maintaining and supporting its shipper services systems as well as other parts of its diverse business application portfolio. We gradually transitioned the client's applications and have taken over the maintenance and support for the majority of the clients applications. The shipper services systems are now characterized by well defined roles and responsibilities, clear processes and closely coordinated on-site and offshore delivery.

*Enterprise application integration services.* We implement packaged enterprise applications that integrate information in an organization with key business processes to improve the efficiency and effectiveness of our clients. Through strategic alliances with other vendors, we assist our clients in implementing services in the areas of enterprise resource planning, supply chain management and customer relationship management.

*Business intelligence and data warehousing.* We develop strategies and implement solutions for our clients to manage multiple sources of data for use in their decision-making processes. For example, a large auto maker that was working on a Supply Chain Information Visibility project, wanted to streamline its inventory requirements, improve its supplier visualization for its long term requirements, all in order to avoid short supply or surplus inventory situations. We deployed an EAI tool known as e\*Gate from See Beyond, that helped the client to send its part requirements, supplier schedule, details of advance shipment notices (ASNs), receipts, alarms and inventory status.

*Package implementation.* We use our expertise in package software to architect, implement and maintain client specific solutions. For example, we partnered with a leading global manufacturer of digital cameras and consumer products in to help it roll out a standardized, automated and integrated SAP module to replace its existing manual accounting process. We carried out an extensive business process study across functional areas and engineered substantial process re-engineering to ensure optimal deployment of the ERP application.

*Consulting.* We leverage our domain expertise and knowledge base in specific areas to provide consulting services. For example, we worked with one of the largest foreign exchange and travel companies to design the architecture of a global, online commercial foreign exchange system. The system was intended to facilitate end-to-end automatic foreign exchange transactions with minimal manual intervention and delays. The system also included customer

relationship management functionality and provided value added services to members. We defined a multi-tiered, multi-layered architecture to meet these requirements. The architecture was comprised of disparate software technologies such as J2EE, XML, CORBA, VB and COM-Java/EJB bridging.



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*Testing Services.* We are one of the largest Offshore Testing Services providers in the world with annual revenues aggregating to approximately \$ 270 million. We have 6,000 dedicated employees and 220 customers across the globe, including engagements with many Fortune 500 companies. We have been operating our Independent Testing Services division since 1997. Our service portfolio in testing covers many user needs from product concept to deployment, and across the stages of the product/ application life cycle.

***Technology Infrastructure Support Services***

Our service offerings include help desk management, systems management and migration, network management and messaging services. We are able to provide our IT Services and Products clients with high quality, 24-hour, seven-day-a-week support services by leveraging our expertise in managing IT infrastructures for our clients in India. Our offerings are powered by the skills of over 6,500 technical specialists and state-of-the-art BS 15000 certified infrastructure for operations support. For example for a leading global Electronic trading and securities firm, we manage the IT infrastructure through a dedicated help desk. We have deployed sophisticated software to offer a single point of contact for all IT requirements – installation, configuration, troubleshooting and procurement of IT assets. We have been able to significantly reduce the response and resolution time and improve the user satisfaction score.

We formed this division at the end of 1998 and it accounted for 7%, 8%, 11% of our IT Services and Products revenues for the year ended March 31, 2005, March 31, 2006 and March 31, 2007, respectively. We anticipate that this division of our Global IT Services business will continue to grow over the next few years.

***Research and Development Services***

We provide product development services for both hardware and software systems that are implemented in computers and communications equipment. We acquired these skill sets from earlier research and development efforts in the design of computer hardware products for the Indian market when the Government of India did not allow these products to be imported. We have leveraged our research and development skills to become an outsourcing resource for companies that seek highly skilled product development services for some of their core technologies. We are able to assume complete responsibility for all phases of the development, beginning with the requirements analysis to the transfer of technology and information to the client.

Our research and development services division accounted for 37%, 37% and 35% of our IT Services and Products revenue for the fiscal years ended March 31, 2005, 2006 and 2007. Our services include:

*Hardware design and development.* We design and develop various types of integrated electronic circuits, or ICs, including application specific integrated circuits, or ASICs and field programmable gate arrays, or FPGAs. We offer our services over a broad spectrum of technology areas, and are able to provide our clients complete subsystems or entire products.

*Software system design and development.* We develop software applications, including computer operating system software applications commonly known as middleware, electronics communication protocols and software that helps computers manage networks and control peripheral devices such as printers and monitors. We focus on embedded software technologies that involve the design and development of software solutions that are embedded in the hardware of a particular device.

*IT Professionals.* We have approximately 14,000 IT professionals trained in a broad array of computing platforms and communication technologies. By focusing on selected markets and technologies we are able to leverage our expertise and create greater efficiencies as well as faster delivery times. Our research and development services are organized into three areas of focus, which are described below with illustrative examples of projects we have completed for our clients:

*Telecommunications and inter-networking.* We provide software and hardware design, development and implementation services in areas such as fiber optics communication networks, wireless networks, data networks, voice switching networks and networking protocols. For example, one of our clients, a European leader in telematics products, wanted to develop a fully integrated infotainment system featuring a global navigation system, GSM phone, audio, emergency services, internet access, voice activation and climate control. We designed a software application interface, using Object Oriented Design methodology, integrating multiple functionalities, comprised of human machine interface, functional modules (API layers), resource schedulers and graphics library.

*Embedded systems and Internet access devices.* The software solutions we provide are programmed into the hardware IC or ASIC to eliminate the need for running the software through an external source. The technology is particularly important to portable computers, hand held devices, consumer electronics, computer peripherals,

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automotive electronics and mobile phones, as well as other machines such as process-controlled equipment. For example, we helped one of our customers in Japan by providing mobile printing solution for business travelers. We created an extensive architecture, used device simulators for development and testing and managed the seamless migration of the solution to a real-time environment. The solution interfaces with laptops and multiple other mobile devices to cater to needs of anywhere printing solutions for an estimated 45 million business travelers across the globe every year.

*Telecommunications and service providers.* We provide software application integration, network integration and maintenance services to telecommunications service providers, Internet service providers, application service providers and Internet data centers.

*Semiconductor IP.* We offer an industry leading portfolio of Semiconductor Intellectual Property (IP) cores for complex wireless and wireline applications; these include Wireless LAN, Bluetooth, Ultra wideband, Wireless USB and Firewire. Our portfolio of IP cores also contains software, silicon proven Wireless LAN, multiband radio module and analog / mixed-signal / digital blocks such as AFEs, synthesizers, PLLs and LVDS driver / receiver.

**Our Global Delivery Model**

In our IT service offerings, we typically assume primary project management responsibility for all stages of implementation of a project. Typically, a project team consists of a small number of IT professionals based at the client's location who define the scope of the project, track changes to specifications and requirements during project implementation, assist in installing the software or system at the client's site and ensure its continued operation. The large proportion of the development work on a project is performed at one of our dedicated offshore development centers, or ODCs, located in India. Our project management techniques, risk management processes and quality control measures enable us to complete projects on time and seamlessly across multiple locations with a high level of quality.

*The Offshore Development Center.* We were one of the first Indian IT services companies to implement the offshore development model as a method for delivering high-quality services at a relatively low cost to our international clients. Our ODC is a virtual extension of the client's working environment with a dedicated facility and dedicated hardware and software infrastructure that replicates the client's facilities. Certain clients have had ODCs with us over thirteen years. This is further enhanced by a dedicated high-speed telecommunication link with the client's onsite facilities and a secure working environment. In all our projects, we endeavor to increase the proportion of work performed at the ODCs in order to be able to take advantage of the various benefits associated with this approach, including higher gross margins and increased process control. Due to the level of investment required by our clients in an ODC and the quality of services we provide, the ODC model has provided us a high percentage of repeat business and a stable revenue stream.

*The Nearshore Development Center.* Based on specific client needs, we have established dedicated development centers in close proximity to our clients' business locations, which we call nearshore development centers. These nearshore development centers have employees with specialized functional expertise and provide on-call support to our customers. We currently have nearshore development centers in Reading, in the U.K., Windsor, Ontario in Canada, Kiel in Germany, Tampere in Finland, Shanghai in China and Yokohama in Japan. In addition to providing software development services, these centers, with their significant local talent, also provide a local customer interface.

**Our Clients**

We provide IT software solutions to clients from a broad array of industry sectors. Several of our clients purchase our services across several of our business divisions. We seek to expand the level of business with our existing clients by increasing the type and range of services we provide to them. The table below illustrates the size of our client project engagement size as measured by revenues.

Year ended	Number of clients in	
	Year ended March 31,	Year ended March 31,

		<b>March 31, 2005</b>	<b>2006</b>	<b>2007</b>
<b>Per client revenue(\$)</b>				
1-3 million	26	64	103	119

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	Number of clients in		
	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007
<b>Per client revenue(\$)</b>			
3-5 million	28	30	36
>5 million	65	79	100
Total	157	212	255

For the fiscal years ended March 31, 2006 and 2007, the largest client of our IT Services and Products segment accounted for 3% and 3% of the revenues of IT Services and Products and the largest client of our BPO Services segment accounted for 24% and 19% of the revenues of BPO Services. For the same periods, the five largest clients of our IT Services and Products segment accounted for 15% of IT Services and Products revenues.

**Sales and Marketing**

Our headquarters are located in Bangalore, India. We sell and market our IT Services primarily through our direct sales force, with locations worldwide, including in the United States, France, Germany, Holland, Japan, Sweden and the United Kingdom. Our sales teams are organized in three ways:

by the vertical market segment of the client's business;

by the geographic region in which the client is located; and

by the specific practice specialization or skill set that the client requires.

We use an integrated team sales approach that allows our sales teams to pass a client over to an execution team once the sale is completed. Our sales personnel work together with the appropriate software professionals and technical managers in analyzing potential projects and selling our expertise to potential clients. Global IT Services and Products also gets support from our corporate marketing team to assist in brand building and other corporate level marketing efforts. Our sales and marketing team in IT Services and Products has increased from 213 to 340 personnel from March 31, 2006 to March 31, 2007. We intend to expand our global marketing efforts through increased presence in targeted geographical regions.

**Competition**

The market for IT services is highly competitive and rapidly changing. Our competitors in this market include consulting firms, big four accounting firms, global IT services companies, such as Accenture, EDS, IBM Global Services and India based IT services companies such as Cognizant, Infosys, Satyam and Tata Consultancy Services.

These competitors are located internationally as well as in India. We expect that further competition will increase and potentially include companies from other countries that have lower personnel costs than those currently in India. A significant part of our competitive advantage has historically been a wage cost advantage relative to companies in the United States and Europe. Because wage costs in India are presently increasing at a faster rate than those in the United States our ability to compete effectively will increasingly become dependent on our ability to provide high quality, on-time, complex deliverables that depend on increased expertise in certain technical areas. We also believe that our ability to compete will depend on a number of factors not within our control, including:

the ability of our competitors to attract, retain and motivate highly skilled IT services professionals;

the extent to which our international competitors expand their operations in India and benefit from the favorable wage differential;

the price at which our competitors offer their services; and

the extent to which our competitors can respond to a client's needs.

We believe we compete favorably with respect to each of these factors and believe our success has been driven by quality leadership, our ability to create client loyalty and our expertise in targeted select markets.

**Table of Contents****Business Process Outsourcing (BPO) Services**

Wipro BPO is one of India's leading offshore BPO providers. Wipro BPO enables clients to improve their quality of processes, reduce costs and realize benefits of scale. Wipro BPO is uniquely positioned to service customer requirements by leveraging its quality and innovation, talented employees, self-sustaining process framework and domain knowledge. We offer customized service offerings; that translates into flexible and cost-effective services of the highest quality for our customers.

Our service offerings include:

customer interaction services, such as IT-enabled customer services, marketing services, technical support services and IT helpdesks;

finance and accounting services, such as accounts payable and accounts receivable processing; and

process improvement services that provide benefits of scale for repetitive processes like claims processing, mortgage processing and document management.

In BPO Services, we primarily compete against the in-house business process outsourcing units of international companies, other Indian IT service providers, global competitors and competitors from other offshore locations like the Philippines and Ireland. In many large outsourcing deals, BPO services are an integral part of the total services outsourced. Integrating BPO services into our portfolio of service offerings has provided us with a strong competitive advantage over other IT services providers.

For BPO projects, we have a defined framework to manage the complete BPO process migration and transition. The process has been developed based on the experience of our senior management team over the past ten years in migrating remote business processes to India. This defined framework is designed to ensure process integrity and minimize inherent migration risks. The framework includes a proprietary transition toolkit, which ensures that there is a documented methodology with formats, tools, guidelines and a repository of past experiences to aid the transition team during the transition phase.

For example, we have been providing outsourced technical support services for one of the large broadband service providers in the United States. We now have 24x7 customer support facilities, whereas previously it took 8-9 hours to start attending customer requirements. Call volume has increased by a 30 times multiple from the pilot stage and there is an overall increase in customer satisfaction.

We have over 17,400 employees in our BPO Services segment as of March 31, 2007. Our revenues from our BPO Services segment have grown from Rs. 1,644 million for the year ended March 31, 2003 to Rs. 9,413 million for the year ended March 31, 2007.

**India and AsiaPac IT Services and Products**

Our India and AsiaPac IT Services and Products segment is a leader in the Indian IT market and focuses primarily on meeting the IT products and services requirements of companies in India, Asia-Pacific and the Middle East region. This business segment accounted for 16% of our revenue and 7% of our operating income for the year ended March 31, 2007.

**Our strategy*****Focus on services-led growth in India and AsiaPac IT Services and Products segment***

We plan to grow in the IT market in India and AsiaPac by focusing on IT services. We believe that by offering clients a full service technology solution, including IT consulting, systems integration, support services, software and networking solutions along with branded hardware products, we can enhance our profitability significantly.

**Service offering**

Our India and AsiaPac IT Services and Products business segment, which we call Wipro Infotech, is focused on the Indian, Asia-Pacific and Middle-East markets and provides enterprise clients with comprehensive IT solutions. We offer our clients a full array of IT lifecycle services. From technology optimization to mitigating risks, there is a constant demand to evaluate, deploy and manage flexible, responsive and economical solutions.

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Our suite of services and products consists of the following:  
technology products;

technology integration, IT management and infrastructure outsourcing services;

custom application development, application integration, package implementation and maintenance; and  
consulting.

Additionally, we provide our domestic customers with access to our full range of global IT services, including enterprise solutions and research and development services.

### ***Services and Products***

*Technology Products.* We manufacture our own brand of personal desktop computers, servers and notebooks, and offer in India a portfolio of international brands in desktops, servers, notebooks, storage products, networking solutions and packaged software to meet our clients' requirements. We source components from domestic and international companies for manufacturing our own brand of computers, servers and notebooks.

*Technology integration and management services and outsourcing services.* We enable our customers to leverage our IT skill and expertise to maximize returns on their technology investments. We have over 25 years of experience and currently support approximately 415,000 systems with over 8,700 contracts, with approximately 6,900 IT professionals, including outsourced professionals. Our offerings include:

*Availability Services.* Includes hardware and software maintenance, and network availability services. We provide these services through an annual service or maintenance contract with the client which provides for both preventive and breakdown maintenance services.

*System Integration.* We are one of the largest system integrators in India and our services include integration of computing platforms, networks, storage, data center and enterprise management software. These services are typically bundled with sales of our technology products.

*Infrastructure Management and Total Outsourcing.* Includes management and operations of customer's IT infrastructure on a day-to-day basis. Our Total Outsourcing practice encompasses process, function or activity of the IT department in a client's organization that can be outsourced to us by the client, through a long term contractual agreement. Our total outsourcing proposition delivers improved business benefit by effectively managing the Information Technology life cycle of the organization and achieving maximum value by providing end-to-end best of breed IT practices for the clients' business. Through our acknowledged quality processes and program governance frameworks, we help our clients achieve and sustain business momentum.

*Managed Services.* We manage, monitor and support our clients' technology infrastructure. Our managed services portfolio includes IT Service Desk, End User Services, Data Centre Services, Contact Centre Technology Management Services, Application Management and Business Service Management.

We supplement our in-house resources with approximately 128 franchisees, which we train, and provide support to allow them to provide both Availability and Managed IT services. This allows us to grow our business substantially without corresponding increases in our personnel.

*Custom application development, application integration, package implementation and maintenance.* We design, develop and implement enterprise applications for corporate customers. Our solutions include custom application development, package implementation, sustenance of enterprise applications, including industry-specific applications, and enterprise application integration.

*Consulting.* We provide consulting services in the areas of business continuity and risk management, technology, process and strategy. We help our clients achieve business momentum in the light of challenges arising from globalization, competition and the dynamics of customer loyalty. The various consulting practices enable our client to achieve strategic cost reduction, business process improvements, execution excellence, cost leadership and business



agility through IT, resulting in sustainable business leadership in your industry.

**Clients**

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We provide products and services to clients in a variety of areas such as manufacturing, banking, financial services and insurance, Government, IT and IT-enabled services, telecommunications and education. Our clients also include channel partners, who are value-added resellers of our services and products. As of March 31, 2007, we had close to 163 channel partners throughout India. We have a diverse range of clients, none of whom account for more than 5% of our India and AsiaPac IT Services and Products business segment revenues.

**Sales and Marketing**

We sell and market our products and services to major corporate clients through our direct sales force, and to smaller clients and retail clients through an extensive network of channel partners. Sales teams are organized based on vertical segments, geographies, client size or product or service segment. Compensation of our sales teams is comprised of salary and additional compensation linked to achievement of revenue or profit targets and collections that a particular sales team produces. Sales efforts are supplemented through a corporate wide web based ordering system and a marketing team that assists in brand building, and other corporate level marketing efforts. As of March 31, 2007, we had 500 sales and marketing staff.

**Competition**

The market for our services and products is highly competitive and rapidly changing. Our competitors include global players like IBM, Hewlett Packard, EDS, Dell and Indian companies such as TCS, HCL Infosystems and Infosys. We anticipate that Lenovo, which has acquired the PC business of IBM, will be a significant player in Indian IT products market. Global players like IBM and Hewlett Packard and to some extent Sun Microsystems have been increasingly focusing on increasing their presence in the Indian markets. Some of these competitors have secured large IT services contracts in India. We anticipate this competition to continue to grow as the demand for these services increases and we also expect additional companies to enter the Indian market.

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### **Consumer Care and Lighting**

We leverage our brand name and distribution strengths to sustain a profitable presence in niche markets in the areas of soaps, toiletries and lighting products for the Indian market. This business segment accounted for 5% of our revenue and 4% of our operating income for the year ended March 31, 2007.

Our consumer care and lighting business segment focuses on niche profitable market segments and has historically generated cash to support the growth of our other business segments. We began with the hydrogenated oil business in 1946, and have continued to expand our business, currently offering a mix of consumer products including hydrogenated cooking oil, soaps and toiletries, wellness products, light bulbs and fluorescent tubes, and lighting accessories.

#### **Products**

*Soaps and toiletries.* Our product lines include soaps and toiletries, as well as baby products, using ethnic ingredients. Our umbrella brands include Santoor, Chandrika and Wipro Active. The Wipro Baby Soft line of infant and child care products, which includes soap, talcum powder, oil, diapers and feeding bottles and Wipro Sanjeevani line of wellness products.

*Lighting.* Our product line includes incandescent light bulbs, compact fluorescent lamps and luminaries. We operate both in commercial and retail markets. We have also developed commercial lighting solutions for pharmaceutical production centers, retail stores, software development centers and other industries.

*Hydrogenated cooking oils.* Our product line consists of hydrogenated cooking oils, a cooking medium used in homes, and bulk consumption points like bakeries and restaurants. We sell this product under our brand name Wipro Sunflower, which was launched in the 1950s and has been a leading brand in western and southern India.

#### **Sales and Marketing**

We sell and market our consumer care products primarily through our distribution network in India, which has access to 2.4 million retail outlets throughout the country. We sell our lighting products to major industrial and commercial customers through our direct sales force, from 31 sales offices located throughout India. We also have access to over 250,000 retail outlets for our lighting products.

We leverage our brand recognition by successfully incorporating the Wipro identity with our consumer brands. We intend to expand our marketing efforts with advertising campaigns and promotional efforts targeted to specific regions of India.

#### **Competition**

Our competitors in consumer care and lighting are located primarily in India, and include multinational and Indian companies such as Hindustan Unilever for soaps, toiletries and General Electric and Philips for lighting. Certain competitors have recently focused sales strategies on increasing volumes through lower prices. Sustained price pressures by competitors may require us to respond with similar or different pricing strategies. We cannot be reasonably certain that we will be able to compete successfully against such competitors or that continued competition may not adversely affect our gross and operating profits.

#### **Raw Materials and Manufacturing**

The primary raw materials for many of our soap and hydrogenated oil products are agricultural commodities, such as vegetable oils. We normally purchase these raw materials domestically and internationally through various suppliers contracts. Prices of vegetable oils, agricultural commodities tend to fluctuate due to seasonal, climatic and economic factors, which generally also affect our competitors.

Our lighting products are manufactured from glass and industrialized parts. We purchase these parts from various domestic and foreign distributors and manufacturers, pursuant to a combination of requirement and other supply contracts.

We have six manufacturing facilities located across India.

**Table of Contents****Our Competitive Strengths**

We believe that the following are our principal competitive strengths:

***Comprehensive range of IT services***

We provide a comprehensive and integrated suite of IT solutions, ranging from consulting to application development and maintenance and take end-to-end responsibility for project execution and delivery. We have over 16 years of experience in software development, re-engineering and maintenance for our corporate customers and provide managed IT support services at the client's site through our offshore development centers in India and several near shore development centers located in countries closer to our clients' offices. We believe that this integrated approach positions us to take advantage of key growth areas in enterprise solutions, including IT services data warehousing, implementation of enterprise package application software such as enterprise resource planning, or ERP, supply chain management or SCM and customer relationship management or CRM. In many large outsourcing deals, BPO services are an integral part of the total services outsourced. Integrating BPO services into our portfolio of service offerings has provided us with a strong competitive advantage over other IT services providers.

***World-class quality as measured by SEI-CMM and Six Sigma initiatives***

One of the crucial factors in our success has been our commitment to pursue the highest quality standards in all aspects of our business. We were assessed at SEI-CMM Level 5, the highest level of quality certification, in January 1999, making us the first IT services provider in the world to achieve this standard. SEI-CMM is widely accepted in the software industry as a standard to measure the maturity and effectiveness of software processes. Our SEI-CMM Level 5 rating is supported by our Six Sigma initiative, which is an internationally recognized program focusing on defect reduction and cycle time reduction. Our Six Sigma program was launched in 1998. Six Sigma represents a quality standard of less than 3.4 defects per million opportunities in which a defect may arise. In our continuous quest of doing more with less, we pioneered the application of LEAN thinking in software services and support transactions. We believe that LEAN is a proven manufacturing philosophy that has been sustained over several decades. The focus is on streamlining activities solely from the customer's viewpoint, eliminating waste, and a collaborative way of working. We have found that this enhances productivity. We believe that our approach of continuous enrichment through effective experimentation has proven fruitful.

***Service offerings in emerging growth areas***

We focus on identifying emerging growth areas and developing service offerings in these areas. For example, we identified technology infrastructure outsourcing as an emerging growth area in 1998. We developed service offerings in this area and familiarized customers with the concept of remote network management. Today this comprises 11% of our revenues from IT Services and Products. We have established centers of excellence in emerging growth areas. These centers focus on understanding technology and developing customized business solutions for our customers.

***Broad range of research and development services***

Our strengths in research and development services position us to take advantage of a recovery in global research and development spending. We are one of a few major IT services companies in the world capable of providing an entire range of research and development services from concept to product realization. According to NASSCOM's Strategic Review Report 2005, Indian Research and Development services and software products exports are expected to grow from \$ 2.3 billion in 2004 to grow to \$ 8 billion by 2008, a CAGR of 37%. This is higher than the 28% CAGR projected for IT / ITeS Services by NASSCOM in the same strategic review report. The recurring nature of revenues from research and development services helps in mitigating the cyclic nature of IT services. We provide IT services for designing, enhancing and maintaining platform technologies including servers and operating systems, communication subsystems, local area and wide area network protocols, optical networking systems, Internet protocol based switches, routers and embedded software, including software used in mobile phones, home or office appliances, industrial automation and automobiles. We acquired these skill sets through our earlier research and development efforts in the design of computer hardware products for the Indian market when the Government of India did not allow these products to be imported.

***Global delivery model***

One of our strengths is our global delivery model, which includes our offshore development centers, or ODCs, and our near shore development centers. We were among the first India-based IT services companies to implement the



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offshore development model as a method for delivering high-quality services at a relatively low cost to international clients. Our global delivery model has many features that are attractive to our clients, including:

a time difference between the client site and the ODC which allows a 24-hour work schedule for specific projects;

the ability to quickly increase the scale of development operations;

increased access to our large pool of highly skilled IT professionals located in India; and

physical and operational separation from all other client projects, providing enhanced security for a client's intellectual property.

### ***Established track record with premier international customer base***

As of March 31, 2007, our IT Services and Products segment had over 600 active clients and our BPO Services had over 35 active customers and around 123 processes. 70% of our revenues from IT Services and products segment was derived from Fortune 1000 and Global 500 clients. We have approximately 100 clients that each represents at least \$5.0 million in revenues in the fiscal year ended March 31, 2007. We believe that having an established base of high quality, high technology clients provides us with the following competitive advantages:

the type of clients we target are likely to maintain or increase their IT outsourcing budgets;

our ODCs support critical IT applications of our large clients, so the clients are therefore likely to provide a high level of repeat business; and

our IT professionals are consistently exposed to the latest technologies that we are then able to leverage to procure business from other clients.

### ***Ability to access, attract and retain skilled IT professionals***

We have continued to develop innovative methods of accessing and attracting skilled IT professionals. We partnered with a leading Indian university to establish a program for on the job training and a Masters degree in software engineering. We have also sought to open facilities in various cities in India to better access local professionals. We believe that our ability to retain highly skilled personnel is enhanced by our leadership position, opportunities to work with leading edge technologies and focus on training and compensation. In February 2007, we were awarded Dale Carnegie Global Leadership Award in recognition of our emphasis on development of human resources, innovation and organizational creativity. As of March 31, 2007, in our IT Services and Products business segment we had over 50,350 employees. We expect to grow these numbers in the foreseeable future. One of the keys to attracting and retaining qualified personnel is our variable and performance linked compensation programs. We have had an employee stock purchase program since 1984 and employee stock option plan and a productivity bonus plan since October 1999.

### ***Robust systems and processes to support growth in business***

We have proactively invested in systems, processes and infrastructure to support growth in our business. We have developed systems and processes to ensure that we have adequate infrastructure, robust recruitment systems and processes to maintain our culture of ethical behavior, openness and transparency. Our employee base in our IT Services and Products segment grew from approximately 9,900 employees as of March 31, 2001 to approximately 50,350 employees as of March 31, 2007 and our employee base in BPO Services stands at approximately 17,450 employees as of March 31, 2007. During the same period, our revenues from our IT Services and Products segment have grown from Rs. 17,816 million to Rs. 101,353 million. Our revenues from BPO Services have grown from Rs. 1,644 million for the year ending March 31, 2003 to Rs. 9,389 million for the year ending March 31, 2007.

### ***Broad distribution network and strong sales force in India***

We have a large and growing distribution network for our domestic businesses. For our Indian IT Services and Products business segment, our direct sales force targets large corporate clients and over 190 channel partners throughout India, and focuses on medium and small enterprises. For our consumer care and lighting products, we have

access to more than 2.4 million retail outlets. This distribution reach provides us with a significant competitive advantage and allows us to grow our business with minimal increases in personnel.

**Table of Contents*****Strong brand recognition in the Indian market***

We believe that our brands are some of the most well recognized brands in the Indian market. We have been operating in the Indian market for over 60 years and believe that customers equate our brand with high quality standards and a commitment to customer service. We enhance the value of our brands through aggressive and selective advertising and promotions.

**Wipro Infrastructure Engineering Limited**

Our fluid power business was started in 1975, as a result of our strategy to enter new emerging markets with profitable business and high margins. We focus on the hydraulics market, especially the mobile construction equipment business and believe the growth of this business is linked to the growth of infrastructure spending in India. We manufacture and sell cylinders and truck hydraulics, and we also distribute hydraulic steering equipment and pumps, motors and valves for international companies. The initiatives by the Government of India in improving physical infrastructure have increased the demand for our products. We anticipate that this demand will continue to remain strong. Our main competitors include Hitachi Ltd., Hyundai Motor Company, UT Limited (India) and overseas suppliers such as the Danfoss Group and Komatsu Ltd.

During the year ended March 31, 2007 we completed the acquisition of Hydrauto Group AB (Hydrauto). Hydrauto is engaged in the production, marketing and development of customized hydraulic cylinders solution for mobile applications such as mobile cranes, excavator, dumpers and trucks. The consideration (including direct acquisition cost) included cash payment of Rs. 1,412 million. Through this acquisition we aim to gain an entry into Europe, access to a customer base built over decades and complementing engineering skills.

**Markets and Sales Revenue**

Our revenues for the last three fiscal years by geographic areas are as follows:

	(In millions)		
	Year ended March 31,		
	2005	2006	2007
	Rs.	Rs.	Rs.
India	19,350	Rs. 21,804	Rs. 30,650
United States	41,812	53,481	72,846
Europe	16,602	24,310	36,972
Rest of the world	3,589	6,512	8,963
	Rs.	Rs.	
	81,353	106,107	Rs. 149,431

**Wipro GE Medical Systems Private Limited**

In 1990, we formed a joint venture with General Electric called Wipro GE Medical Systems Private Limited to learn new technologies and management processes from world class companies like General Electric and to enter new markets. General Electric currently holds 51% of the equity in the joint venture and we hold 49%. The joint venture partners have equal representation on the board of directors and the chairman of the joint venture is the chairman of Wipro Limited. The joint venture provides customers in South Asian markets after sales services for all GE Medical Systems products sold to them. Products offered in this market consist of GE Medical Systems products manufactured world wide and portable ultrasound equipment manufactured in India by this joint venture for the global markets. This venture also leverages our strength in software development to develop embedded software for medical equipment designed and developed by General Electric for their global product portfolio. The main competitors of Wipro GE Medical Systems Private Limited include Siemens and Philips.

**Intellectual Property**

Our intellectual property rights are important to our business. We rely on a combination of patent, copyright, trademark and design laws, trade secrets, confidentiality procedures and contractual provisions to protect our



intellectual property. We require employees, independent contractors and, whenever possible, vendors to enter into confidentiality agreements upon the commencement of their relationships with us. These agreements generally provide that any confidential or proprietary information being developed by us or on our behalf be kept confidential. These agreements also provide that any confidential or proprietary information disclosed to third parties in the course of our business be kept confidential by such third parties. However, our clients usually own the intellectual property in the software we develop for them.

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Our efforts to protect our intellectual property may not be adequate. Our competitors may independently develop similar technology or duplicate our products and/or services. Unauthorized parties may infringe upon or misappropriate our products, services or proprietary information. In addition, India has now complied with all World Trade Organization, or WTO, requirements, which means, that India meets the international mandatory and statutory requirements regarding the protection of intellectual property rights.

We could be subject to intellectual property infringement claims as the number of our competitors grows and our product or service offerings overlap with competitive offerings. In addition, we may become subject to such claims since we may not always be able to verify the intellectual property rights of third parties from which we license a variety of technologies. Defending against these claims, even if not meritorious, could be expensive and divert our attention from operating our company. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay substantial damage awards and be forced to develop non-infringing technology, obtain a license or cease selling the applications that contain the infringing technology. The loss of some of our existing licenses could delay the introduction of software enhancements, interactive tools and other new products and services until equivalent technology could be licensed or developed. We may be unable to develop non-infringing technology or obtain a license on commercially reasonable terms, if at all.

As of March 31, 2007, Wipro Limited and its subsidiaries (Wipro) hold more than 450 trademarks in India, including Wipro, Santoor and Wipro Babysoft. Wipro holds four registered trademarks in Japan, five registered trademarks in the United States and five registered community trademarks. Wipro has more than 400 trademark applications pending in India, two trade marks applications pending in the United States, one trademark application pending registration in Nepal, twelve trademark applications in Sri Lanka and four community trademark applications pending in Europe.

Wipro have one registered patent for hydraulic tipping valve, two registered patents in Germany for Electric compensation circuit and Monolithically integrated transformer and one registered patent in France for Radar Detector and Radar detecting method for WLAN Systems according to 802.11 Standards. Wipro have three patent applications that are currently pending in India, twenty six patent applications that are currently pending in the US and sixteen of them in Germany.

Wipro have twenty three registered copyrights and five pending copyright registrations in India. Wipro also have ten designs registered in India.

We cannot guarantee that we will obtain registration for trademarks including service marks, patent, design and copyright registration for any of our pending applications.

**Effect of Government Regulation on our Business**

Regulation of our business by the Indian Government affects our business in several ways. We benefit from certain tax incentives promulgated by the Government of India, including a ten-year tax holiday from Indian corporate income taxes for the operation of most of our Indian facilities and a partial taxable income deduction for profits derived from exported IT services under Indian tax laws and tax holiday for operations in notified economic zones.. As a result of these incentives, our operations have been subject to relatively insignificant Indian tax liabilities. We have also benefited from the liberalization and deregulation of the Indian economy by the successive Indian Governments since 1991, including the current Indian Government. Further, there are restrictive parts of Indian law that affect our business, including the fact that we are generally required to obtain approval under the Factories Act and the Shops and Establishment Act, from the Reserve Bank of India and/or the Ministry of Finance of the Government of India to acquire companies organized outside India, and we are generally required, subject to some exceptions, to obtain approval from relevant Government authorities in India in order to raise capital outside India. The conversion of our equity shares into ADSs is governed by guidelines issued by the Reserve Bank of India.

Finally, we are subject to several legislative provisions relating to the Prevention of Food Adulteration, Weights and Measures, Drugs and Cosmetics, Storage of Explosives, Environmental Protection, Pollution Control, Essential Commodities and operation of manufacturing facilities. Non-compliance with these provisions may lead to civil and criminal liability. We are and generally have been in compliance with these provisions.

Please see the section titled **Risk Factors** in Item 3, Key Information, as well as the section titled **Additional Information** in Item 10, for more information on the effects of Governmental regulation of our business.



**Table of Contents****Organizational Structure**

Our subsidiaries are provided in the table below as at March 31, 2007.

<b>Direct Subsidiaries</b>	<b>Step subsidiaries</b>	<b>Country of Incorporation</b>
Wipro Infrastructure Engineering Ltd		India
Wipro Inc.		USA
	Enthink Inc.	USA
	mPower Software Services (India) Private Limited	India
	MPact Technologies Services Private Limited	India
	cMango Inc.	USA
	cMango India Private Limited	India
	Quantech Global Services LLC	USA
cMango Pte Limited		Singapore
Wipro Japan KK		Japan
Wipro Shanghai Limited		China
Wipro Trademarks Holding Limited		India
	Cygnus Negri Investments Private Limited	India
Wipro Travel Services Limited		India
Wipro HealthCare IT Limited		India
Wipro Consumer Care Limited		India
Wipro Chandrika Limited		India
Wipro Holdings (Mauritius) Limited		Mauritius
	Wipro Holdings UK Limited	UK
	Wipro Technologies UK Limited	UK
	BVPENTE Beteiligungsverwaltung GmbH	Austria
	New Logic Technologies GmbH	Austria
	NewLogic Technologies SARL	France
	NewLogic Technologies S.A.	Switzerland
	3D Networks FZ-LLC	Dubai
	3D Networks (UK) Limited	UK
Wipro Cyprus Private Limited		Cyprus
	RetailBox BV	Netherlands
	Enabler Informatica SA	Portugal

	Enabler France SAS	France
	Enabler UK Ltd	UK
	Enabler Brasil Ltd	Brazil
	Enabler & Retail Consult GmbH	Germany
Saraware Oy		Finland
Hydrauto Group AB		Sweden
	Hydrauto Medium cylinders	Sweden
	Skellefteas AB	
	Hydrauto Engineering AB	Sweden
	Hydrauto Light Cylinders	Sweden
	Bispgarden AB	
	Hydrauto Light Cylinders	Sweden
	Ostersund AB	
	Hydrauto Big Cylinders	Sweden
	Ljungby AB	
	Hydrauto Logistics AB	Sweden
	Hydrauto Oy Ab Pernion	Finland
	Hydrauto Celka Hidrolic San	Turkey
	ve Tic a.s	
	Wipro Technologies SRL	Romania
Quantech Global Services Limited		India
Wipro Australia Pty Limited		Australia
3D Networks Pte Limited		Singapore
Planet PSG Pte Limited		Singapore

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<b>Direct Subsidiaries</b>	<b>Step subsidiaries</b>	<b>Country of Incorporation</b>
	Planet PSG Pte Limited	Malaysia USA
Spectramind Inc.		

All the above direct subsidiaries are 100% held by the Company except that we hold 90% in Wipro Chandrika Limited.

As at March 31, 2007 we also held 49% in Wipro GE Medical Systems Private Limited and 80.1% in WM Net Serv Limited, both of which are accounted for as equity method investments.

**Property, Plant and Equipment**

Our headquarters and corporate offices are located at Doddakannelli, Sarjapur Road, Bangalore, India. The offices are approximately 300,000 square feet. We have purchased approximately 2 million square feet of land adjoining our corporate offices for future expansion plans. In addition we have approximately 11 million square feet of land and approximately 6 million square feet of owned software development facilities in India and approximately 1 million square feet of leased software development premises in India. We have 80,000 square feet of leased software development facilities in 7 countries outside India.

We have one sales and marketing office located in each of the following countries: Canada, France, Germany, Japan, Sweden, Italy, Switzerland, Finland, the Netherlands, the United Kingdom, China and Japan. In addition, we have eleven sales and marketing offices in the United States.

We operate ten manufacturing sites, aggregating approximately 1.3 million square feet and approximately 4 million square feet of land. We own seven of these facilities, located in Amalner, Tumkur, Bangalore, Mysore, Hindupur, Chennai and Pondicherry, India. We have leased on a long-term basis two facilities located in Waluj and Baddi, India.

Our software development and manufacturing facilities are equipped with a world class technology infrastructure that includes networked workstations, servers, data communication links, captive power generators and other plants and machinery.

We believe that our facilities are optimally utilized and that appropriate expansion plans are being planned and undertaken to meet our future growth.

**Table of Contents****Material Plans to Construct, Expand and Improve Facilities**

As of March 31, 2007, we have capital commitments of Rs. 3,432 million (\$ 80 million) related to the construction or expansion of our software development facilities. We currently intend to finance our additional expansion plans entirely through our cash and cash equivalents and investments in liquid and short term mutual funds as of March 31, 2007.

**Legal Proceedings**

In the ordinary course of business, we may from time to time become involved in certain legal proceedings. Except as otherwise described herein, Wipro Limited, our directors, executive officers and subsidiaries are not currently a party to any material legal proceedings. Please see the description of our tax proceedings before the Deputy Commissioner of Income, Tax, Bangalore, India, under the section titled **Income Taxes** under Item 5 of this Annual Report.

**Item 4A. Unresolved Staff Comments**

None.

**Item 5. Operating and Financial Review and Prospects****Management's Discussion and Analysis of Financial Condition and Results of Operations**

*Readers are cautioned that this discussion contains forward-looking statements that involve risks and uncertainties. When used in this discussion, the words anticipate, believe, estimate, intend, could, may, plan, predict, should, would, will and expect and other similar expressions as they relate to the company or our business are intended to identify such forward-looking statements. These forward looking statements speak only as of the date of this report, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Factors that could cause or contribute to such differences include those described under the heading Risk Factors, as well as the other factors discussed in this report. Readers are cautioned not to place undue reliance on these forward-looking statements. The following discussion and analysis should be read in conjunction with our financial statements included herein and the notes thereto.*

**Overview**

We are a leading global information technology, or IT, services company founded in 1945, and headquartered in Bangalore, India. We provide a comprehensive range of IT services, software solutions and research and development services in the areas of hardware and software design to leading companies worldwide. We use our development centers located in India and around the world, quality processes and global resource pool to provide cost effective IT solutions and deliver time-to-market and time-to-development advantages to our clients. We also provide business process outsourcing, or BPO, services.

Our revenue and net income for the years ended March 31, 2005, 2006 and 2007 are provided below.

	<b>Wipro Limited and subsidiaries</b>		
	<b>Years ended March 31,</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>(in millions except earnings per share data)</b>		
	Rs.	Rs.	
Revenue	81,353	106,107	149,431
Cost of revenue	(53,895)	(71,647)	(102,200)
Gross profit	27,458	34,460	47,231
Gross margins	34%	33%	32%
Operating income	17,857	21,972	29,868
Loss on direct issue of stock by subsidiary	(207)		
Net income	15,833	20,270	29,169
Earnings per share			
Basic	11.38	14.41	20.45

Diluted

38

11.29

14.24

20.20

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Our revenue and operating income by business segment expressed in terms of percentages are provided below for the years ended March 31, 2005, 2006 and 2007:

	Year ended March 31,		
	2005 Percentage	2006 Percentage	2007 Percentage
<b>Revenue:</b>			
Global IT Services and Products			
IT Services and Products	67	68	65
BPO Services	8	7	6
Acquisitions		1	3
Total	75	76	74
India and AsiaPac IT Services and Products	16	16	16
Consumer Care and Lighting	6	5	5
Others	3	3	5
	100	100	100
<b>Operating Income:</b>			
Global IT Services and Products			
IT Services and Products	83	84	82
BPO Services	6	5	7
Acquisitions	0	0	0
Total	89	88	89
India and AsiaPac IT Services and Products	5	6	7
Consumer Care and Lighting	4	4	3
Others	2	2	1
	100	100	100

**Analysis of year ended March 31, 2007 and 2006**

- § Total revenues increased by 41% from Rs. 106,107 million for the year ended March 31, 2006 to Rs. 149,431 million for the year ended March 31, 2007. This was driven primarily by a 39%, 23%, 45%, 34% and 115% increase in revenue from our IT Services and Products, BPO Services, India and AsiaPac IT Services and Products, Consumer Care and Lighting and Others business segments, respectively.
- § As a percentage of total revenue, gross profit declined marginally by 1% from 33% for the year ended March 31, 2006 to 32% for the year ended March 31, 2007. This was primarily on account of a decline in gross profit as a percentage of revenue from our IT Services and Products segment from 36% for the year ended March 31, 2006 to 34% for the year ended March 31, 2007 and Others from 25% for the year ended March 31, 2006 to 19% for the year ended March 31, 2007 which was partially offset by an increase in gross profit as a percentage of revenue from our BPO services from 24% for the year ended March 31, 2006 to 34% for the year ended March 31, 2007. Gross profit as a percentage of total revenue for Consumer Care and Lighting segment declined by 2% from 37% for the year ended March 31, 2006 to 35% for the year ended March 31, 2007. Gross profit as a percentage of revenues from our India and AsiaPac IT Services and Products remained constant at 22% for the years ended March 31, 2005 and 2006.
- § Selling and marketing expenses increased by 44% from Rs. 6,764 million for the year ended March 31, 2006 to Rs. 9,173 million for the year ended March 31, 2007. This increase was primarily on account of an increase in selling and marketing expenses in our IT Services business by Rs. 1,107 million, an increase in selling and marketing expenses in our India and AsiaPac IT Services and Products business by Rs. 676 million, an increase

in the selling and marketing expenses in our Consumer Care and Lighting business by Rs. 322 million and an increase in selling and marketing expenses in Others including reconciling items by Rs. 253 million.

§ General and administrative expenses increased by 46% from Rs. 5,239 million for the year ended March 31, 2006 to Rs. 7,639 million for the year ended March 31, 2007. This increase was primarily on account of an increase in general and administrative expenses of our IT Services and Products business by Rs. 1,350 million, an increase in BPO Services by Rs. 231 million, an increase in general and administrative expenses of our India and AsiaPac IT Services and Products business by Rs. 357 million, and an increase in general and administrative expenses of Others including reconciling items by Rs. 444 million.

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- § As a result of the foregoing factors, operating income increased by 36% from Rs. 21,972 million for the year ended March 31, 2006 to Rs. 29,868 million for the year ended March 31, 2007.
- § Other income, net, increased from Rs. 1,276 million for the year ended March 31, 2006 to Rs. 2,667 million for the year ended March 31, 2007. The increase in other income was primarily due to an increase in the average quantum of investments and an increase in the average yield during the year ended March 31, 2007.
- § Income taxes increased by 14% from Rs. 3,265 million for the year ended March 31, 2006 to Rs. 3,723 million for the year ended March 31, 2007. Our effective tax rate decreased from 13.9% for the year ended March 31, 2006 to 11.3% for the year ended March 31, 2007. This decrease was primarily attributable to reversal of income taxes in respect of prior years and an increase in the share of income which is exempt from tax.
- § Equity in earnings of affiliates for the year ended March 31, 2006 and 2007 was Rs. 288 million and Rs. 318 million respectively. Equity in earnings of affiliates of Rs. 318 million for the year ended March 31, 2007 comprises equity in earnings of Wipro GE of Rs. 302 million, net gain on sale of a portion of the interest in WeP Peripherals of Rs. 40 million and equity in loss of WM Net Serv of Rs. 24 million. Equity in earnings of affiliates of Rs. 288 million for the year ended March 31, 2006 comprises equity in earnings of Wipro GE of Rs. 259 million and equity in earnings of WeP Peripherals of Rs. 29 million.
- § As a result of the foregoing factors, net income increased by 44% from Rs. 20,270 million for the year ended March 31, 2006 to Rs. 29,169 million for the year ended March 31, 2007.

**Analysis of year ended March 31, 2006 and 2005**

- § Our total revenues increased by 30% from Rs. 81,353 million for the year ended March 31, 2005 to Rs. 106,107 million for the year ended March 31, 2006. This was driven primarily by a 34%, 19%, 23%, 23% and 23% increase in revenue from our IT Services and Products, BPO Services, India and AsiaPac IT Services and Products, Consumer Care and Lighting and Others business segments, respectively.
- § As a percentage of total revenue, gross profit declined marginally by 1% from 34% for the year ended March 31, 2005 to 33% for the year ended March 31, 2006. This was primarily on account of a decline in gross profit as a percentage of revenue from our IT Services and Products segment from 38% for the year ended March 31, 2005 to 36% for the year ended March 31, 2006 and BPO Services from 26% for the year ended March 31, 2005 to 24% for the year ended March 31, 2006 which was partially offset by an increase in gross profit as a percentage of revenue from our Consumer Care and Lighting segment by 1% from 36% for the year ended March 31, 2005 to 37% for the year ended March 31, 2006. Gross profit as a percentage of revenues from our India and AsiaPac IT Services and Products remained constant at 22% for the years ended March 31, 2005 and 2006.
- § Selling and marketing expenses increased by 24% from Rs. 5,466 million for the year ended March 31, 2005 to Rs. 6,764 million for the year ended March 31, 2006. This increase was primarily on account of an increase in selling and marketing expenses in our IT Services business by Rs. 771 million, a decrease in BPO Services by Rs. 52 million, an increase in selling and marketing expenses in our India and AsiaPac IT Services and Products business by Rs. 241 million and increase in the selling and marketing expenses in our Consumer Care and Lighting business by Rs. 284 million and an increase in selling and marketing expenses in Others including reconciling items by Rs. 54 million.
- § General and administrative expenses increased 40% from Rs. 3,744 million for the year ended March 31, 2005 to Rs. 5,238 million for the year ended March 31, 2006. This increase was primarily on account of an increase in general and administrative expenses of our IT Services and Products business by Rs. 1,167 million, an increase in BPO Services by Rs. 238 million, an increase in general and administrative expenses of our India and AsiaPac IT Services and Products business by Rs. 53 million, an increase in general and administrative expenses of our

Consumer Care and Lighting business by Rs. 20 million and an increase in general and administrative expenses of Others including reconciling items by Rs. 16 million.

§ As a result of the foregoing factors, operating income increased by 23% from Rs. 17,857 million for the year ended March 31, 2005 to Rs. 21,972 million for the year ended March 31, 2006.

§ Other income, net, increased from Rs. 799 million for the year ended March 31, 2005 to Rs. 1,276 million for the year ended March 31, 2006. The increase in other income is primarily due to an increase in the average quantum of investments and an increase in the average yield during the year ended March 31, 2006.

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- § Income taxes increased by 21% from Rs. 2,694 million for the year ended March 31, 2005 to Rs. 3,265 million for the year ended March 31, 2006. Our effective tax rate decreased from 14.5% for the year ended March 31, 2005 to 13.9% for the year ended March 31, 2006. Income taxes for the year ended March 31, 2006 include reversal of provision of Rs. 175 million in respect of prior years due to a favorable tax order. Excluding this, our effective tax rate increased from 14.5% for the year ended March 31, 2005 to 14.9% for the year ended March 31, 2006. The increase in effective tax rate is primarily on account of an increase in the proportion of income being subject to tax.
- § Equity in earnings of affiliates for the year ended March 31, 2005 and 2006 was Rs. 158 million and Rs. 288 million respectively. Equity in earnings of affiliates of Rs. 288 million for the year ended March 31, 2006 comprises equity in earnings of Wipro GE of Rs. 259 million and equity in earnings of WeP Peripherals of Rs. 29 million. Equity in earnings of affiliates of Rs. 158 million for the year ended March 31, 2005 comprises equity in earnings of Wipro GE of Rs. 126 million and equity in earnings of WeP Peripherals of Rs. 32 million.
- § As a result of the foregoing factors, net income increased by 28% from Rs. 15,832 million for the year ended March 31, 2005 to Rs. 20,270 million for the year ended March 31, 2006.

**Segment analysis***Reorganization of segments:*

Until June 30, 2005, we reported Global IT Services and Products as an integrated business segment. Effective July 1, 2005, we reorganized the management structure of our Global IT Services and Products segment. Pursuant to this reorganization, we have reorganized our business into new operating segments. Business lines with similar economic characteristics and which comply with segment aggregation criteria specified in U.S. GAAP have been combined to form our reportable segments. Consequently, IT Services and Products, and BPO Services qualify as reportable segments and are reported separately. Segment data for fiscal 2005 have been reclassified to conform to the fiscal 2006 and 2007 presentation.

*Global IT Services and Products*

Our Global IT Services and Products segment provides IT services to customers in the Americas, Europe and Japan and BPO Services to clients in North America, Europe, Australia and other markets. The range of IT services we provide includes IT consulting, custom application design, development, re-engineering and maintenance, systems integration, package implementation, technology infrastructure outsourcing, testing services and research and development services in the areas of hardware and software design. Our services offerings in BPO Services include customer interaction services, finance and accounting services and process improvement services for repetitive processes.

The operations of most of the companies acquired through 2005 and 2006 consisting of mPower, New Logic, cMango, Enabler, Saraware and Quantech Global Service which are part of our IT Services and Products, are currently reviewed by our Chief Operating Decision Maker, or CODM, separately, and have accordingly been reported separately under Acquisitions in the Notes to our Financial Statements.

Our Global IT Services and Products segment accounted for 74% of our revenue and 89% of our operating income for the year ended March 31, 2007. Of these percentages, our IT Services and Products segment accounted for 68% of our revenue and 82% of our operating income for the year ended March 31, 2007 and our BPO Services segment accounted for 6% of our revenue and 7% of our operating income for the year ended March 31, 2007.

*Global IT Services and Products*

	<b>Year ended March 31,</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>(in millions)</b>		
Revenue			

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	Rs.	Rs.	
<i>IT Services and Products</i>	54,256	72,887	101,353
<i>BPO Services</i>	6,433	7,626	9,389
Total	60,689	80,513	110,742
Gross profit			
<i>IT Services and Products</i>	20,476	25,901	34,536
<i>BPO Services</i>	1,693	1,817	3,216
Total	22,169	27,718	37,752
Selling and marketing expenses	(3,223)	(3,942)	(5,100)

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	<b>Year ended March 31,</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>(in millions)</b>		
General and administrative expenses	(2,739)	(4,144)	(5,725)
Research and development expenses	(274)	(202)	(268)
Amortization of intangibles	(122)	(31)	(225)
Others, net	14	10	94
Operating income	15,825	19,409	26,528
Revenue growth rate over prior period	39%	33%	37%
Gross margin	37%	35%	34%
Operating margin	26%	24%	24%

Revenue from our Global IT Services and Products segment consists of revenue from our IT Services and Products and BPO Services business operating segments.

**IT Services and Products**

	<b>Year ended March 31,</b>			
	<b>2005</b>	<b>2006</b>		<b>Total</b>
	<b>(in millions)</b>	<b>(in millions)</b>		
		<b>IT Services</b>	<b>Acquisitions</b>	
Revenue	54,256	72,419	468	72,887
Gross profit	20,476	25,813	88	25,901
Selling and marketing expenses	(3,122)	(3864)	(29)	(3,893)
General and administrative expenses	(2,226)	(3345)	(47)	(3,392)
Research and Development expenses	(274)	(202)		(202)
Amortization of intangibles	(52)	(8)	(18)	(26)
Others, net	15	7	3	10
Operating income	14,817	18,401	(3)	18,398
Revenue growth rate over prior period	38%	33%	0	34%
Gross margin	38%	36%	19%	36%
Operating margin	27%	25%	(1)%	25%

	<b>Year ended March 31, 2007</b>		
	<b>(in millions)</b>		
	<b>IT</b>		<b>Total</b>
	<b>Services</b>	<b>Acquisitions</b>	
Revenue	96,548	4,805	101,353
Gross profit	33,877	659	34,536
Selling and marketing expenses	(4,883)	(117)	(5,000)
General and administrative expenses	(4,230)	(512)	(4,742)
Research and development expenses	(268)		(268)
Amortization of intangibles		(220)	(220)
Others, net	13	81	94
Operating income	24,509	(109)	24,400
Revenue growth rate over prior period	33%	0	39%
Gross margin	35%	14%	34%

Operating margin	25%	(2)%	24%
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The revenue and profits for any period of our IT services is significantly affected by the proportion of work performed at our facilities in India and at client sites overseas and by the utilization rates of our IT professionals. The higher rates we charge for performing work at client sites overseas do not completely offset the higher costs of performing such overseas work, and therefore, services performed in India generally yield better profit margins. For this reason, we seek to move a project as early as possible from overseas locations to our Indian development centers. As of March 31, 2007, 77% of our professionals engaged in providing IT services were located in India. For the year ended March 31, 2007, 45% of the revenues of our IT services were generated from work performed at our facilities in India.



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In our segment reporting only, management has included the impact of exchange rate fluctuations in revenue. Excluding the impact of exchange rate fluctuations, revenue, as reported in our statements of income, is Rs. 54,236 million, Rs. 73,061 million and Rs. 101,509 million for the years ended March 31, 2005, 2006 and 2007 respectively.

**BPO Services**

	Year ended March 31,		
	2005	2006	2007
	(in millions)		
Revenue	6,433	7,626	9,389
Gross profit	1,693	1,817	3,216
Selling and marketing expenses	(102)	(49)	(100)
General and administrative expenses	(513)	(752)	(983)
Amortization of intangibles	(70)	(5)	(5)
Operating income	1,008	1,011	2,128
Revenue growth rate over prior period	47%	19%	23%
Gross margin	26%	24%	34%
Operating margin	16%	13%	23%

In our segment reporting only, management has included the impact of exchange rate fluctuations in revenue. Excluding the impact of exchange rate fluctuations, revenue, as reported in our statements of income, is Rs. 6,477 million, Rs. 7,664 million and Rs. 9,413 million for the years ended March 31, 2005, 2006 and 2007 respectively.

**Analysis of year ended March 31, 2007 and 2006**

§ Global IT Services and Products revenue increased by 37% from Rs. 80,726 million for the year ended March 31, 2006 to Rs. 110,921 million for the year ended March 31, 2007. IT Services and Products revenue increased by 39% from Rs. 73,061 million for the year ended March 31, 2006 to Rs. 101,509 million for the year ended March 31, 2007. The increase in revenues from IT Services and Products is attributable primarily to two factors. First, we integrated the acquisitions of mPower, New logic, cMango, Saraware, Enabler and Quantech. Second, the increase in revenue from this business segment comprises a 41% increase in revenue from enterprise services and a 30% increase in revenue from technology services. The increase in revenue from enterprise services was primarily driven by increased revenue from services provided to customers in the financial services, healthcare and retail sectors. The increase in revenue from technology services was primarily driven by increased revenue from services provided to customers in the telecom sector and from the design and development of embedded software solutions for customers in the consumer electronics sector. In our IT Services and Products business segment, we added 194 new clients during the year ended March 31, 2007. The total number of clients that individually accounted for over \$1 million run rate in revenue increased from 195 as of March 31, 2006 to 233 as of March 31, 2007.

BPO Services revenue increased by 23% from Rs. 7,626 million for the year ended March 31, 2006 to Rs. 9,389 million for the year ended March 31, 2007. This increase in revenue from our BPO Services business segment was primarily due to an increase in the number of clients and an increase in the scope and volume of services provided to existing clients. In our BPO Services business segment, we added 2 new clients during the year ended March 31, 2007. The total number of clients that individually accounted for over \$ 1 million run rate in revenue increased from 17 as of March 31, 2006 to 22 as of March 31, 2007.

§ Our gross profit as a percentage of revenues of our Global IT Services and Products has decreased marginally from 35% of revenue for the year ended March 31, 2006 to 34% of revenue for the year ended March 31 2007 primarily on account of:

Our gross profit as a percentage of revenues of our IT services and products declined by 2% from 36% for the year ended March 31, 2006 to 34% for the year ended March 31, 2007. The decrease was primarily due to an increase in compensation costs for offshore and onsite employees, as a part of our compensation review in January 2006, September 2006, November 2006 and January 2007, compensation costs arising from the grant of additional stock options, lower utilization rates of our IT professionals, and changes in the onsite-offshore mix during the year as compared to the same period last year. Our gross profit as a percentage of revenues was also impacted by acquisitions which have lower gross profit margins.

Our gross profit as a percentage of revenues of our BPO services increased from 24% for the year ended March 31, 2006 to 34% for the year ended March 31, 2007. The increase in gross profit percentage as a percentage of revenue was primarily due to the rationalization of low-margin projects, higher billing rates and the result of our cost containment initiatives.

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- § Selling and marketing expenses for our Global IT Services and Products business segment increased by 29% from Rs. 3,942 million for the year ended March 31, 2006 to Rs. 5,100 million for the year ended March 31, 2007. This increase was primarily driven by a 28% increase in the selling and marketing expenses in our IT Services and Products business from Rs. 3,893 million for the year ended March 31, 2006 to Rs. 5,000 million for the year ended March 31, 2007. This increase was primarily due to an increase in the number of our sales and marketing personnel from 213 as of March 31, 2006 to 340 as of March 31, 2007, an increase in compensation costs as part of our compensation review in January 2006 and January 2007, the impact of an increase in our sales promotional activities and the impact of additional stock options granted in July 2006 and November 2006.
- § General and administrative expenses for our Global IT Services and Products business segment increased by 38% from Rs. 4,144 million for the year ended March 31, 2006 to Rs. 5,725 million for the year ended March 31, 2007. This increase was primarily due to an increase of Rs. 1,350 in general and administrative expenses of our IT Services and Products business. General and administrative expenses of our BPO Services business increased by Rs. 231 million. The increase in the general and administrative expenses in our IT Services and Products business was primarily due to an increase in compensation costs due to our compensation review in September 2006, November 2006 and January 2007 and additional stock options granted during the period, an increase in the number of support staff and an increase in the volume of operations during the year. The increase in general and administrative expenses in our BPO Services business was primarily due to an increase in compensation costs as part of our compensation review and an increase in support staff consistent with the increase in business volumes.
- § As a result of the above, operating income of our IT Services and Products business increased by 33% from Rs. 18,399 million for the year ended March 31, 2006 to Rs. 24,400 million for the year ended March 31, 2007. Operating income of our BPO services increased from Rs. 1,011 million for the year ended March 31, 2006 to Rs. 2,128 million for the year ended March 31, 2007.

**Analysis of year ended March 31, 2006 and 2005**

- § Global IT Services and Products revenue increased by 33% from Rs. 60,713 million for the year ended March 31, 2005 to Rs. 80,726 million for the year ended March 31, 2006. IT Services and Products revenue increased by 34% from Rs. 54,256 million for the year ended March 31, 2005 to Rs. 73,061 million for the year ended March 31, 2006. This increase was attributable primarily to two factors. First, we acquired mPower and New Logic in December 2005. Second, the increase in revenues from IT Services comprises of a 36% increase in revenues from enterprise services and a 36% increase in revenue from technology services. The increase in revenue from enterprise services was primarily driven by increased revenue from services provided to customers in the financial services, energy and utilities and healthcare and other sectors. The increase in revenue from technology services was primarily driven by increased revenue from the design and development of embedded software solutions for customers in the consumer electronics sector. In our IT Services and Products business segment, we added 166 new clients during the year ended March 31, 2006. The total number of clients that individually accounted for over \$ 1 million run rate in revenue increased from 144 as of March 31, 2005 to 195 as of March 31, 2006.

BPO Services revenue increased by 19% from Rs. 6,433 million for the year ended March 31, 2005 to Rs. 7,626 million for the year ended March 31, 2006. This increase in revenue from our BPO Services business segment was primarily due to an increase in the number of clients and an increase in the scope and volume of services provided to existing clients. In our BPO Services business segment, we added 5 new clients during the year ended March 31, 2006. The total number of clients that individually accounted for over \$ 1 million run rate in revenue increased from 13 as of March 31, 2005 to 17 as of March 31, 2006.

- § Our gross profit as a percentage of revenues of our Global IT Services and Products has decreased by 2% from 37% of revenue for the year ended March 31, 2005 to 35% of revenue for the year ended March 31 2006 primarily on account of:

Our gross profit as a percentage of revenues of our IT services and products declined by 2% from 38% for the year ended March 31, 2005 to 36% for the year ended March 31, 2006. The decrease was primarily due to an increase in compensation costs for offshore and onsite employees, as a part of our compensation review in November 2005 and January 2006 respectively, an increase in amortization of deferred compensation costs and impact of fringe benefit taxes. Our gross profit as a percentage of revenues was also impacted by the new acquisitions which have a lower gross profit margin.

Our gross profit as a percentage of revenues of our BPO services declined by 2% from 26% for the year ended March 31, 2005 to 24% for the year ended March 31, 2006. The decrease was primarily due to increase in compensation costs as part of our compensation review in October 2005, an increase in amortization of deferred compensation costs and the impact of fringe benefit taxes.

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- § Selling and marketing expenses for our Global IT Services and Products business segment increased by 22% from Rs. 3,223 million for the year ended March 31, 2005 to Rs. 3,942 million for the year ended March 31, 2006. This was primarily due to a 25% increase in the selling and marketing expenses in our IT Services and Products business from Rs. 3,122 million for the year ended March 31, 2005 to Rs. 3,893 million for the year ended March 31, 2006, partially offset by a decline of 52% in the selling and marketing expenses in BPO Services, from Rs. 102 million for the year ended March 31, 2005 to Rs. 49 million for the year ended March 31, 2006. The increase of Rs. 771 million in selling and marketing expenses in our IT Services and Products business was primarily due to an increase in the number of our sales and marketing personnel from 173 as of March 31, 2005 to 213 as of March 31, 2006, an increase in compensation costs as part of our compensation review in January 2006, and an increase in the amortization of deferred compensation costs. The decline of Rs. 52 million in the selling and marketing expenses in our BPO Services business is primarily on account of a rationalization of the sales force.
- § General and administrative expenses for our Global IT Services and Products business segment increased by 51% from Rs. 2,739 million for the year ended March 31, 2005 to Rs. 4,144 million for the year ended March 31, 2006. The increase of Rs. 1,405 million in general and administrative expenses is primarily due to an increase in general and administrative expenses of our IT Services and Products business by Rs. 1,167 million and an increase in general and administrative expenses of our BPO Services business by Rs. 238 million. The increase of Rs. 1,167 million in the general and administrative expenses in our IT Services and Products business was primarily due to an increase in compensation costs as part of our compensation review from November 2005 at offshore and January 2006 at onsite, an increase in provision for doubtful receivables and an increase in recruitment expenditure due to increase in the number of hires. The increase of Rs. 238 million in the general and administrative expenses in our BPO Services business is primarily due to an increase in compensation costs as part of our compensation review effective October 2005, higher occupancy costs and increase in expenditure on recruiting employees.
- § Operating income of our IT Services and Products business increased by 24% from Rs. 14,817 million for the year ended March 31, 2005 to Rs. 18,399 million for the year ended March 31, 2006. Operating income of our BPO services increased from Rs. 1,008 million for the year ended March 31, 2005 to Rs. 1,011 million for the year ended March 31, 2006.

**India and AsiaPac IT Services and Products.**

Our India and AsiaPac IT Services and Products segment is a leader in the Indian IT market and focuses primarily on meeting the requirements for IT products and services of companies in India, AsiaPacific and the Middle East region. Our India and AsiaPac IT Services and Products segment accounted for 16% of our revenue and 7% of our operating income for the year ended March 31, 2007.

The operations of 3D Networks are currently reviewed by our Chief Operating Decision Maker, or CODM, as a integral part of India and AsiaPac IT Services and Products segment, and have accordingly been reported under this segment.

		Year ended March 31,	
	2005	2006	2007
		(in	
		millions)	
Revenue			
	Rs.		
Services	4,709	Rs. 6,097	Rs. 8,369
Products	8,686	10,378	15,494
Total	13,395	16,475	23,863
Gross profit			
Services	2,030	2,548	3,757

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Products	871	1092	1,551
Total	2,901	3,640	5,308
Selling and marketing expenses	(1,150)	(1,392)	(2,068)
General and administrative expenses	(788)	(841)	(1,198)
Amortization of intangibles		(12)	(32)
Others, net	7	9	29
Operating income	970	1404	2,039
Revenue growth rate over prior period	42%	23%	45%
Gross margin	22%	22%	22%
Operating margin	7%	9%	9%

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In our segment reporting only, management has included the impact of exchange rate fluctuations in revenue. Excluding the impact of exchange rate fluctuations, revenue, as reported in our statements of income, is Rs. 13,403 million, Rs.16,477 million and Rs. 23,888 for the years ended March 31, 2005, 2006 and 2007 respectively.

**Analysis of year ended March 31, 2007 and 2006**

§ India and AsiaPac IT Services and Products revenue increased by 45% from Rs. 16,477 million for the year ended March 31, 2006 to Rs. 23,888 million for the year ended March 31, 2007. Revenue from the products component of our India and AsiaPac IT Services and Products business segment increased by 50% from Rs. 10,380 million for the year ended March 31, 2006 to Rs. 15,520 million for the year ended March 31, 2007. The increase is attributable to an increase in revenue from traded products by 42% and in manufactured products by 35%.

Revenue from the services component of our India and AsiaPac IT Services and Products business segment grew by 37% from Rs. 6,097 million in the year ended March 31, 2006 to Rs. 8,369 million for the year ended March 31, 2007. The increase was primarily due to an increase in revenue from service lines including consulting services, system integration services and total outsourcing services, and growth in our core business of hardware and software support and maintenance services.

§ As a percentage of India and AsiaPac IT Services and Products revenue, gross profit remained constant at 22% for the years ended March 31, 2006 and 2007. Our gross profit as a percentage of revenues of our services segment of our India and AsiaPac IT Services and Products improved by 3% from 42% for the year ended March 31, 2006 to 45% for the year ended March 31, 2007. This improvement was primarily due to higher realization rates and better utilization of the personnel.

This decline was offset by a marginal decline in gross profit as a percentage of revenues of our products segment of our India and AsiaPac IT Services and Products from 11% for the year ended March 31, 2006 to 10% for the year ended March 31, 2007. Our gross margin for Products has declined due to an increase in the proportion of revenues from products with lower gross margins.

§ Selling and marketing expenses for our India and AsiaPac IT Services and Products business segment increased by 49% from Rs. 1,392 million for the year ended March 31, 2006 to Rs. 2,068 million for the year ended March 31, 2007. This was primarily due to an increase in compensation costs due to an increase in the number of sales and marketing personnel for this business segment, an increase in compensation costs as part of our compensation review in October 2006, an increase in dealer commission consequent to an increase in proportion of sales initiated through distribution channels and an increase in a marketing activities which is in line with the increase in the business volumes.

§ General and administrative expenses for our India and AsiaPac IT Services and Products business segment increased by 42% from Rs. 841 million for the year ended March 31, 2006 to Rs. 1,198 million for the year ended March 31, 2007. This was primarily due to an increase in compensation costs as part of our compensation review in October 2006.

§ As a result of the above, operating income of our India and AsiaPac IT Services and Products increased by 46% from Rs. 1,404 million for the year ended March 31, 2006 to Rs. 2,039 million for the year ended March 31, 2007.

**Analysis of year ended March 31, 2006 and 2005**

§ India and AsiaPac IT Services and Products revenue increased by 23% from Rs. 13,403 million for the year ended March 31, 2005 to Rs. 16,477 million for the year ended March 31, 2006. Revenue from the products component of our India and AsiaPac IT Services and Products business segment increased by 19% from Rs. 8,694 million for the year ended March 31, 2005 to Rs. 10,380 million for the year ended March 31, 2006. The

increase was attributable to an increase in revenue from traded products by 22% and in manufactured products by 11%.

Revenue from the services component of our India and AsiaPac IT Services and Products business segment grew by 29% from Rs. 4,709 million in the year ended March 31, 2005 to Rs. 6,097 million for the year ended March 31, 2006. The increase was primarily due to an increase in revenue from service lines like consulting



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services and system integration services and growth in our core service business of hardware and software support and maintenance services.

- § As a percentage of India and AsiaPac IT Services and Products revenue, gross profit remained constant at 22% for the years ended March 31, 2005 and 2006. Our gross profit as a percentage of revenues of our services segment of our India and AsiaPac IT Services and Products declined by 1% from 43% for the year ended March 31, 2005 to 42% for the year ended March 31, 2006. This decline was offset by an increase in the gross profit as a percentage of revenues of our products segment of our India and AsiaPac IT Services and Products by 1% from 10% for the year ended March 31, 2005 to 11% for the year ended March 31, 2006.
- § Selling and marketing expenses for our India and AsiaPac IT Services and Products business segment increased by 21% from Rs. 1,150 million for the year ended March 31, 2005 to Rs. 1,392 million for the year ended March 31, 2006. This was primarily due to two factors. First, an increase in compensation costs due to an increase in the number of sales and marketing personnel for this business segment and an increase in compensation costs as part of our compensation review in November 2005. Second, an increase in shipping and handling costs from Singapore to customer locations on account of an increase in proportion of revenues from our overseas manufacturing facilities.
- § General and administrative expenses for our India and AsiaPac IT Services and Products business segment increased by 7% from Rs. 788 million for the year ended March 31, 2005 to Rs. 841 million for the year ended March 31, 2006. This was primarily due to an increase in compensation costs as part of our compensation review in November 2005.
- § As a result of the above, operating income of our India and AsiaPac IT Services and Products increased by 45% from Rs. 970 million for the year ended March 31, 2005 to Rs. 1,404 million for the year ended March 31, 2006.

**Consumer Care and Lighting**

We leverage our brand name and distribution strengths to sustain a profitable presence in niche markets in the areas of soaps, toiletries, lighting products and hydrogenated cooking oils for the Indian market. Our Consumer Care and Lighting segment accounted for 5% of our revenue and 4% of our operating income for the year ended March 31, 2007.

**Consumer Care and Lighting**

	<b>Year ended March 31,</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
		(in millions)	
	Rs.		
Revenue	4,555	Rs. 5,625	Rs. 7,563
Gross profit	1,629	2,069	2,658
Selling and marketing expenses	(877)	(1,160)	(1,483)
General and administrative expenses	(82)	(102)	(120)
Amortization of intangibles	(18)	(21)	(4)
Others, net	19	13	19
Operating income	671	799	1,069
Revenue growth rate over prior period	28%	23%	34%
Gross margin	36%	37%	35%
Operating margin	15%	14%	14%

We have been in the Consumer Care business since 1945 and the lighting business since 1992. The Consumer Care business has historically generated surplus cash. Our strategy is to sustain operating margins, continue generating

positive operating cash flows and increase the proportion of revenues from high margin products.

**Analysis of year ended March 31, 2007 and 2006**

§ Consumer Care and Lighting revenue increased by 34% from Rs. 5,625 million for the year ended March 31, 2006 to Rs. 7,563 million for the year March 31, 2007. The increase in revenue is attributable to an increase in the volume of our soap, lighting and furniture products, an increase in the prices of certain products and the integration of sales from our acquisition of Northwest.

§ As a percentage of Consumer Care and Lighting revenue, gross profit decreased by 2% from 37% for the year ended March 31, 2006 to 35% for the year ended March 31, 2007. This was primarily due to an increase in the

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proportion of revenue from furniture and lighting products, which typically have lower gross margins as compared to soap products.

§ Selling and marketing expenses for our Consumer Care and Lighting business increased by 28% from Rs. 1,160 million for the year ended March 31, 2006 to Rs. 1,483 million for the year ended March 31, 2007. This was primarily due an increase in sales promotion expenses for building brands and expanding market share in select geographies in this business segment and increase in sales personnel and increase in compensation costs.

§ As a result of the above, operating income of our Consumer Care and Lighting business increased by 34% from Rs. 799 million for the year ended March 31, 2006 to Rs. 1,069 million for the year ended March 31, 2007.

**Analysis of year ended March 31, 2006 and 2005**

§ Consumer Care and Lighting revenue increased by 23% from Rs. 4,555 million for the year ended March 31, 2005 to Rs. 5,625 million for the year March 31, 2006. This was primarily due to increased efforts on expanding market presence in select geographies which resulted in higher sales of soap products, lighting (luminous and compact fluorescent lamp).

§ As a percentage of Consumer Care and Lighting revenue, gross profit increased by 1% from 36% for the year ended March 31, 2005 to 37% for the year ended March 31, 2006. This was due to an increase in the proportion of revenues from soap products which typically have higher margins than lighting products.

§ Selling and marketing expenses for our Consumer Care and Lighting business increased by 32% from Rs. 877 million for the year ended March 31, 2005 to Rs. 1,160 million for the year ended March 31, 2006. This was primarily due an increase in sales promotion expenses for building brands and expanding market share in select geographies in this business segment and an increase in sales personnel and an increase in compensation costs.

§ General and administrative expenses for Consumer Care and Lighting increased by 24% from Rs. 82 million for the year ended March 31, 2005 to Rs. 102 million for the year ended March 31, 2006. The increase was primarily due to an increase in compensation costs as part of our compensation review which is effective from November 2005.

§ As a result of the above, operating income of our Consumer Care and Lighting increased by 19% from Rs. 671 million for the year ended March 31, 2005 to Rs. 798 million for the year ended March 31, 2006.

**Others, including reconciling items**

**Analysis of year ended March 31, 2007 and 2006**

§ Revenue from Others increased from Rs. 3,279 million for the year ended March 31, 2006 to Rs. 7,063 million for the year ended March 31, 2007. This was primarily due to integration of the revenues arising from our acquisition of Hydrauto Group of Rs. 2,756 million and an increase in revenue from the sale of hydraulic cylinders and tipping gear systems.

§ As a percentage of revenue, gross profit declined from 25% of revenue for the year ended March 31, 2006 to 19% of revenue for the year ended March 31, 2007. This was primarily due to integration of our acquisition of Hydrauto Group, which reported a gross profit of 13% during the year ended March 31, 2007.

§ Selling and marketing expenses for Others, including reconciling items, have increased from Rs. 270 million for the year ended March 31, 2006 to Rs. 523 million for the year ended March 31, 2007. This increase is attributable to an increase in use of premium distribution channel for deliveries and due to integration of Hydrauto Group during the year ended March 31, 2007.

§

General and administrative expenses for Others, including reconciling items, have increased from Rs. 151 million for the year ended March 31, 2006 to Rs. 596 million for the year ended March 31, 2007. This was primarily due to integration of our acquisition of Hydrauto Group during the year ended March 31, 2007.

§ As a result of the above, operating income of Others, including reconciling items, declined from Rs. 360 million for the year ended March 31, 2006 to Rs. 231 million for the year ended March 31, 2007.

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Revenue from Others increased by 22% from Rs. 2,681 million for the year ended March 31, 2005 to Rs. 3,279 million for the year ended March 31, 2006. This was primarily due to a 37% increase in the revenues from the sale of hydraulic cylinders and tipping gear systems in our Wipro Infrastructure Engineering business.

Selling and marketing expenses for Others, including reconciling items, increased by 25% from Rs. 216 million for the year ended March 31, 2005 to Rs. 270 million for the year ended March 31, 2006.

General and administrative expenses for Others, including reconciling items, increased by 12% from Rs. 135 million for the year ended March 31, 2005 to Rs. 151 million for the year ended March 31, 2006.

As a result of the above, operating income of Others, including reconciling items, declined by Rs. 31 million from Rs. 391 million for the year ended March 31, 2005 to Rs. 360 million for the year ended March 31, 2006.

**Acquisitions***Acquisition of Ownership Interest in a Subsidiary*

As of March 31, 2005, we held approximately 93% of the outstanding equity shares of Wipro BPO Solutions Limited which we refer to as Wipro BPO. The remaining shares were held by employee shareholders.

During the year ended March 31, 2006, we acquired the 7% balance from the employee shareholders at fair value for an aggregate consideration of Rs. 852 million. This step-acquisition resulted in goodwill and intangibles of Rs. 304 million and Rs. 15 million respectively. As a result of this transaction, Wipro BPO became our wholly owned subsidiary.

We completed the following acquisitions during the year ended March 31, 2006.

*mPower Software Services Inc. and subsidiaries*

In December 2005, we acquired 100% of the equity of mPower Software Services Inc. and subsidiaries (mPower) including the minority shareholding held by MasterCard International in mPact India, a joint venture between MasterCard International and mPower Inc, for an aggregate cash consideration of Rs. 1,275 million. mPower Software Services Inc. is a US based Company engaged in providing IT services in the payments service sector.

As a part of this acquisition, we plan to provide MasterCard a wide range of services including application development and maintenance, infrastructure services, package implementation, BPO and testing. We believe that through this acquisition, we will be able to expand domain expertise in the payment service sector and increase the addressable market for IT services.

The total purchase price has been allocated to the acquired assets and liabilities as follows:

<b>Description</b>	<b>Fair value (in millions)</b>
Net tangible assets	Rs. 185
Customer-related intangibles	513
Deferred tax liabilities	(177)
Goodwill	754
<b>Total</b>	<b>Rs. 1,275</b>

*BVPENTE Beteiligungsverwaltung GmbH and subsidiaries*

In December 2005, we acquired 100% of the equity of BVPENTE Beteiligungsverwaltung GmbH and subsidiaries (New Logic). New Logic is a European system-on-chip design company. The consideration included an upfront consideration of Rs. 1,156 million, subject to working capital adjustments, and an earn-out of Euro 27 million to be determined and paid in the future based on financial targets being achieved over a 3 year period. During the year ended March 31, 2007, we paid an additional consideration of Rs. 69 million towards the working capital adjustment. We have determined that a portion of the earn-out, up to a maximum of Euro 2 million is linked to the continuing

employment of one of the selling shareholders. The balance earn-out will be recorded as additional purchase price when the contingency is resolved.

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We believe that through this acquisition, we have acquired strong domain expertise in semiconductor Intellectual Property (IP) cores and complete system-on-chip solutions with digital, analog mixed signal and Radio Frequency (RF) design services. The acquisition also enables us to access over 20 customers in the product engineering space.

The purchase price has been allocated to the acquired assets and liabilities as follows:

<b>Description</b>	<b>Fair value (in millions)</b>
Net tangible assets	Rs. 307
Customer-related intangibles	117
Technology-related intangibles	96
Deferred tax liabilities	(53)
Goodwill	758
<b>Total</b>	<b>Rs. 1,225</b>

We completed the following acquisitions during the year ended March 31, 2007.

*cMango Inc. and subsidiaries*

In April 2006, we acquired 100% of the equity of cMango Inc. and subsidiaries (cMango). cMango is a provider of Business Service Management (BSM) solutions. The consideration (including direct acquisition costs) included a cash payment of Rs. 884 million and an earn-out of USD 12 million to be determined and paid in the future based on specific financial targets being achieved over a two year period. The earn-out will be recorded as additional purchase price when the contingency is resolved.

We believe that through this acquisition we will expand our operations in the Business Management Services sector. This acquisition also enables us to access over 20 customers in the Business Management services sector.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

<b>Description</b>	<b>Fair value (in millions)</b>
Net tangible assets/(liabilities)	Rs. (23)
Customer-related intangibles	132
Deferred tax liabilities	(46)
Goodwill	821
<b>Total</b>	<b>Rs. 884</b>

*RetailBox BV and subsidiaries*

In June 2006, we acquired 100% of the equity of RetailBox BV and subsidiaries (Enabler). Enabler is in the business of providing comprehensive IT solutions and services. The consideration (including direct acquisition costs) included a cash payment of Rs. 2,442 million and an earn-out of Euro 11 million to be determined and paid in the future based on specific financial targets being achieved over a two year period. The earn-out will be recorded as additional purchase price when the contingency is resolved.

Through this acquisition we aim to provide a wide range of services including Oracle retail implementation, digital supply chain, business optimization and integration. Further, through this acquisition, we aim to expand domain expertise both in the retail and technology sectors and obtain a presence in five different geographical locations.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

<b>Description</b>	<b>Fair value</b>
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	<b>(in millions)</b>
Net tangible assets	Rs. 389
Customer-related intangibles	298
Deferred tax liabilities	(104)
Goodwill	1,859
<b>Total</b>	<b>Rs. 2,442</b>

*Northwest Switchgear Limited*

In May 2006, we acquired a substantial portion of the business of North-west Switchgear Limited a manufacturer and distributor of switches, sockets and miniature circuit breakers (collectively the products ) under the trademark/ brand name North-West. The consideration (including direct acquisition costs) included a cash payment of

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Rs 1,132 million and an earn-out of Rs. 200 million to be determined and paid in the future based on achievement of a specified revenue levels over a period of four years. Further, we have entered into a non-compete and manufacturing agreement with the sellers. Under the manufacturing agreement, the seller will manufacture the products for us using certain assets and employees retained by the seller. The manufacturing agreement is for a period of five years. Amounts paid by us for such manufacturing services will be recorded through the income statement. The earn-outs which are not linked to any post-acquisition services by the seller will be recorded as additional purchase consideration when the contingency is resolved.

Based on the guidance in EITF Issue No. 98-3, Determining Whether a Non-monetary Transaction Involves Receipt of Productive Assets of a Business, we have accounted for this transaction as an acquisition of a business. A significant portion of the consideration has been allocated to the trademark/brand name North-West.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

<b>Description</b>	<b>Fair value (in millions)</b>
Net tangible assets	Rs. 34
Marketing-related intangibles	1,098
<b>Total</b>	<b>Rs. 1,132</b>

*Saraware Oy*

In June 2006, we acquired 100% of the equity of Saraware Oy (Saraware) a Company involved in providing design and engineering services to telecom companies. We acquired Saraware for an aggregate consideration of Rs. 947 million and an earn-out of Euro 7 million to be determined and paid in future based on financial targets being achieved over a period of 18 months. In addition, amounts collected against certain specific reward/ incentive assets at the acquisition date are payable to the sellers. We have paid Rs. 149 million against specific reward/ incentives collected and Rs. 19 million as earn-out against targets achieved during the period ended March 31, 2007. The earn-out and the additional payments are recorded as additional purchase price when the related contingencies are resolved.

Through this acquisition we aim to expand our presence in the engineering services space in Finland and the Nordic region.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

<b>Description</b>	<b>Fair value (in millions)</b>
Net tangible assets/(liabilities)	Rs. 187
Customer-related intangibles	254
Deferred tax liabilities	(89)
Goodwill	763
<b>Total</b>	<b>Rs. 1,115</b>

*Quantech Global Services*

In July 2006, we acquired 100% of the equity of Quantech Global Services LLC and Quantech Global Services Ltd (Quantech). Quantech provides computer aided design and engineering services. The consideration includes upfront cash payment of Rs. 142 million, a deferred cash payment of USD 3 million and an earn-out to be determined and paid in the future based on specific financial targets being achieved over a period of 36 months.

Through this acquisition, we aim to strengthen our presence in the mechanical engineering design and analysis services sector.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

<b>Description</b>	<b>Fair value (in millions)</b>
Net tangible assets/(liabilities)	Rs. (230)
Customer-related intangibles	45
Deferred tax liabilities	(16)
Goodwill	482
<b>Total</b>	<b>Rs. 281</b>

*Hydrauto Group*

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In November 2006, we acquired 100% of the equity of Hydrauto Group AB (Hydrauto). Hydrauto is engaged in the production, marketing and development of customized hydraulic cylinders solution for mobile applications such as mobile cranes, excavator, dumpers and trucks. The consideration (including direct acquisition cost) included cash payment of Rs. 1,412 million. Through this acquisition we aim to gain an entry into Europe, access to a customer base built over the past few decades and complementary engineering skills.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

<b>Description</b>	<b>Fair value (in millions)</b>
Net tangible assets/(liabilities)	Rs. 202
Customer-related intangibles	74
Deferred tax liabilities	(25)
Goodwill	1,161
<b>Total</b>	<b>Rs. 1,412</b>

*3D Networks*

In November 2006, we acquired 100% of the equity of the India, Middle East and South Asian operations of 3D Networks and Planet PSG. 3D Networks provides business communication solutions that include consulting, voice, data and converged solutions and managed services. These specialized solutions are deployed in the ITES/IT, Telecom, Banking and Finance, Government and Service verticals. Planet PSG provides professional services on voice and speech platforms in the Asia Pacific region. The consideration (including direct acquisition cost) included upfront cash payment of Rs. 904 million and a maximum earn-out of USD 44 million to be determined and paid in the future based on achieving certain agreed financial targets over a 24 months period. We believe that this acquisition is a strategic fit as it complements Wipro's existing practice capabilities and differentiates Wipro as the most comprehensive IT Solutions provider across segments.

The purchase price has been preliminarily allocated to the acquired assets and liabilities as follows:

<b>Description</b>	<b>Fair value (in millions)</b>
Net tangible assets/(liabilities)	Rs. 508
Customer-related intangibles	136
Deferred tax liabilities	(46)
Goodwill	306
<b>Total</b>	<b>Rs. 904</b>

For all the above acquisitions except New Logic and mPower, the purchase consideration has been allocated on a preliminary basis based on management's estimates. We are in the process of making a final determination of the carrying value of assets and liabilities, which may result in changes in the carrying value of net assets recorded. Finalization of the purchase price allocation, which is expected to be completed during the period ending June 30, 2007 may result in certain adjustments to the above allocations.

**Stock compensation expense**

Effective April 1, 2006, we adopted SFAS No. 123 (revised 2004), Share-Based Payment, (SFAS No. 123 (R)), which requires the measurement and recognition of compensation expense for all stock-based payment awards based on the grant-date fair value of those awards. Previously, we used the intrinsic value based method, permitted by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock issued to Employees, to account for its employee stock-based compensation plans and had adopted the pro-forma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation.

We have adopted SFAS No. 123(R) using the modified prospective application method. Under this approach we have recognized compensation expense for share-based payment awards granted prior to, but not yet vested as of April 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123. Pursuant to adoption of SFAS No. 123(R), we have recognized additional compensation expense of Rs. 165.00 million for the year ended March 31, 2007.

As of March 31, 2007, there were 7,499,980 options outstanding under our WRSUP 2004 plan and 1,551,330 options outstanding under our WARSUP 2004 plan. The compensation cost arising from such grants is being amortized over the vesting period of five years.

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As a result of the above, we have amortized stock compensation expenses of Rs. 354 million, Rs. 652 million and Rs. 1,336 million for the years ended March 31, 2005, 2006 and 2007 respectively.

The stock compensation charge has been allocated to cost of revenue and selling and marketing expenses and general and administrative expenses in line with the nature of the service rendered by the employee who received the benefit.

The allocation is as follows:

	Year ended March 31,		
	2005	2006	2007
	(in millions)		
Cost of revenue	Rs. 238	Rs. 437	Rs. 1,045
Selling and marketing expenses	49	75	169
General and administrative expenses	67	140	122
	Rs. 354	Rs. 652	Rs. 1,336

**Amortization of Intangible Assets**

Intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. We have amortized intangible assets of Rs. 140 million, Rs. 94 million and Rs. 379 million for the years ended March 31, 2005, 2006 and 2007 respectively.

**Foreign Exchange Gains/(Losses), net**

Foreign exchange gains, net, comprise:

exchange differences arising from the translation or settlement of transactions in foreign currency; and

The changes in fair value for derivatives not designated as hedging derivatives and ineffective portion of the hedging instruments. For forward foreign exchange contracts which are designated and effective as accounting hedges, the marked to market gains and losses are deferred and reported as a component of other comprehensive income in stockholder's equity and subsequently recorded in the income statement when the hedged transaction occurs along with the hedged item.

**Others, net**

Others, net, include net gains on the sale of property, plant, equipment, and other operating income.

**Loss on Direct Issue of Stock by Subsidiary**

As of March 31, 2004, Wipro BPO had 4,745,731 employee stock options outstanding under the Wipro BPO option plan. During the year ended March 31, 2005, 4,637,375 options vested and were exercised at a price of Rs. 57 per share.

As the exercise price per option was less than our carrying value per share, the decline in the carrying value of our ownership interest of Rs. 207 million has been included in the statement of income for the year ended March 31, 2005 as a loss on the direct issue of stock by a subsidiary.

The shares issued as a result of the option exercises are covered by a share repurchase feature that entitles us to repurchase these shares at the then fair value and also gives the employee the right to sell the shares back to us at the then fair value. Both we and the employee can exercise this repurchase right after six months from the date of option exercise. During the year ended March 31, 2005, we acquired 4,147,561 shares from the employees of Wipro BPO for an aggregate consideration of Rs. 618 million, pursuant to the repurchase right. The excess of consideration paid over the value of minority interest acquired amounting to Rs. 189 million has been recorded as goodwill.

**Other Income, net**

Our other income includes interest income on short-term investments, net of interest expense on short-term and long-term debt, dividend income and realized gains/losses on the sale of investment securities.

**Equity in Earnings/Losses of Affiliates**

*Wipro GE Medical Systems Private Limited. (Wipro GE).* We hold a 49% equity interest in Wipro GE Medical Systems Private Limited, a venture where General Electric, USA holds the balance of 51%.

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*WeP Peripherals (WeP).* We held a 36.9% interest as of March 31, 2006 in WeP Peripherals. In December 2006, we sold a portion of our interest in WeP Peripherals subsequent to which, our ownership interest in WeP Peripherals reduced to 15% and we do not have the ability to exercise significant influence over the operating and financial policies of WeP Peripherals. Accordingly, we now account for our investment under the cost method.

*WM Netserv.* We record our 80.1% ownership interest in WM Netserv by the equity method as the minority shareholder in the investee has substantive participative rights as specified in EITF Issue No. 96-16, *Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Right.*

**Income Taxes**

Our net income earned from providing services at client premises outside India is subject to tax in the country where we perform the work. Most of our tax paid in countries other than India can be applied as a credit against our Indian tax liability to the extent that the same income is liable to tax in India.

Currently, we benefit from certain tax incentives under Indian tax laws. As a result of these incentives, our operations have not been subject to significant Indian tax liabilities. These tax incentives currently include a tax holiday from payment of Indian corporate income taxes for our Global IT Services and Products business operated from specially designated Software Technology Parks and Special Economic Zones in India and an income tax deduction of 100% for profits derived from exporting information technology services. As a result, a substantial portion of our pre-tax income has not been subject to significant tax in recent years. For the years ended March 31, 2005, 2006 and 2007 our tax benefits were Rs. 4,591 million, Rs. 4,721 million and Rs. 6,464 million respectively, from such tax incentives. We are currently also eligible for exemptions from other taxes, including customs duties.

In the Finance Act, 2005, the Government of India introduced a separate tax holiday scheme for units set up under designated special economic zones engaged in manufacture of articles or in provision of services. Under this scheme, units in designated special economic zones which begin providing services on or after April 1, 2005 will be eligible for a deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits or gains for a further five years. Certain tax benefits are also available for a further five years subject to the unit meeting defined conditions. When our tax holiday and income tax deduction exemptions expire or terminate, our costs will increase. Additionally, the Government of India could enact similar laws in the future, which could further impair our other tax incentives. When our tax holiday and income tax deduction exemptions expire or terminate, our costs will increase.

We have received tax demands from the Indian income tax authorities for the financial years ended March 31, 2001, 2002 and 2003 aggregating to Rs. 8,100 million (including interest of Rs. 750 million). The tax demands were primarily on account of denial of deduction claimed by us under Section 10A of the Income Tax Act 1961 (Act), in respect of profits earned by our undertakings in Software Technology Park at Bangalore. We had appealed against these demands. In March 2006, the first appellate authority vacated the tax demands for the years ended March 31, 2001 and 2002. The income tax authorities have filed an appeal.

In March 2007, the first Income tax appellate authority upheld the deductions claimed by us under Section 10A of the Act, which vacates a substantial portion of the demand for the year ended March 31, 2003.

In December 2006, we received an additional tax demand of Rs. 3,027 million (including interest of Rs. 753 million) for the financial year ended March 31, 2004 on similar grounds as earlier years. We have filed an appeal against this demand. Considering the facts and nature of disallowance and the order of the appellate authority upholding our claims for earlier years, we believe that the final outcome of the above dispute should be in our favor and there will not be any material impact on our financial statements. The range of loss relating to these contingencies is between zero and the amount of the demand raised.

Although we currently believe we will ultimately prevail in our appeals, the results of such appeals, and any subsequent appeals, cannot be predicted with certainty. Should we fail to prevail in our appeals, or any subsequent appeals, in any reporting period, the operating results of such reporting period could be materially adversely affected.

The Indian Finance Act, 2005 imposes an additional income tax on companies called a *Fringe Benefits Tax*, or FBT. Pursuant to this Act, companies are deemed to have provided fringe benefits to their employees if certain defined expenses are incurred. A portion of these expenses is deemed to be a fringe benefit to the employees and

subjects a company to tax at a rate of 30%, exclusive of applicable surcharge and cess. The Fringe Benefits Tax and other similar taxes enacted in the future by the Government of India could adversely affect our profitability.



**Table of Contents****Liquidity and Capital Resources**

We have historically financed our working capital and capital expenditure significantly through our operating cash flows. As of March 31, 2007, we had cash and cash equivalents of Rs. 12,418 million, investments in liquid and short-term mutual funds of Rs. 32,410 million and unused lines of credit of approximately Rs. 3,204 million, US\$ 25 million and GBP 6 million from our bankers for working capital requirements. To utilize this line of credit we need to comply with certain financial covenants. As of March 31, 2007 we were in compliance with such financial covenants.

Cash provided by operating activities for the year ended March 31, 2007 was Rs. 30,162 million against Rs. 20,192 million in the year ended March 31, 2006. This increase of 49% was primarily driven by a 44% increase in net income from Rs. 20,270 million for the year ended March 31, 2006 to Rs. 29,169 million for the year ended March 31, 2007. Depreciation and amortization increased from Rs. 3,195 million for the year ended March 31, 2006 to Rs. 4,309 million for the year ended March 31, 2007. Similarly stock based compensation increased from Rs. 662 million for the year ended March 31, 2006 to Rs. 1,336 million for the year ended March 31, 2007. This increase is primarily due to new stock options granted during the year. The increase in individual line under operating asset and liability was generally consistent with the increase in business volumes during the year.

Cash used in investing activities for the year ended March 31, 2007 was Rs. 21,377 million against Rs. 17,299 million in the year ended March 31, 2006. During the year ended March 31, 2007, Rs. 7,800 million was utilized for acquisitions against Rs. 2,777 million utilized during the year ended March 31, 2006. This increase was primarily driven by our business growth strategies. We expect to continue fund acquisitions through cash generated from operations. During the year ended March 31, 2007, we utilized Rs. 11,392 million for acquiring property, plant and equipment which was consistent with an increase in operations and business volumes. The remaining amounts were invested in liquid and short-term mutual funds.

Cash used in financing activities for the year ended March 31, 2007 was Rs. 5,180 million against Rs. 305 million of cash provided by financing activities during the year ended March 31, 2006. This increase was primarily due to dividends paid amounting to Rs. 16,111 million which is offset by cash receipts on issuance of equity shares amounting to Rs. 8,894 million and short-term borrowings amounting to Rs. 1,825 million.

We have proposed to pay a cash dividend of Re. 1 per share on our equity shares and ADRs. This proposal is subject to approval by the shareholders of the Company. We expect a dividend payout (excluding corporate dividend tax) of approximately Rs. 1,459 million.

As of March 31, 2007 we had contractual commitments of Rs. 3,432 million (\$ 80 million) related to capital expenditures on construction or expansion of software development facilities, non-cancelable operating lease obligations and other purchase obligations. Plans to construct or expand our software development facilities are dictated by business requirements.

In our acquisitions, a portion of the purchase consideration is payable upon achievement of specified earnings targets in future. Details are given below. We currently intend to finance our planned construction and expansion entirely through our cash and cash equivalents and investments in liquid and short term mutual funds as of March 31, 2007.

<b>Acquired entity</b>	<b>Maximum Earn-out payable Earn-out Period</b>
RetailBox BV and subsidiaries (Enabler)	Euro 11 Million 2 years
BVPENTE Beteiligungsverwaltung GmbH and its subsidiaries (New Logic)	Euro 27 Million 3 years
North-West Switchgear Limited	Rs. 200 Million 4 years
India, Middle East and SAARC operations of 3D	USD 44 million

Networks and Planet PSG Saraware Oy	2 years Euro 7 Million
cMango Inc and subsidiaries (cMango)	1.5 years USD 12 Million
Quantech Global Services (Quantech)	2 years To be determined
	3 years

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In the normal course of business, we transfer accounts receivables and employee advances (financial assets). These transfers can be with or without recourse. As at March 31, 2007, we had transferred financial assets of Rs. 480 million.

Our liquidity and capital requirements are affected by many factors, some of which are based on the normal ongoing operations of our businesses and some of which arise from uncertainties related to global economies and the markets that we target for our services. In addition, we routinely review potential acquisitions. In the future, we may require or choose to obtain additional debt or equity financing. We cannot be certain that additional financing, if needed, will be available on favorable terms, if at all.

*Off-Balance Sheet Arrangements*

We have not entered into any off-balance sheet arrangements as defined by SEC Final Rule 67 (FR-67), Disclosure in Management's Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations .

*Contractual obligations*

The table of future payments due under contractual commitments as of March 31, 2007, aggregated by type of contractual obligation, is given below:

	Total contractual payment	Payments due in			In Rs. million 2012-13 onwards
		2007-08	2008-10	2010-12	
Long-term debt	888	328	530	30	
Non-cancelable operating lease obligation	2,573	395	699	526	953
Capital Commitments	3,432	3,432			
Purchase obligations	3,160	3,160			
Other long-term liabilities <sup>(1)</sup>	277	128	149		

Purchase obligations include all commitments to purchase goods or services of either a fixed or minimum quantity that meet any of the following criteria: (1) they are non-cancelable, or (2) we would incur a penalty if the agreement was terminated. If the obligation to purchase goods or services is non-cancelable, the entire value of the contract was included in the above table. If the obligation is cancelable, but we would incur a penalty if cancelled, the amount of the penalty is included as a purchase obligation.

<sup>(1)</sup> In accordance with SFAS No. 87, Employers' Accounting for Pensions, and SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, as amended by SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R), the total accrued benefit liability for defined benefit and contribution plans recognized as of March 31, 2007, was Rs. 492 million. This accrued liability is included under other long-term liabilities in the consolidated balance sheet. This amount is impacted by, among other items, pension expense funding levels, change in plan demographics and assumptions, return on plan assets etc. Because the accrued liability does not represent expected liquidity needs, we did not include this amount in the contractual obligation table. This was completely funded in April 2007.

**Research and Development**

Research and Development investments in IT Services and Products business is directed towards developing solutions that have broad applications across various industry segments and developing expertise in emerging technologies. Over a period of two to three years Research and Development efforts in identified areas are focused on developing in-depth solutions, frameworks and applications.

Research and Development initiatives are executed through Centers of Excellence or CoE and Innovation Initiative.

CoEs are designed to enable growth of existing practice and/or create a new practice. CoEs focus on creating competencies in specific existing and emerging technologies and domains. CoEs create thought leadership by publishing white papers and participating in industry forums. Currently, we have CoEs focusing on Wireless and



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Broadband Communication, Computing Platforms like Grid Computing, e-Biz technologies like Web services, Retail Supply chain management and other similar areas.

Innovation initiative is directed towards creating new solutions and intellectual property which potentially expand our service offerings.

Innovation initiative covers the entire cycle of Idea Generation, Incubation and Successful Execution. We focus on Process Innovations, Delivery Innovations, Technology Innovations, Product Innovations and Business Innovations. We were awarded the NASSCOM's IT Innovation Award 2005 for our pioneering work in next generation managed services platform.

Research and development expenditures for the years ended March 31, 2005, 2006 and 2007 were Rs. 274 million, Rs. 202 million and Rs. 268 million, respectively.

### **Trend Information**

*IT Services and Products.* We believe that the increased competition among IT companies, commoditization of services and high volume transactions in IT services limits our ability to increase our prices and improve our profits. We continually strive to differentiate ourselves from the competition, innovate service delivery models, adopt new pricing strategies and demonstrate our value proposition to the client to sustain prices and profits. We have also acquired businesses to augment our existing services and capabilities. Our acquisitions have also allowed us to sustain and in certain circumstances improve our prices and profits.

Gross profit as a percentage of revenues in our IT Services and Products business decreased from 36% in the year ended March 31, 2006 to 34% in the year ended March 31, 2007. We anticipate difficulty in sustaining or improving our profits due to:

- pricing pressures;

- increases in proportion of services performed at client location – some of our newer service offerings, such as consulting and package implementation, require a higher proportion of services to be performed at the client's premises;

- increases in wages for our IT professionals;

- the impact of amortization of stock compensation cost; and

- the impact of exchange rate fluctuations on our rupee realizations;

We expect these trends to continue for the foreseeable future. In response to the pressure on gross margins and the increased competition from other IT services companies, we are focusing on offering services with higher margins, strengthening our delivery model, increasing employee productivity, investing in emerging technology areas, managing our cost structure, aligning our resources to expected demand and increasing the utilization of our IT professionals.

To remain competitive, we believe that we need to innovate, identify and position ourselves in emerging technology areas and increase our understanding of industry, business and impact of IT on the business.

Our IT Services and Products business segment is also subject to fluctuations primarily resulting from factors such as:

- the effect of seasonal hiring which occurs in the quarter ended September 30;

- the time required to train and productively use new employees;

- the proportion of services we perform at client sites for a particular project;

- exchange rate fluctuations; and

- the size, timing and profitability of new projects.

*BPO Services.* Although we believe that the increasing acceptance of outsourcing and offshoring as an economic necessity has contributed to continued growth in our revenue, we have experienced pricing pressures in our BPO Services business due to increased competition among IT companies. Gross profit as a percentage of revenues in BPO Services increased from 24% in the year ended March 31, 2006 to 34% in the year ended March 31, 2007. We anticipate difficulty in sustaining or improving our profits due to, among other things, the impact of the high percentage on fixed costs, attrition rates and composition of voice based services in our revenues from BPO services. Our BPO Services business segment is also subject to seasonal fluctuations.

*India and AsiaPac IT Services and Products.* In our India and AsiaPac IT Services and Products business segment we have experienced pricing pressures due to increased competition among IT companies. Large multinational

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corporations like IBM and HP have identified India as a key focus area. The gross margins in the products component of this business segment decreased by 1% from 11% for the year ended March 31, 2006 to 10% for the year ended March 31, 2007.

*Consumer Care and Lighting.* Our Consumer Care and Lighting business segment is also subject to seasonal fluctuations. Our revenues in this segment are also subject to commodity price fluctuations.

Our quarterly revenue, operating income and net income have varied significantly in the past and we expect that they are likely to vary in the future. You should not rely on our quarterly operating results as an indication of future performance. Such quarterly fluctuations may have an impact on the price of our equity shares and ADSs.

*Dividends.* Final dividends on common stock are recorded as a liability on the date of declaration by the stockholders and the interim dividends are recorded as a liability on the date of declaration by the board of directors.

**Recent accounting pronouncements**

*FASB Interpretation No. 48.* In July 2006, the FASB issued Interpretation (FIN) No. 48, Uncertainty in Income Taxes. FIN 48 applies to all tax positions within the scope of SFAS No. 109, Accounting for Income Taxes, and clarifies when and how to recognize tax benefits in the financial statements with a two-step approach of recognition and measurement. FIN 48 is effective for fiscal years beginning after December 15, 2006, and, as a result, is effective for the Company commencing April 1, 2007. FIN 48 also requires the enterprise to make explicit disclosures about uncertainties in their income tax positions, including a detailed roll-forward of tax benefits taken that do not qualify for financial statement recognition. The Company is currently evaluating the impact of FIN 48 on the consolidated financial statements.

*SFAS No. 157.* In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 provides guidance on determination of fair value and lays down the fair value hierarchy to classify the source of information used in fair value measurement. We are currently evaluating the impact of SFAS No. 157 on our financial statements and will adopt the provisions of SFAS No. 157 for the fiscal year beginning April 1, 2008.

*SFAS No. 159.* In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for the fiscal year beginning April 1, 2008. We are currently evaluating the impact that the adoption of SFAS No. 159 will have on our consolidated financial statements.

**Critical accounting policies**

Critical accounting policies are defined as those that in our view are most important to the portrayal of the Company's financial condition and results and that place the most significant demands on management's judgment. For a detailed discussion on the application of these and other accounting policies, please refer to Note 2 to the Notes to Consolidated Financial Statements.

*Revenue Recognition*

We derive our revenues primarily from two sources: (i) product revenue and (ii) service revenue.

*Product Revenue*

Product revenue is recognized when there is persuasive evidence of an arrangement, the product has been delivered, the sales price is fixed or determinable, and collectibility is reasonably assured. The product is considered delivered to the customer once it has been shipped, and title and risk of loss has been transferred.

We generally consider a binding purchase order or a signed contract as persuasive evidence of an arrangement. Persuasive evidence of an arrangement may take different forms depending upon the customary practices of a specific class of customers.

**Table of Contents***Service Revenue*

Service revenue is recognized when there is persuasive evidence of a contract, the sales price is fixed or determinable, and collectibility is reasonably assured. Time-and-materials service contract revenue is recognized as the services are rendered. Revenue from fixed-price, fixed-timeframe contracts that involve significant production, modification or customization of the software is accounted for in conformity with ARB No. 45, using the guidance in Statement of Position (SOP) 81-1, and the Accounting Standards Executive Committee's conclusion in paragraph 95 of SOP 97-2, Software Revenue Recognition. Fixed-price, fixed-timeframe contracts, which are similar to contracts to design, develop, manufacture, or modify complex aerospace or electronic equipment to a buyer's specification or to provide services related to the performance of such contracts and contracts for services performed by architects, engineers, or architectural or engineering design firms as laid out in paragraph 13 of SOP 81-1, are also accounted for in conformity with SOP 81-1. In these Fixed-price, fixed-timeframe contracts revenue is recognized using the percentage-of-completion method.

We use the input (cost expended) method to measure progress towards completion. Percentage of completion method accounting relies on estimates of total expected contract revenue and costs. We follow this method when reasonably dependable estimates of the revenues and costs applicable to various elements of the contract can be made. Key factors we review to estimate the future costs to complete include estimates of future labor costs and productivity efficiencies. Because the financial reporting of these contracts depends on estimates that are assessed continually during the term of these contracts, recognized revenue and profit are subject to revisions as the contract progresses to completion. When estimates indicate that a loss will be incurred, the loss is provided for in the period in which the loss becomes evident. To date, we have not had any fixed-price, fixed-timeframe contracts that resulted in a material loss.

We evaluate change orders to determine whether such change orders are normal element and form part of the original scope of the contract. If the change orders are part of the original scope of the contract, no changes are made to the contract price. For other change orders, contract revenue and costs are adjusted only after the approval of the changes to the scope and price by us and the client. Costs that are incurred for a specific anticipated contract and that will result in no future benefits unless the contract is obtained are not included in contract costs before the receipt of the contract. However, such costs are deferred only if the cost can be directly associated with specific anticipated contract and the recoverability from that contract is deemed to be probable.

Maintenance revenue is recognized ratably over the term of the agreement. Revenue from customer training, support and other services is recognized as the related services are performed.

Revenues from BPO Services are derived from both time-based and unit-priced contracts. Revenue is recognized as services are performed under the specific terms of the contracts with the customers.

*Revenue Arrangements with Multiple Deliverables*

Based on the guidance in EITF Issue No. 00-21, we recognize revenues on the delivered products or services only if:

The revenue recognition criteria applicable to the unit of accounting is met;

The delivered element has value to the customer on a standalone basis. The delivered unit will have value on a standalone basis if it is being sold separately by other vendors or the customer could resell the deliverable on a standalone basis;

There is objective and reliable evidence of the fair value of the undelivered item(s); and

If the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in our control.

The arrangement consideration is allocated to the units of accounting based on their fair values. The revenue recognized for the delivered items is limited to the amount that is not contingent upon the delivery or performance of the undelivered items. In certain cases, the application of the contingent revenue provisions of EITF Issue No. 00-21 could result in recognizing a loss on the delivered element. In such cases, the cost recognized is limited to the amount



of non-contingent revenues recognized and the balance of costs are recorded as an asset and are reviewed for impairment based on the estimated net cash flows to be received for future deliverables under the contract. These costs are subsequently recognized on recognition of the revenue allocable to the balance of deliverables.

Assessments about whether the delivered units have a value to the customer on a standalone basis, impact of forfeiture and similar contractual provisions, and determination of fair value of each unit would affect the timing of revenue recognition and would impact our results of operations.

**Table of Contents***Volume discount.*

We account for volume discounts and pricing incentives to customers using the guidance in EITF Issue 01-09, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products). The discount terms in our arrangements with customers generally entitle the customer to discounts, if the customer completes a specified level of revenue transactions. In some arrangements, the level of discount varies with increases in the levels of revenue transactions. We recognize discount obligations as a reduction of revenue based on the ratable allocation of the discount to each of the underlying revenue transactions that result in progress by the customer toward earning the discount. We recognize the liability based on its estimate of the customer's future purchases. If we cannot reasonably estimate the customer's future purchases, then the liability is recorded based on the maximum potential level of discount. We recognize changes in the estimated amount of obligations for discounts using a cumulative catch-up adjustment.

*Accounting Estimates*

While preparing financial statements we make estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, we make estimates of the uncollectability of our accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

Our estimate of liability relating to pending litigation is based on currently available facts and our assessment of the probability of an unfavorable outcome. Considering the uncertainties about the ultimate outcome and the amount of losses, we re-assess our estimates as additional information becomes available. Such revisions in our estimates could materially impact our results of operations and our financial position.

We provide for inventory obsolescence, excess inventory and inventories with carrying values in excess of market values based on our assessment of the future demands, market conditions and our specific inventory management initiatives. If market conditions and actual demands are less favorable than our estimates, additional inventory write-downs may be required. In all cases inventory is carried at the lower of historical cost or market value.

*Accounting for Income taxes*

As part of the process of preparing our consolidated financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. We are subject to tax assessments in each of these jurisdictions. A tax assessment can involve complex issues, which can only be resolved over extended time periods. Though we have considered all these issues in estimating our income taxes, there could be an unfavorable resolution of such issues that may affect results of our operations.

We also assess the temporary differences resulting from differential treatment of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are recognized in our consolidated financial statements. We assess our deferred tax assets on an ongoing basis by assessing our valuation allowance and adjusting the valuation allowance appropriately. In calculating our valuation allowance we consider the future taxable incomes and the feasibility of tax planning initiatives. If we estimate that the deferred tax asset cannot be realized at the recorded value, a valuation allowance is created with a charge to the statement of income in the period in which such assessment is made. We have not created a deferred tax liability in respect of the basis difference in the carrying value of investments in domestic subsidiaries, since we expect to realize this in a tax-free manner and the current tax laws in India provide means by which we can realize our investment in a tax-free manner.

We are subject to a 15% branch profit tax in the United States to the extent the net profit attributable to our U.S. branch for the fiscal year is greater than the increase in the net assets of the U.S. branch for the fiscal year, as computed in accordance with the Internal Revenue Code. As of March 31, 2007, the U.S. branch's net assets amounted to approximately \$ 155 million. We have not triggered the branch profit tax and, consistent with our business plan, we intend to maintain the current level of our net assets in the United States. Accordingly, we did not record a provision for branch profit tax as of March 31, 2007.

*Business Combinations, Goodwill and Intangible Assets*

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, we have assigned all the assets and liabilities, including goodwill, to the reporting units. We review goodwill for impairment annually and whenever

events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. The provisions of SFAS No. 142 require that a two-step impairment test be performed on goodwill. In the first step, we compare the fair value of the reporting unit to its carrying value. We determine the fair value of our reporting units using the income approach.

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Under the income approach, we calculate the fair value of a reporting unit based on measurement techniques such as discounted cash flow analyses. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step in order to determine the implied fair value of the reporting unit's goodwill and compare it to the carrying value of the reporting unit's goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we must record an impairment loss equal to the difference.

To assist in the process of determining goodwill impairment, we obtain appraisals from independent valuation firms. In addition we perform internal valuation analyses and consider other market information that is publicly available. The discounted cash flow approach and the income approach, which we use to estimate the fair value of our reporting units, are dependent on a number of factors including estimates of future market growth and trends, forecasted revenue and costs, appropriate discount rates and other variables. We base our fair value estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

*Derivatives and Hedge Accounting, and Exchange Rate Risk*

Although our functional currency is the Indian rupee, we transact a major portion of our business in foreign currencies, particularly the U.S. dollar. The exchange rate between the rupee and the dollar has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of our operations are adversely affected as the rupee appreciates against the U.S. dollar. Our exchange rate risk primarily arises from our foreign currency revenues, receivables and payables. We enter into forward foreign exchange contracts (derivatives) to mitigate the risk of changes in foreign exchange rates on accounts receivables and forecasted cash flows denominated in certain foreign currencies. The derivatives also include short term forward foreign exchange contracts pursuant to a roll-over hedging strategy which are replaced with successive new contracts up to the period in which the forecasted transactions are expected to occur. We also designate zero-cost collars, which qualify as net purchased options, to hedge the exposure to variability in expected future foreign currency cash inflows due to exchange rate movements beyond a defined range. The range comprises an upper and lower strike price. At maturity, if the exchange rate remains within the range the cash inflows are realized at the spot rate, otherwise the cash inflows are realized at the upper or lower strike price.

We designate the derivatives in respect of forecasted transactions, which meet the hedging criteria, as cash flow hedges. Changes in the derivative fair values that are designated, effective and qualify as cash flow hedges, under SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities, are deferred and recorded as a component of accumulated other comprehensive income until the hedged transactions occur and are then recognized in the consolidated statements of income. With respect to derivatives acquired pursuant to the roll-over hedging strategy, the changes in the fair value of discount or forward premium points are recognized in consolidated statements of income of each period.

Gains and losses upon roll-over of derivatives acquired pursuant to the roll-over hedging strategy are deferred and recorded as a component of accumulated other comprehensive income until the hedged transactions occur and are then recognized in the consolidated statements of income.

Changes in fair value for derivatives not designated as hedging derivatives and ineffective portion of the hedging instruments are recognized in consolidated statements of income of each period. We assess the hedge effectiveness at the end of each reporting period.

Hedge ineffectiveness could result from forecasted transactions not happening in the same amounts or in the same periods as forecasted or changes in the counterparty credit rating. Further, change in the basis of designating derivatives as hedges of forecasted transactions could alter the proportion of derivatives which are ineffective as hedges. Hedge ineffectiveness increases volatility of the consolidated statements of income since the changes in fair

value of an ineffective portion of derivatives is immediately recognized in the consolidated statements of income.

We may not purchase adequate instruments to insulate ourselves from foreign exchange currency risks. The policies of the Reserve Bank of India may change from time to time which may limit our ability to hedge our foreign currency exposures adequately. In addition, any such instruments may not perform adequately as a hedging mechanism. We may, in the future, adopt more active hedging policies, and have done so in the past.

As of March 31, 2007 there were no significant gains or losses on derivative transactions or portions thereof that have become ineffective as hedges, or associated with an underlying exposure that did not occur.

**Table of Contents****Item 6. Directors, Senior Management and Employees****Directors and Senior Management**

Our directors and executive officers, their respective ages and positions as of March 31, 2007 are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Azim H. Premji	61	Chief Executive Officer, Chairman of the Board and Managing Director (designated as Chairman )
Dr. Ashok S Ganguly	71	Director
B.C. Prabhakar	63	Director
Dr. Jagdish N. Sheth	68	Director
Narayanan Vaghul	70	Director
Bill Owens	67	Director
P.M. Sinha	66	Director
Suresh C. Senapaty	50	Chief Financial Officer, and Executive Vice President, Finance
Pratik Kumar	41	Executive Vice President, Human Resources
Suresh Vaswani	47	President-Global IT Service Lines, Wipro Technologies; President-Wipro Infotech
Vineet Agrawal	45	President, Wipro Consumer Care & Lighting
Ranjan Acharya	46	Senior Vice President, Human Resources Development
Girish S Paranjpe	49	President-Banking, Finance and Insurance Vertical, Wipro Technologies
Sudip Banerjee	47	President-Enterprise Solutions, Wipro Technologies
Dr. A.L. Rao	58	President, Technology Services and Chief Operating Officer
Ramesh Emani	50	President-Embedded & Product Engineering Solutions, Wipro Technologies

**Azim H. Premji** has served as our Chief Executive Officer, Chairman of our Board of Directors and Managing Director (designated as Chairman) since September 1968. Mr. Premji holds a Bachelor of Science, or B.S. in Electrical Engineering from Stanford University.

**Dr Ashok Ganguly** has served as a Director on our Board since 1999. He is currently the Chairman of Firstsource Solutions Ltd (formerly ICICI OneSource Ltd) and ABP Pvt Ltd (Ananda Bazar Patrika Group) and has been a Director on the Central Board of the Reserve Bank of India, since November 2000. Dr Ganguly also currently serves as a non-executive director of Mahindra & Mahindra, ICICI Knowledge Park and Tata AIG Life Insurance Co Ltd and a Director on the Advisory Board of Microsoft Corporation (India) Pvt Ltd. He is a member of the Prime Minister's Council on Trade and Industry as well as the Investment Commission and the India-USA CEO Council, set up by the Prime Minister of India and the President of the USA. He is also a member of the National Knowledge Commission to the Prime Minister. He is a former member of the Board of British Airways Plc (1996-2005).

**B.C. Prabhakar** has served as a Director on our Board since February 1997. He is a practicing lawyer since April 1970. Mr. Prabhakar holds a B.A. in Political Science and Sociology and an LL.B. from Mysore University. Mr. B C Prabhakar serves as a non-executive Director of Automotive Axles Limited and 3M India Limited

**Dr. Jagdish N. Sheth** has served as a Director on our Board since January 1999. He is a professor at Emory University since July 1991. Dr Sheth is also on the Boards of Cryo-Cell International Inc, Adayana Inc, Shasun Chemicals and Drugs Limited and Manipal AcuNova Private Limited. Dr. Sheth holds a B. Com (Honors) from Madras University, an M.B.A. and a Ph.D in Behavioral Sciences from the University of Pittsburgh.

**Narayanan Vaghul** has served as a Director on our Board since June 1997. He was the Chairman of the Board of ICICI Limited since September 1985 and after its merger with ICICI Bank Limited continues to be the Chairman of the combined entity. Mr. Vaghul is also on the Boards of Mahindra and Mahindra Ltd., Mahindra World City Developers Limited, Nicholas Piramal India, Ltd., Hemogenomics Pvt. Ltd., Himatsingka Seide Limited, Asset Reconstruction Company India Limited, Air India Engineering Services Limited, Azim Premji Foundation, Air India Air Transport Services Limited, Apollo Hospitals Enterprise Limited and Air India Limited. Mr. Vaghul is also the Chairman of the Compensation Committee of Mahindra and Mahindra Limited, Apollo Hospitals and Nicholas

Piramal India Ltd. Mr. N Vaghul is also a member of the Audit Committee in Arcelor Mittal, Air India Limited, Nicholas Piramal India Limited and Mahindra World City Developers Limited. Mr N. Vaghul is also the lead independent Director of our Company. Mr. Vaghul holds Bachelor (Honors) degree in Commerce from Madras University.

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**Priya Mohan Sinha** became a Director of our company on January 1, 2002. He has served as the Chairman of PepsiCo India Holdings Limited and President of Pepsi Foods Limited since July 1992. From October 1981 to November 1992, he was on the Executive Board of Directors of Hindustan Lever Limited. From 1981 to 1985 he also served as Sales Director of Hindustan Lever. Currently, he is also on the Boards of ICICI Bank Limited, Bata India Limited, Indian Oil Corporation Limited, Lafarge India Pvt. Limited and Azim Premji Foundation. Mr. Sinha holds a Bachelor of Arts from Patna University and he has also attended Advanced Management Program in the Sloan School of Management, Massachusetts Institute of Technology.

**Mr. Bill Owens** has held senior leadership positions at large multinational corporations. From April 2004 to November 2005, Mr. Owens served as Chief Executive Officer and Vice Chairman of the Board of Directors of Nortel Networks Corporation, a networking communications company. From August 1998 to April 2004, Mr. Owens served as Chairman of the Board of Directors and Chief Executive Officer of Teledesic LLC, a satellite communications company. From June 1996 to August 1998, Mr. Owens served as President, Chief Operating Officer and Vice Chairman of the Board of Directors of Science Applications International Corporation (SAIC), a research and engineering firm. Presently, Mr. Owens serves as a member of the Board of Directors of Polycom Inc., a media communications company; Daimler Chrysler AG, an automotive company; Embarq, Intelius and Force 10. Mr. Owens holds a M.B.A. (Honors) degree from George Washington University, a B.S. in Mathematics from the U.S. Naval Academy and a B.A. and M.A. in Politics, Philosophy and Economics from Oxford University. Mr Owens is a director in our company from July 1, 2006.

**Suresh C. Senapaty** has served as our Chief Financial Officer and Executive Vice President, Finance, since January 1995 and served with us in other positions since April 1980. Mr. Senapaty holds a B. Com. from Utkal University in India, and is a Fellow Member of the Institute of Chartered Accountants of India.

**Pratik Kumar** has served as our Executive Vice President, Human Resources, since April 2002, and has served with us in other positions since November 1991. Mr. Pratik Kumar holds a B. A. from Delhi University and an M.B.A. from Xavier Labour Relations Institute (XLRI), Jamshedpur, India.

**Suresh Vaswani** has served as President-Global IT Service Lines, Wipro Technologies and President of Wipro Infotech since December 2000, and has served with us in other positions since June 1987. Mr. Vaswani holds a Bachelor of Technology, or B.Tech. from the Indian Institute of Technology, or IIT, Kharagpur, and a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad.

**Vineet Agrawal** has served as President of Wipro Consumer Care and Lighting since July 2002 and has served with us in other positions since December 1985. Mr. Agrawal holds a B.Tech. from IIT, New Delhi, and an M.B.A from Bajaj Institute of Management Studies, Mumbai.

**Ranjan Acharya** has served as Senior Vice President-Human Resources Development since April 2002, and has served with us in other positions since July 1994. Mr. Ranjan Acharya holds a B.S. from Pune University and an M.B.A. from Symbiosis Institute of Business Management, Pune, India.

**Girish S Paranjpe** has served as President Banking, Finance and Insurance Vertical of Wipro Technologies since October 2000, and has served with us in other positions since July 1990. Mr. Paranjpe holds a B.Com. from Bombay University and is a Fellow Member of Institute of Chartered Accountants of India and Institute of Cost and Works Accountants of India.

**Sudip Banerjee** has served as President-Enterprise Solutions of Wipro Technologies since February 2002 and has served with us in other positions since November 1983. Mr. Sudip holds a B.A. from Delhi University and Diploma in Management from All India Management Association.

**Dr. A.L. Rao** has served as President-Technology Services and Chief Operating Officer of Wipro Technologies since October 2000 and has served with us in other positions since August 1980. Dr. Rao holds a B.S., M.S. and Ph.D. in Nuclear Physics from Andhra University in India.

**Ramesh Emani** has served as President-Embedded and Product Engineering Solutions of Wipro Technologies since October 2003, and has served with us in other positions since November 1983. Mr. Emani holds a B.Tech. from Jawaharlal Nehru Technology University, Hyderabad and Master of Technology, or M.Tech. from IIT, Kanpur.



**Table of Contents****Compensation****Director Compensation**

Our Board Governance and Compensation Committee determines and recommends to our Board of Directors the compensation payable to our directors. All board-level compensation is subject to approval by our shareholders. Each of our non-employee directors receive an attendance fee of \$ 224.82 (Rs. 10,000) for every Board and Committee meeting they attend. Our directors are reimbursed for travel and out-of-pocket expenses in connection with their attendance at Board and Committee meetings. Additionally, we also compensate non-employee directors by way of commission, which is limited to a fixed sum payable as approved by the Board subject to a maximum of 1% of the net profits of the Company as approved by the shareholders, as follows:

1. Dr. Ashok S Ganguly receives approximately \$ 27,842 (Rs. 1,200,000) per year.
2. Narayan Vaghul receives approximately \$ 32,482 (Rs. 1,400,000) per year.
3. Dr. Jagdish N. Sheth receives approximately \$ 50,000 (Rs. 2,155,000) per year.
4. P. M. Sinha receives approximately \$ 23,201 (Rs. 1,000,000) per year.
5. B. C. Prabhakar receives approximately \$ 13,921 (Rs. 600,000) per year.
6. Bill Owens receives approximately \$60,000 (Rs. 2,568,000) per year.

In the fiscal year ended March 31, 2007, we paid an aggregate of \$ 207,446 (Rs. 8,923,000) as commission to our non-employee directors.

***Executive Compensation***

The annual compensation of our executive directors is approved by our Board Governance and Compensation Committee, within the parameters set by the shareholders at the shareholders meetings, and the annual compensation of our other executive officers is approved by our Board Governance and Compensation Committee. Remuneration of our executive officers, including our employee directors, consists of a fixed component, performance bonus and a variable performance linked incentive. The following two tables present the annual and long term compensation earned, awarded or paid for services rendered to us for the fiscal year ended March 31, 2007 by our Executive Directors and members of our administrative, supervisory or management bodies.

Name	Annual Compensation (\$)			
	Salary and allowances	Commission/Incentives (1)	Housing (2)	Others
Azim H. Premji	\$ 100,004	\$ 556,845	\$ 48,724	\$ 15,949
Suresh C. Senapaty	168,295	55,899	25,058	2,891
Pratik Kumar	140,902	46,753		9,372
Vineet Agrawal	148,779	56,562		3,336
Suresh Vaswani	166,254	53,627	5,068	734
Sudip Banerjee	154,082	46,344		480
Girish S. Paranjpe	149,327	71,261	10,900	519

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Dr. A.L. Rao	158,676	60,853	1,791
Ranjan Acharya	106,621	37,547	43
Ramesh Emani	154,859 64	53,997	864

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1. Azim H. Premji was paid commissions at the rate of 0.3% on incremental Net Profits of the Company over the previous year. Net Profits are computed in accordance with the provisions of the Indian Companies Act, 1956. All other executives were paid incentives under a Quarterly Performance Linked Scheme based on achievement of pre-defined profit targets.
2. The value of this perquisite accounts for more than 25% of the total value of all perquisites and personal benefits received in fiscal 2007.

Name	Deferred benefits(1)(2)	Long Term Compensation (\$)			Grant price
		No. of Equity Shares Granted during the year	Grant Price	No. of RSUs granted during the year	

Azim H. Premji	109,426		
Suresh C. Senapaty	13,193	14,000	0.05
Pratik Kumar	12,111	14,000	0.05
Vineet Agrawal	9,285	14,000	0.05
Suresh Vaswani	13,015	14,000	0.05
Sudip Banerjee	13,833	14,000	0.05
Girish S. Paranjpe	13,520	14,000	0.05
Dr. A.L. Rao	12,385	7,000	0.05
Ranjan Acharya	9,771	9,000	0.05
Ramesh Emani	13,088	14,000	0.05

(1) Deferred benefits are payable to employees by way of our contribution to the Provident Fund and Pension Fund. The Provident Fund is a statutory fund to which Wipro and our employees contribute every month. A lump sum payment on separation and a Pension payment on attaining the age of superannuation are payable from the balance standing to the credit of the Fund, as per the Employee Provident Fund

and  
Miscellaneous  
Provisions Act,  
1952.

- (2) Under our pension plans, any pension that is payable to an employee is not computed on the basis of final compensation, but on the accumulated pension fund to the credit of the employee as the date of separation, death, disability or retirement. We annually contribute 15% of Mr. Premji's base salary and commission earned for that year to our pension fund for the benefit of Mr. Premji. For all other employees, we contribute 15% of their respective base salaries to our pension for their benefit. These contributions are included in this column.

We operate in numerous countries and compensation for our officers and employees may vary significantly from country to country. As a general matter, we seek to pay competitive salaries in all the countries in which we operate.

#### **Board Composition**

Our Articles of Association provide that the minimum number of directors shall be four and the maximum number of directors shall be twelve. As of March 31, 2007, we had seven directors on our Board. Our Articles of Association provide that at least two-thirds of our directors shall be subject to retirement by rotation. One third of these



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directors must retire from office at each annual general meeting of the shareholders. A retiring director is eligible for re-election. Up to one-third of our directors can be appointed as non-retiring directors. Currently, Azim H. Premji is a non-retiring director.

The terms of each of our directors and their expiration dates are:

<b>Name</b>	<b>Expiration of current term of office</b>	<b>Term of office</b>
Azim H. Premji	July 30, 2007	2 years and seven months
Dr. Jagdish Sheth	Annual General Meeting 2008	Retirement by rotation
Dr. Ashok S Ganguly	Annual General Meeting 2008	Retirement by rotation
B. C. Prabhakar	Annual General Meeting 2007	Retirement by rotation
N. Vaghul	Annual General Meeting 2007	Retirement by rotation
P. M. Sinha	Annual General Meeting 2009	Retirement by rotation
Bill Owens	Annual General Meeting 2009	Retirement by rotation

**Option Grants**

There were no option grants to our Chief Executive Officer, Chairman and Managing Director (designated as Chairman ) in the fiscal years ended March 31, 2006 and 2007. Details of options granted to other senior management executives are reported elsewhere in this Item 6 under the section titled Share Ownership.

**Option Exercises and Holdings**

Our Chairman did not exercise or hold any options during the fiscal year ended March 31, 2007. The details of stock options held and exercised with respect to other senior management executives are reported elsewhere in this Item 6 under the section titled Share Ownership.

**Terms of Employment Arrangements and Indemnification Agreements**

Under the Companies Act, our shareholders must approve the salary, bonus and benefits of all employee directors at a General Meeting of Shareholders. Each of our employee directors have signed an agreement containing the terms and conditions of employment, including a monthly salary, performance bonus and benefits including vacation, medical reimbursement and pension fund contributions. These agreements have varying terms ranging from a two to five year period, but either we or the employee director may generally terminate the agreement upon six months notice to the other party.

The terms of our employment arrangements with Azim H. Premji, Pratik Kumar, Suresh C. Senapaty, Ranjan Acharya, Suresh Vaswani, Sudip Banerjee, Dr. A.L. Rao, Vineet Agrawal and Ramesh Emani provide for up to a 180-day notice period, up to 21 days of leave per year in addition to statutory holidays, and an annual compensation review. Additionally, employees are required to relocate as we may determine, and to comply with confidentiality provisions.

We also have entered into agreements to indemnify our directors and officers for claims brought under any rule of law to the fullest extent permitted by applicable law. These agreements, among other things, indemnify our directors and officers for certain expenses, judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of Wipro Limited, arising out of such person's services as our director or officer, including claims which are covered by the Insurance Policy on Directors and Officers' Liability Insurance taken by the Company.

**Board Committee Information*****Audit Committee***

The Audit Committee of our Board of Directors, which was formed in 1987, reviews, acts on and reports to our Board of Directors with respect to various auditing and accounting matters. The primary responsibilities are:

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Auditing and accounting matters, including recommending the appointment of our independent auditors to the shareholders

Compliance with legal and statutory requirements

Integrity of the Company's financial statements, discussing with the independent auditors the scope of the annual audits, and fees to be paid to the independent auditors.

Performance of the Company's Internal Audit function, Independent Auditors and accounting practices.

Review of related party transactions, functioning of Whistle Blower mechanism, and

Implementation of the applicable provisions of the Sarbanes Oxley Act 2002 including review on the progress of internal control mechanisms to prepare for certification under Section 404 of the Sarbanes Oxley Act 2002.

The Chairman of the Audit Committee is present at the Annual General Meeting. All members of our Audit Committee are independent non executive directors and financially literate. The Chairman of our Audit Committee has the accounting or related financial management expertise.

Independent Auditors as well as Internal Auditors always have independent meetings with the Audit Committee and also participate in the Audit Committee meetings.

Our Executive Vice President-Finance & CFO and other Corporate Officers make periodic presentations to the Audit Committee on various issues.

The Audit Committee is comprised of the following three non-executive directors:

Mr. N. Vaghul - Chairman of the Audit Committee

Messrs. P. M. Sinha and B. C. Prabhakar - Members of the Audit Committee

Our Audit Committee held five meetings during our 2007 fiscal year. Our Audit Committee has adopted a charter. The charter is available under the investor relations section on our website at [www.wipro.com](http://www.wipro.com).

***Board Governance and Compensation Committee***

The primary responsibilities of the Board Governance and Compensation Committee are:

Determine and approve salaries, benefits and stock option grants to Senior Management employees and Directors of our Company.

Act as Administrator of the Company's Employee Stock Option Plans and Employee Stock Purchase Plans drawn up from time to time

Develop and recommend to the Board Corporate Governance Guidelines applicable to the Company

Evaluation of the Board on a continuing basis including an assessment of the effectiveness of the full Board, operations of the Board Committees and contributions of individual directors

Lay down policies and procedures to assess the requirements for induction of new members on the Board.

Our Executive Vice President-Human Resources makes periodic presentations to the Board Governance and Compensation Committee on compensation reviews and performance linked compensation recommendations.

All members of the Board Governance and Compensation Committee are independent non-executive directors.

Dr. Ashok S Ganguly - Chairman of the Board Governance and Compensation Committee

Messrs. N. Vaghul and P.M. Sinha - Members of the Board Governance and Compensation Committee



Our Board Governance and Compensation Committee held four meetings during our 2007 fiscal year. Our Board Governance & Compensation Corporate Governance Committee has adopted a charter. The charter is available under the investor relations section on our website at [www.wipro.com](http://www.wipro.com).

***Employees***

Highly trained and motivated people are critical to the success of our business. To achieve this, we focus on attracting and retaining the best people possible. A combination of strong brand name, a congenial working environment and competitive compensation programs enables us to attract and retain these talented people.

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Our human resources department is centralized at our corporate headquarters in Bangalore and functions across all of our business segments. We have implemented corporate-wide recruiting, training, performance evaluation and compensation programs that are tailored to address the needs of each of our business segments.

***Recruiting***

We hire entry level graduates from both the top engineering and management universities in India, as well as more experienced lateral hires through employee referral programs, advertisements, placement consultants, our website postings and walk-ins. To facilitate employee growth within Wipro Limited, all new openings are first offered to our employees. The nature of work, skill sets requirements and experience levels are highlighted to the employees. Applicants undergo the regular recruitment process and, if selected, get assigned to their new roles.

***Training***

Each of our new recruits must attend an eight week intensive training program when they begin working with us. New or recent graduates must also attend additional training programs that are tailored to their area of technology. We also have a mandatory continuing education program that requires each IT professional to attend at least 40 hours of continuing education classes to improve their understanding and competency of new technologies, as well as to develop leadership and personal self-development skills. We currently have 82 full-time faculty members to provide these training courses. We supplement our continuing education program for existing employees by sponsoring special programs at leading educational institutions, such as the Indian Institute of Management, Bangalore, Birla Institute of Technology and Science, Pilani, Symbiosis Institute of Business Management, Pune and others, to provide special skill set training in areas such as Business Skills and Project management to any of our IT professionals who choose to enroll and meet the eligibility criteria of these Institutes.

***Performance Evaluations***

Employees receive written performance objectives that they develop in cooperation with their respective managers. They are measured against these criteria annually in a formal review process which includes self-reviews and reviews from peers, managers and subordinates.

***Compensation***

We continually strive to provide our employees with competitive and innovative compensation packages. Our compensation packages include a combination of salary, stock options, pension, and health and disability insurance. We measure our compensation packages against industry standards and seek to match or exceed them. We adopted an employee stock purchase plan in 1984. We have devised both business segment performance and individual performance linked incentive programs that we believe more accurately link performance to compensation for each employee. For example, we link cash compensation to a business segment's quarterly operating margin objectives.

**Share Ownership**

The following table sets forth, as of March 31, 2007, for each director and executive officer, the total number of equity shares, ADSs and vested and unexercised options to purchase equity shares and ADSs. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. All information with respect to the beneficial ownership of any principal shareholder has been furnished by such shareholder and, unless otherwise indicated below, we believe that persons named in the table have sole voting and sole investment power with respect to all the shares shown as beneficially owned, subject to community property laws, where applicable.

The shares beneficially owned by the directors include the equity shares owned by their family members to which such directors disclaim beneficial ownership. The number of shares beneficially owned includes equity shares, equity shares underlying ADSs and the shares subject to vested options that are currently exercisable. For the convenience of the readers, the stock option grant price has been translated into U.S. dollars based on the noon buying rate in the City of New York on March 30, 2007, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which, was Rs. 43.10 per \$ 1.00. The share numbers and percentages listed below are based on 1,458,999,650 equity shares outstanding as of March 31, 2007.

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<b>Name</b>	<b>Equity Shares beneficially owned</b>	<b>Percentage of Equity Shares Beneficially Owned</b>	<b>Equity Shares Underlying Options Granted</b>	<b>Grant Price (\$)</b>	<b>Date of expiration</b>
Azim H. Premji (1)	1,161,136,260	79.58			
B. C. Prabhakar (2)	3,000	*			
Dr. Jagdish Sheth					
Dr. Ashok S Ganguly					
N. Vaghul					
P. M. Sinha	20,000	*			October 2010
Suresh C. Senapaty	122,300	*	14,400	0.05	July 2011
			14,000	0.05	October 2010
Pratik Kumar	59,100	*	14,400	0.05	July 2011
			14,000	0.05	October 2010
Vineet Agrawal	138,600	*	14,400	0.05	July 2011
			14,000	0.05	October 2010
Suresh Vaswani	96,948	*	16,800	0.05	July 2011
			14,000	0.05	October 2010
Sudip Banerjee	52,000	*	16,800	0.05	July 2011
			14,000	0.05	October 2010
Girish S. Paranjpe	49,000	*	16,800	0.05	July 2011
			14,000	0.05	October 2010
Dr. A.L. Rao	82,360	*	16,800	0.05	July 2011
			7,000	0.05	October 2010
Ranjan Acharya	21,000	*	12,000	0.05	July 2011
			9,000	0.05	October 2010
Ramesh Emani	24,700	*	16,800	0.05	July 2011
			14,000	0.05	October 2010

\* Represents less than 1% of the shares.

(1) Includes 326,259,000 shares held by Hasham Traders

(a partnership),  
of which  
Mr. Premji is a  
partner,  
325,017,000  
shares held by  
Prazim Traders  
(a partnership),  
of which  
Mr. Premji is a  
partner,  
324,244,800  
shares held by  
Zash Traders (a  
partnership), of  
which  
Mr. Premji is a  
partner,  
38,263,000  
shares held by  
Napean Trading  
Investment Co.  
Pvt. Ltd., of  
which  
Mr. Premji is a  
director,  
51,014,200  
shares held by  
Regal  
Investments  
Trading Co. Pvt.  
Ltd., of which  
Mr. Premji is a  
director,  
38,860,600  
shares held by  
Vidya  
Investment  
Trading Co. Pvt.  
Ltd., of which  
Mr. Premji is a  
director,  
1,434,600  
shares held  
jointly by  
Mr. Premji and  
members of his  
immediately  
family and  
8,316,000  
shares held by

the Azim Premji  
Foundation  
(I) Pvt. Ltd and  
10,000 shares  
held by Azim  
Premji  
Foundation Pvt.  
Ltd. Mr. Premji  
disclaims  
beneficial  
ownership of  
8,316,000  
shares held by  
Azim Premji  
Foundation  
(I) Pvt. Ltd and  
10,000 shares  
held by Azim  
Premji  
Foundation Pvt.  
Ltd.

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- (2) The shares are jointly held with an immediate family member of Mr. Prabhakar.
- (3) The shares are jointly held with an immediate family member of Mr. P M Sinha.

**OPTION PLANS**

**Wipro Employee Restricted Stock Unit Plan 2005**

Our Wipro Restricted Stock Unit Plan 2005, or 2005 unit plan, provides for the grant of options to eligible employees and directors. The creation of our 2005 unit plan was approved by our Board of Directors on June 14, 2005 and by our shareholders on July 21, 2005. Our 2005 unit plan became effective on July 21, 2005, and unless terminated sooner, the plan will terminate automatically on July 20, 2015. A total of 12,000,000 equity shares (as adjusted for corporate actions from time to time) are currently reserved for issuance pursuant to the plan.

Our Board Governance and Compensation Committee appointed by our Board of Directors administer our 2005 unit plan. The committee has the sole power to determine the terms of the units granted, including the exercise price, selection of eligible employees, the number of equity shares to be covered by each option, the vesting and exercise periods, and the form of consideration payable upon such exercise. In addition, the committee has the authority to amend, suspend or terminate the 2005 stock plan with the approval of the shareholders, provided that no such action may adversely affect the rights of any participant under the plan. The Committee has the powers to interpret the terms of the Plan and options granted pursuant to the Plan. The plan does not confer any right to the participant with respect to continuing the participant's status as an employee with the Company.

Our 2005 unit plan does not allow for the transfer of options and only the participant may exercise an option during his or her lifetime. The vesting period for the options under the plan shall range from 12 months to not more than 84 months. A participant must exercise any vested units prior to termination of service with us and within a specified period post separation as per the Plan. The exercise price of options granted under our 2005 unit plan will be determined by the committee.

Our 2005 unit plan provides that in the event of our merger with or into another corporation or a sale of substantially all of our assets, the successor corporation shall either assume the outstanding units or grant equivalent units to the holders. If the successor corporation neither assumes the outstanding units nor grants equivalent units, such outstanding units shall vest immediately, and become exercisable in full.

**ADS Restricted Stock Unit Plan 2004 (ADS option)**

Our ADS Restricted Stock Unit Plan 2004, or 2004 ADS unit plan, provides for the grant of options to our eligible employees and directors. The creation of our 2004 ADS unit plan was approved by our Board of Directors on April 16, 2004 and by our shareholders on June 11, 2004. The 2004 ADS unit plan became effective on June 11, 2004, and unless terminated sooner, the 2004 ADS unit plan will terminate automatically on June 10, 2014. A total of 12,000,000 ADSs, representing 12,000,000 equity shares (as adjusted for corporate action from time to time), are currently reserved for issuance pursuant to the plan.

Our Board Governance and Compensation Committee appointed by our Board of Directors administer the 2004 ADS unit plan. The committee has the sole power to determine the terms of the units granted, including the exercise price, selection of eligible employees, the number of ADSs to be covered by each ADS option, the vesting and exercise periods, and the form of consideration payable upon such exercise. In addition, the committee has the authority to amend, suspend or terminate the stock plan provided that no such action may adversely affect the rights of

any participant under the plan. The Committee has the powers to interpret the terms of the plan and the ADS options granted pursuant to the plan. The plan does not confer any right to the participant with respect to participant's status as an employee with the Company.

Our 2004 ADS unit plan does not allow for the transfer of units and only the participant may exercise an option during his or her lifetime. The vesting period for the options under the plan shall range from 12 months to not more than 84 months. A participant must exercise any vested options prior to termination of service with us and within a specified period post separation as per the Plan. The exercise price of options granted under our 2004 ADS unit plan will be determined by the committee.

Our 2004 ADS unit plan provides that in the event of our merger with or into another corporation or a sale of substantially all of our assets, the successor corporation shall either assume the outstanding units or grant equivalent units to the holders. If the successor corporation neither assumes the outstanding units nor grants equivalent units, such outstanding units shall vest immediately, and become exercisable in full.

**Table of Contents****Wipro Employee Restricted Stock Unit Plan 2004**

Our Wipro Restricted Stock Unit Plan 2004, or 2004 unit plan, provides for the grant of options to eligible employees and directors. The creation of our 2004 unit plan was approved by our Board of Directors on April 16, 2004 and by our shareholders on June 11, 2004. Our 2004 unit plan became effective on June 11, 2004, and unless terminated sooner, the plan will terminate automatically on June 10, 2014. A total of 12,000,000 equity shares (as adjusted for corporate actions from time to time) are currently reserved for issuance pursuant to the plan.

Our Board Governance and Compensation Committee appointed by our Board of Directors administer the 2004 unit plan. The committee has the sole power to determine the terms of the units granted, including the exercise price, selection of eligible employees, the number of equity shares to be covered by each option, the vesting and exercise periods, and the form of consideration payable upon such exercise. In addition, the committee has the authority to amend, suspend or terminate the 2004 stock plan with the approval of the shareholders, provided that no such action may adversely affect the rights of any participant under the plan. The Committee has the powers to interpret the terms of the Plan and options granted pursuant to the Plan. The plan does not confer any right to the participant with respect to continuing the participant's status as an employee with the Company.

Our 2004 unit plan does not allow for the transfer of options and only the participant may exercise an option during his or her lifetime. The vesting period for the options under the plan shall range from 12 months to not more than 84 months. A participant must exercise any vested options prior to termination of service with us and within a specified period post separation as per the Plan. The exercise price of options granted under our 2004 unit plan will be determined by the committee.

Our 2004 unit plan provides that in the event of our merger with or into another corporation or a sale of substantially all of our assets, the successor corporation shall either assume the outstanding units or grant equivalent units to the holders. If the successor corporation neither assumes the outstanding units nor grants equivalent units, such outstanding units shall vest immediately, and become exercisable in full.

**2000 ADS Option Plan**

Our 2000 ADS option plan provides for the grant of two types of options to our employees and directors: incentive stock options, which may provide our employees with beneficial U.S. tax treatment, and non-statutory stock options. Our 2000 ADS option plan was approved by our Board of Directors in September 2000 and by our shareholders on April 26, 2000. Unless terminated sooner by our Board, our 2000 ADS option plan will terminate automatically in September 2010. A total of 9,000,000 ADSs, representing 9,000,000 equity shares (as adjusted for corporate actions from time to time), are currently reserved for issuance under our 2000 ADS option plan. All options under our 2000 ADS option plan will be exercisable for ADSs. Either our Board of Directors or a committee of our Board of Directors administers our 2000 ADS option plan. The committee has the power to determine the terms of the options granted, including the exercise prices, the number of ADSs subject to each option, the exercisability thereof, and the form of consideration payable upon such exercise. In addition, the committee has the authority to amend, suspend, or terminate our 2000 ADS option plan, provided that no such action may affect any ADS previously issued and sold or any option previously granted under our 2000 ADS option plan.

Our 2000 ADS option plan generally does not allow for the transfer of options, and only the optionee may exercise an option during his or her lifetime. An optionee generally must exercise an option within three months of termination of service. If an optionee's termination is due to death or disability, his or her option will fully vest and become exercisable and the option must be exercised within twelve months after such termination. The exercise price of incentive stock options granted under our 2000 ADS option plan must at least equal the fair market value of the ADSs on the date of grant. The exercise price of non-statutory stock options granted under our 2000 ADS option plan must at least equal 90% of the fair market value of the ADSs on the date of grant. The term of options granted under our 2000 ADS option plan may not exceed ten years. Our 2000 ADS option plan provides that in the event of our merger with or into another corporation or a sale of substantially all of our assets, the successor corporation shall either assume the outstanding options or grant equivalent options to the holders. If the successor corporation neither assumes the outstanding options nor grants equivalent options, such outstanding options shall vest immediately, and become exercisable in full.

**2000 Employee Stock Option Plan**



Our 2000 stock plan provides for the grant of stock options to eligible employees and directors. The creation of our 2000 stock plan was approved by our Board of Directors on April 26, 2000, and by our shareholders on July 27, 2000. Our 2000 stock plan became effective on September 15, 2000, and unless terminated sooner, our 2000 stock plan will terminate automatically on September 15, 2010. A total of 150,000,000 equity shares (as adjusted for corporate

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actions from time to time) are currently reserved for issuance pursuant to our 2000 stock plan. All options under our 2000 stock plan will be exercisable for our equity shares.

Our Board Governance & Compensation Committee appointed by our Board of Directors administers our 2000 stock plan. The committee has the power to determine the terms of the options granted, including the exercise price, the number of shares subject to each option, the exercisability thereof, and the form of consideration payable upon such exercise. In addition, the committee has the authority to amend, suspend or terminate our 2000 stock plan, provided that no such action may adversely affect the rights of any optionee under our 2000 stock plan.

Our 2000 stock plan generally does not allow for the transfer of options and only the optionee may exercise an option during his or her lifetime. An optionee generally must exercise any vested options within seven days of termination of service with us. If an optionee's termination is due to death, disability or retirement, his or her option will fully vest and become exercisable. Generally, such options must be exercised within six months after termination. The exercise price of stock options granted under our 2000 stock plan will be determined by the committee. Normally, the term of options granted under our 2000 stock plan may not exceed seven years.

Our 2000 stock plan provides that in the event of our merger with or into another corporation or a sale of substantially all of our assets, each option shall be proportionately adjusted to give effect to the merger or asset sale.

**1999 Employee Stock Option Plan**

Our 1999 stock plan provides for the grant of stock options to eligible employees and directors. Our 1999 stock plan was approved by our Board of Directors on April 30, 1999 and by our shareholders on July 29, 1999. Unless terminated sooner, our 1999 stock plan will terminate automatically on July 28, 2009. A total of 30,000,000 equity shares (as adjusted for corporate actions from time to time) are currently reserved for issuance pursuant to our 1999 stock plan. All options under our 1999 stock plan will be exercisable for our equity shares.

There are no stock options outstanding under this plan and we do not intend to grant options under this plan.

**Wipro Equity Reward Trust**

We established the Wipro Equity Reward Trust, or WERT, in 1984 to allow our employees to acquire a greater proprietary stake in our success and growth, and to encourage our employees to continue their association with us. The WERT is designed to give eligible employees the right to receive restricted shares and other compensation benefits at the times and on the conditions that we specify. Such compensation benefits include voluntary contributions, loans, interest and dividends on investments in the WERT and other similar benefits.

The WERT is administered by a board of trustees that generally consists of between two and six members as appointed by us. We select eligible employees to receive grants of shares and other compensation from the WERT and communicate this information to the WERT. We select employees based upon various factors, including, without limitation, an employee's performance, period of service and status. The WERT awards the number of shares that each employee is entitled to receive out of the shares we issued to the WERT at its formation. We also determine the time intervals that an employee may elect to receive them. The shares issued under the WERT are generally not transferable for a period of four years after the date of issuance to the employee. Shares from the WERT are issued in the joint names of the WERT and the employee until such restrictions and obligations are fulfilled by the employee. After the four-year period, complete ownership of the shares is transferred to the employee.

If employment is terminated by death, disability or retirement, his or her restricted shares are transferred to the employee's legal heirs or continue to be held by the employee, as the case may be, and such individuals may exercise any rights to those shares for up to ninety days after employment has ceased.

The Trustees of the WERT have the authority to amend or terminate the WERT at any time and for any reason. The WERT is subject to all applicable laws, rules, regulations and approvals by any governmental agencies as may be required.

**Item 7. Major Shareholders And Related Party Transactions****Major Shareholders**

The following table sets forth certain information regarding the beneficial ownership of our equity shares as of March 31, 2007, of each person or group known by us to own beneficially 5% or more of our outstanding equity shares.



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Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to such shares. Shares subject to vested options that are currently exercisable are deemed to be outstanding or to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not deemed to be outstanding or to be beneficially owned for the purpose of computing the percentage ownership of any other person. All information with respect to the beneficial ownership of any principal shareholder has been furnished by such shareholder and, unless otherwise indicated below, we believe that persons named in the table have sole voting and sole investment power with respect to all the shares shown as beneficially owned, subject to community property laws, where applicable. The number of shares and percentage ownership are based on 1,458,999,650 equity shares outstanding as of March 31, 2007.

<b>Name of Beneficial Owner</b>	<b>Class of Security</b>	<b>Number of Shares beneficially held as of</b>	
		<b>March 31, 2007</b>	<b>% of Class</b>
Azim H. Premji (1)	Equity	1,161,136,260	79.58
Hasham Traders	Equity	326,259,000	22.36
Prazim Traders	Equity	325,017,000	22.28
Zash Traders	Equity	324,244,800	22.22

(1) Includes 326,259,000 shares held by Hasham Traders (a partnership), of which Mr. Premji is a partner, 325,017,000 shares held by Prazim Traders (a partnership), of which Mr. Premji is a partner, 324,244,800 shares held by Zash Traders (a partnership), of which Mr. Premji is a partner, 38,263,000 shares held by Napean Trading Investment Co. Pvt. Ltd., of which Mr. Premji is a

director,  
51,014,200  
shares held by  
Regal  
Investments  
Trading Co. Pvt.  
Ltd., of which  
Mr. Premji is a  
director,  
38,860,600  
shares held by  
Vidya  
Investment  
Trading Co. Pvt.  
Ltd., of which  
Mr. Premji is a  
director,  
1,434,600  
shares held  
jointly by  
Mr. Premji and  
members of his  
immediately  
family and  
8,316,000  
shares held by  
the Azim Premji  
Foundation  
(I) Pvt. Ltd and  
10,000 shares  
held by Azim  
Premji  
Foundation Pvt.  
Ltd. Mr. Premji  
disclaims  
beneficial  
ownership of  
8,316,000  
shares held by  
Azim Premji  
Foundation  
(I) Pvt. Ltd and  
10,000 shares  
held by Azim  
Premji  
Foundation Pvt.  
Ltd.

Our American Depositary Shares are listed on the New York Stock Exchange. Each ADS represents one equity share of par value Rs. 2 per share. Our ADSs are registered pursuant to Section 12(g) of the Securities Exchange Act of 1934 and, as of March 31, 2007, are held by approximately 20,229 holders of record in the United States.

Our equity shares can be held by Foreign Institutional Investors, or FIIs, and Non-resident Indians, or NRIs, who are registered with the Securities and Exchange Board of India, or SEBI, and the Reserve Bank of India, or RBI. Currently, 7.85% of the Company's equity shares are held by these FIIs, and NRIs, some of which may be residents or corporate entities registered in the United States of America and elsewhere. We are not aware of which FIIs, NRIs hold our equity shares as residents or as corporate entities registered in the United States.

Our major shareholders do not have a differential voting right with respect to their equity shares. To the best of our knowledge, we are not owned or controlled directly or indirectly by any Government or by any other corporation. We are not aware of any arrangement, the operation of which may at a subsequent date result in a change in control, of our Company.

#### **Related Party Transactions**

*Terms of Employment Arrangements and Indemnification Agreements.* We are a party to various employment and indemnification agreements with our directors and executive officers. See *Terms of Employment Arrangements and Indemnification Agreements* under Item 6 of this Annual Report for a description of the agreements that we have entered into with our directors and executive officers.

#### **Item 8. Financial Information**

##### **Consolidated Statements and Other Financial Information**

Please refer the following financial statements and the Auditor's Report under item 18 in this Annual Report for the fiscal year ended March 31, 2007:

Report of the independent registered public accounting firm;

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Consolidated Balance Sheet as of March 31, 2006 and 2007;

Consolidated Statements of Income for the years ended March 31, 2005, 2006 and 2007;

Consolidated Statements of Stockholders' Equity and comprehensive income for the years ended March 31, 2005, 2006 and 2007;

Consolidated statements of Cash Flows for the years ended March 31, 2005, 2006 and 2007; and

Notes to the Consolidated Financial Statements.

**Legal Proceedings**

Please see the section titled "Legal Proceedings" under Item 4 of this Annual Report for this information.

**Dividends**

Although the amount varies, public companies in India typically pay cash dividends. Under Indian law, a corporation pays dividends upon a recommendation by the Board of Directors and approval by a majority of the shareholders, who have the right to decrease but not increase the amount of the dividend recommended by the Board of Directors. Under the Indian Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years.

For the year ended March 31, 2005, we paid a final dividend of Rs. 2.50 per equity share. For the year ended March 31, 2006, we paid a final dividend of Rs. 5 per equity share.

For the year ended March 31, 2007, the Board of Directors approved an interim cash dividend of Rs. 5 per share totaling to Rs. 8,253.05. In accordance with Indian regulations an amount equivalent to the interim cash dividend, net of taxes amounting to Rs. 7,237.88 has been transferred to a specific bank account pending payment to the shareholders. The balance in this bank account can only be used to pay the specified dividend, are not available for general use and are accordingly reflected as restricted cash in the consolidated balance sheet.

Although we have no current intention to discontinue dividend payments, we cannot assure you that any future dividends will be declared or paid or that the amount thereof will not be decreased. Holders of ADSs will be entitled to receive dividends payable on equity shares represented by such ADSs. Cash dividends on equity shares represented by ADSs are paid to the Depository in rupees and are generally converted by the Depository into U.S. dollars and distributed, net of depository fees, taxes, if any, and expenses, to the holders of such ADSs.

The Board of Directors has, subject to the approval of shareholders at the forthcoming Annual General Meeting in July 18, 2007, recommended a final dividend of Re. 1 per share on equity shares and ADSs for the year ended March 31, 2007. The dividend, if declared, will be payable to the shareholders who are on the records of the Company as on the opening hours of July 1, 2007.

**Significant Changes**

None.

**Item 9. The Offer and Listing**

**Price History**

Our equity shares are traded on The Stock Exchange, Mumbai or BSE and The National Stock Exchange of India Limited, or NSE. We have also applied for de-listing our equity shares from the Kolkatta Stock Exchange Association Limited and await the approval. Our American Depository Shares, as evidenced by American Depository Receipts, or ADRs, are traded in the U.S. on the New York Stock Exchange, or NYSE, under the ticker symbol "WIT". Each ADS represents one equity share. Our ADSs began trading on the NYSE on October 19, 2000.

As of March 31, 2007, we had 1,458,999,650 issued and outstanding equity shares. This includes 22,573,070 ADSs (equivalent to 22,573,070 equity shares). As of March 31, 2007, there were approximately 197,774 record holders of our equity shares listed and traded on the Indian Stock Exchanges and approximately 20,229 record holders of ADSs.

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The following tables set forth for the periods indicated the price history of our equity shares and ADSs on the BSE, NSE and the NYSE. The stock prices for the periods prior to July 2005 are re-stated to reflect the stock dividend issued by the Company in July 2005 in the ratio of 1:1.

		BSE				NSE				NYSE	
		Price per equity share				Price per equity share				Price per ADS	
		High (Rs.)	Low (Rs.)	High (\$)	Low (\$)	High (Rs.)	Low (Rs.)	High (\$)	Low (\$)	High (\$)	Low (\$)
<b>Fiscal Year ended</b>											
<b>March 31,</b>	2007	690.00	383.00	16.01	8.89	691.00	381.25	16.03	8.80	18.44	10.18
	2006	573.00	285.55	12.88	6.41	585.90	272.00	13.17	8.65	22.38	9.62
	2005	389.00	200.00	8.91	4.59	387.50	198.00	8.88	4.54	12.85	5.81
	2004	310.17	131.88	7.15	3.04	311.67	132.90	7.18	3.06	9.90	3.05
	2003	312.50	177.17	6.58	3.73	312.50	177.17	6.58	3.73	6.72	3.71
	2002	327.50	127.50	6.89	2.69	329.00	126.50	6.92	2.66	7.34	2.83
<b>Quarter Ended</b>											
March 31,	2007	690.00	531.00	16.01	12.32	691.00	527.15	16.03	12.23	18.44	14.62
December 31,	2006	614.00	507.65	14.25	11.78	670.00	449.50	15.55	10.43	16.39	12.96
September 30,	2006	533.90	441.25	12.39	10.24	533.65	442.30	12.38	10.26	13.31	11.23
June 30, 2006		598.90	383.00	13.90	8.89	599.00	381.25	13.90	8.80	15.50	10.18
March 31,	2006	573.00	440.20	12.88	9.89	585.90	385.00	13.17	8.66	15.49	11.90
December 31,	2005	470.00	355.00	10.57	7.98	470.00	355.75	10.57	8.00	12.75	9.62
September 30,	2005	385.80	350.05	8.67	7.87	384.80	345.20	8.65	7.76	21.60	9.59
June 30, 2005		388.00	285.55	8.72	6.42	384.90	272.00	8.65	6.12	22.38	17.59
March 31,	2005	382.50	312.50	8.77	7.17	380.00	305.18	8.71	7.00	12.55	9.81
<b>Six Months Ended</b>											
(monthly for last six months)											
April 30,	2007	600.00	515.00	13.92	11.95	604.80	515.00	14.03	11.95	17.24	15.13
March 31,	2007	618.80	531.00	14.36	12.32	609.50	527.15	14.14	12.23	16.92	14.62
February 28,	2007	690.00	536.55	16.01	12.45	691.00	549.75	16.03	12.76	18.44	15.52
January 31,	2007	660.00	566.10	15.31	13.13	675.00	561.35	15.66	13.02	18.00	15.25
December 31,	2006	614.00	542.00	14.25	12.58	613.90	521.65	14.24	12.10	16.39	14.76



November 30, 2006	604.00	523.10	14.01	12.14	670.00	449.50	15.55	10.43	16.12	14.00
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- (1) Source: BSE data obtained from [www.bseindia.com](http://www.bseindia.com) and NSE data obtained from [www.nseindia.com](http://www.nseindia.com). NYSE data obtained from [www.finance.yahoo.com](http://www.finance.yahoo.com).

#### **Plan of Distribution**

Not applicable.

#### **Markets**

##### **Trading Practices and Procedures on the Indian Stock Exchanges**

BSE and NSE (Exchanges) together account for more than 80% of the total trading volume on the Indian Stock Exchanges. Trading on both of these exchanges is accomplished on electronic trading platforms. Trading is done on a two-day fixed settlement basis on all of the exchanges. Any outstanding amount at the end of the settlement period is settled by delivery and payment. However, institutional investors are not permitted to net out their transactions and must trade on a delivery basis.

Orders can be entered with a specified term of validity that may last until the end of the session, day or settlement period. Dealers must specify whether orders are for a proprietary account or for a client. Exchanges specify certain margin requirements for trades executed on the exchange, including margins based on the volume or quantity of exposure that the broker has on the market, as well as market-to-market margins payable on a daily basis for all outstanding trades. Trading on Exchanges normally takes place from 10:00 a.m. to 3:30 p.m. on all weekdays, except holidays. Exchanges do not permit carry forward trades. They have separate margin requirements based on the net

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exposure of the broker on the exchange. Exchanges also have separate online trading systems and separate clearing houses.

BSE was closed from January 11 through January 13, 1993 due to a riot in Mumbai. It was also closed on March 12, 1993 due to a bomb explosion within its premises. From December 14 through December 23, 1993 the BSE was closed due to a brokers' strike, and from March 20 through March 22, 1995, the governing board of the BSE closed the market due to a default of one of the broker members and due to which the trading of equity shares on the BSE has been suspended. There have been no closures of the Indian Stock Exchanges in response to panic trading or large fluctuations. On May 17, 2004, Exchanges have observed that there were wide fluctuations in the prices of various securities / SENSEX/Nifty, thereby resulting in a halt in the trading activity at the exchanges on two occasions, as per the Securities and Exchange Board of India or SEBI prescribed guidelines on Circuit Breakers. BSE and NSE were closed on July 28, 2005 due to rain in Mumbai. On May 22, 2006 Exchanges have observed that there were wide fluctuations in the prices of various securities / SENSEX/Nifty, thereby resulting in a halt in the trading activity,

The stock exchanges in India now operate on a trading day plus two, or T+2 rolling settlement systems. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. The SEBI has moved to a T+2 settlement system, and is subsequently planning to move to a T+1 settlement system.

In order to contain the risk arising out of the transactions entered into by the members in various securities either on their own account or on behalf of their clients, the largest exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock specific margins from the members. There are generally no restrictions on price movements of any security on any given day. In order to restrict abnormal price volatility, the SEBI has instructed the stock exchanges to apply the following price bands, calculated at the previous day's closing price as follows:

*Market Wide Circuit Breakers:* Market wide circuit breakers are applied to the market for movements by 10%, 15% and 20% for two prescribed market indices; the Sensex for the BSE and the Nifty for the NSE. If any of these circuit breaker thresholds are reached, trading on all equity and equity derivatives markets nationwide is halted.

*Price Bands:* Price Bands are circuit filters of 20% movements either up or down and are applied to most securities traded in the markets, excluding securities included in the BSE Sensex and the NSE Nifty indices and derivatives products.

**Amendments to SEBI (DIP) Guidelines, 2000;**

In the event of book built issues in an Initial Public Offering, or IPO, it has been decided to increase the allocation to Retail Individual Investors (RIIs) from the existing 25% to 35%, and to correspondingly reduce the allocation to Non-Institutional Investors (NIIs) from the existing 25% to 15%. Further, if the book built issues are made pursuant to the requirement of mandatory allocation of 60% to QIBs in terms of Rule 19(2)(b) of the Securities Contract Regulations Rules, 1956, the respective figures shall be 30% of the RIIs and 10% for NIIs.

The RII at present is defined in value terms as one who can apply for shares up to a maximum amount of Rs.1,00,000.

The Securities and Exchange Board of India or SEBI has introduced the regime of private placements of securities by Indian listed companies called Qualified Institutions Placements or QIP. The new regime has been introduced in the form of Chapter XIII A of the SEBI (Disclosures and Investor Protection) Guidelines, 2000, or DIP Guidelines, on May 8, 2006 or the Amendment.

QIPs are basically the issue of specified securities by Indian companies to Qualified Institutional Buyers, QIBs. The Amendment defines the specified securities as equity shares, fully convertible debentures, partly convertible debentures or any securities other than warrants, which are convertible into or exchangeable with equity shares at a later date.

**Reduction in the bidding period**

To effect a change in the existing bidding period, which may not exceed 10 business days subject to a three day extension in case of a revision in price bands, SEBI has decided to reduce the bidding period from the current 5-10 business day period (including holidays) to a 3-7 business day period.



**Table of Contents****Disclosure of Price Band/Floor Price in case of listed companies**

The existing DIP guidelines require all issuers (whether listed or unlisted) making a public issue through the book building process to disclose the price band/floor price in the Red Herring Prospectus / application form. SEBI has also decided to give an option to listed issuers to either disclose the price band in the red herring prospectus or application form or to disclose the price band/floor price at least one day before the bid opens.

**Listing**

The SEBI has promulgated regulations creating an independent self-regulatory authority called the Central Listing Authority, or the CLA. No stock exchange can consider a listing application unless it is accompanied by a letter of recommendation from the CLA. However, currently the CLA is not fully operational. This law has since been repealed and the authority dissolved.

**The National Stock Exchange of India Limited**

The market capitalization of the capital markets (equities) segment of the NSE as of May 9, 2007 was approximately Rs. 35.81 trillion or approximately \$ 831 billion. The clearing and settlement operations of the NSE are managed by its wholly-owned subsidiary, the National Securities Clearing Corporation Limited. Funds settlement takes place through designated clearing banks. The National Securities Clearing Corporation Limited interfaces with the depositories on the one hand and the clearing banks on the other to provide delivery versus payment settlement for depository-enabled trades.

As of May 9, 2007, the NSE had 798 members comprised of 29 individual members, 736 companies, 33 firms.

**Bombay Stock Exchange Limited**

The estimated aggregate market capitalization of stocks trading on the BSE as of May 9, 2007 was approximately Rs. 8.77 trillion or approximately \$ 204 billion. The BSE began allowing online trading in May 1995. As of May 9, 2007, the BSE had 854 members, comprised of 140 individual members, 672 Indian companies, 22 partnership firms and 20 composite corporate members. Only a member of the stock exchange has the right to trade in the stocks listed on the stock exchange.

**Derivatives**

Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self-regulatory organization under the supervision of the SEBI.

**Depositories**

The National Securities Depository Limited and Central Depository Services (India) Limited are the two depositories that provide electronic depository facilities for trading in equity and debt securities in India. The SEBI mandates a company making a public or rights issue or an offer for sale to enter into an agreement with a depository for dematerialization of securities already issued or proposed to be issued to the public or existing shareholders; The SEBI has also provided that the issue and allotment of shares in initial public offerings and/or the trading of shares shall only be in electronic form.

**Securities Transaction Tax**

A brief description of the securities transaction tax and capital gains treatment under India law is provided under the section Taxation .

**Item 10. Additional Information****Share Capital**

Our authorized share capital is Rs. 3,550,000,000 divided into 1,650,000,000 equity shares of Rs. 2/- each and 25,000,000 preference shares of Rs. 10/- each. As of March 31, 2007, 1,458,999,650 equity shares, par value Rs. 2 per share were issued, outstanding and fully paid. We currently have no convertible debentures or warrants outstanding.

**Memorandum and Articles Of Association**

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Set forth below is a brief summary of the material provisions of our Articles of Association and the Indian Companies Act, 1956 all as currently in effect. Wipro Limited is registered under the Companies Act, with the Registrar of Companies, Karnataka, Bangalore, India, with Company No. 20800. The following description of our Articles of Association does not purport to be complete and is qualified in its entirety by the Articles of Association, and Memorandum of Association, of Wipro Limited that are included as exhibits to our registration statement on Form F-1 filed with the Securities and Exchange Commission on September 26, 2000.

Our Articles of Association provide that the minimum number of directors shall be four and the maximum number of directors shall be twelve. As of March 31, 2007, we have seven directors. Our Articles of Association provide that at least two-thirds of our directors shall be subject to retirement by rotation. One third of these directors must retire from office at each annual general meeting of the shareholders. A retiring director is eligible for re-election. Up to one-third of our directors can be appointed as permanent directors. Currently, Azim H. Premji is a non-retiring director. Our Articles of Association do not mandate the retirement of our directors under an age limit requirement. Our Articles of Association do not require our Board members to be shareholders in our company.

Our Articles of Association provide that any director who has a personal interest in a transaction must disclose such interest, must abstain from voting on such transaction and may not be counted for purposes of determining whether a quorum is present at the meeting.

The remuneration payable to our directors may be fixed by our Board of Directors in accordance with provisions of the Companies Act, and the rules and regulations prescribed by the Government of India.

### **Objects and Purposes of Our Memorandum of Association**

The following is a summary of our existing Objects as set forth in Section 3 of our Memorandum of Association:

To purchase or otherwise acquire and take over any lands.

To carry on the business of extracting vegetable oil.

To manufacture and deal in hydrogenated vegetable oil.

To carry on business as manufacturers, sellers, buyers, exporters, importers, and dealers of fluid power products.

To carry on business as mechanical engineers, tool makers, brass and metal foundries, mill-makers, mill-wrighters, machinists and metallurgists.

To carry on the trade or business of manufacturing and distributing chemical, synthetic and organic products.

To carry on business as manufacturers, exporters, sellers, dealers and buyers in all types and kinds of goods, articles and things.

To carry on business in India and elsewhere as manufacturer, assembler, designer, builder, seller, buyer, exporter, importer, factors, agents, hirers and dealers of computer hardware and software and any related aspects thereof.

To carry on research and development activities on all aspects related to products business and objects of our company.

To construct, equip and maintain mills, factories, warehouses, godowns, jetties and wharves, and any other conveniences or erection suitable for any of the purpose of our company.

To carry on all or any of the business of soap and candle makers, tallow merchants, chemists, druggists, dry salters, oil-merchants, manufacturers of dyes, paints, chemicals and explosives and manufacturers of and

dealers in pharmaceutical, chemical, medicinal and other preparations or compounds, perfumery and proprietary articles and photographic materials and derivatives and other similar articles of every description.

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To carry on any other trade or business whatsoever as can in the opinion of us be advantageously or conveniently carried on by us.

To carry on the business of metal working and manufacturing.

To acquire and take over the whole or any part of the business, property and liabilities of any person or persons, firm or corporation carrying on any business which we are authorized to carry on or possessed of any property or rights suitable for our purposes.

To manufacture or otherwise acquire and deal in containers and packing materials of any kind.

To apply for, purchase or otherwise acquire any patents, inventions, licenses, concessions and the like conferring an exclusive or non-exclusive or limited right to use, any secret or other information as to any invention.

To purchase or otherwise acquire, manufacture, and deal in all raw materials, stores, stock-in-trade, goods, chattels and effects.

To enter into any partnership or any arrangement for sharing profits, union of interests, joint ventures, reciprocal concession or otherwise.

To purchase or otherwise acquire all or any part of the business, property and liabilities of any person, company, society, for all or any of the purposes within the objects of our company.

To enter into any arrangement with any Governments or authorities.

To provide for the welfare of persons in the employment of our company, or formerly engaged in any business acquired by our company, and the wives, widows, families or dependants of such persons.

To undertake, carry out, promote and sponsor rural development, including any program for promoting the social and economic welfare or uplift of the public in any rural area.

To undertake, carry out, promote and sponsor or assist in any activity for the promotion and growth of the national economy and for discharging what the directors may consider to be the social and moral responsibilities of our company to the public or any section of the public.

To undertake and carry on the business of providing all kinds of information technology based and enabled services in India and internationally, electronic remote processing services, eServices, including all types of Internet-based/ Web enabled services, transaction processing, fulfillment services, business support services including but not limited to providing financial and related services of all kinds and description including billing services, processing services, database services, data entry business-marketing services, business information and management services, training and consultancy services to businesses, organizations, concerns, firms, corporations, trusts, local bodies, states, governments and other entities; to establish and operate service processing centers for providing services for back office and processing requirements, marketing, sales, credit collection services for companies engaged in the business of remote processing and IT enabled services from a place of business in India or elsewhere, contacting and communicating to and on behalf of overseas customers by voice, data image, letters using dedicated international private lines; and to handle business process management, remote help desk management; remote management; remote customer interaction, customer relationship management and customer servicing through call centers, email based

activities and letter/fax based communication, knowledge storage and management, data management, warehousing, search, integration and analysis for financial and non financial data.

To act as information technology consultants and to operate a high technology data processing center for providing information processing, analysis, development, accounting and business information and data to customers in India and internationally; to carry on the business of gathering, collating, compiling, processing, analyzing, distributing, selling, publishing data and information and including conduct of studies and research, and marketing of information and services and providing access to information regarding financial operations and management, financial services, investment services business and commercial operations, financial status, creditworthiness and rating, consumer responses and management of businesses of all kinds and descriptions by whatever name called.



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To carry on the business as Internet service provider and undertake any and all kinds of Internet/web based activities and transactions; to design, develop, sell, provide, maintain, market, buy, import, export, sell and license computer software, hardware, computer systems and programs products, services and to give out computer machine time and to carry on the business of collecting, collating, storing, devising other systems including software programs and systems.

From time to time, to subscribe or contribute to any charitable, benevolent or useful object of a public nature.

## **Description of Equity Shares**

### **Dividends**

Under the Indian Companies Act, 1956, unless our Board of Directors recommends the payment of a dividend, we may not declare a dividend. Similarly, under our Articles of Association, although the shareholders may, at the annual general meeting, approve a dividend in an amount less than that recommended by the Board of Directors, they cannot increase the amount of the dividend. In India, dividends generally are declared as a percentage of the par value of a company's equity shares. The dividend recommended by the Board, if any, and subject to the limitations described above, is distributed and paid to shareholders in proportion to the paid up value of their shares within 30 days of the approval by the shareholders at the annual general meeting. Pursuant to our Articles of Association, our Board of Directors has discretion to declare and pay interim dividends without shareholder approval. Under the Indian Companies Act, 1956 read with the listing agreements entered into with Indian stock exchanges, dividends can only be paid in cash to the registered shareholder at a record date fixed on or prior to the annual general meeting or to his order or his banker's order.

The Companies Act provides that any dividends that remain unpaid or unclaimed after the 30-day period are to be transferred to a special bank account. We transfer any dividends that remain unclaimed for seven years from the date of the transfer to the Investor Education and Protection Fund created by the Indian Government. After the transfer to this fund, such unclaimed dividends can not be claimed.

Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10% of the par value of its equity shares, a company is required under the Companies Act to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10%, depending upon the dividend percentage to be declared in such year.

The Companies Act further provides that, in the event of an inadequacy or absence of profits in any year, a dividend may be declared for such year out of the company's accumulated profits, subject to the following conditions: the rate of dividend to be declared may not exceed 10% of its paid up capital or the average of the rate at which dividends were declared by the company in the prior five years, whichever is less;

the total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves may not exceed an amount equivalent to 10% of its paid up capital and free reserves, and the amount so drawn is to be used first to set off the losses incurred in the fiscal year before any dividends in respect of preference or equity shares are declared; and

the balance of reserves after withdrawals shall not fall below 15% of its paid up capital.

We are subject to taxation for each dividend declared, distributed or paid for a relevant period by our company.

### **Bonus Shares**

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act permits a company to distribute an amount transferred from the general reserve or other permitted reserves, including surplus in the company's profit and loss account, to its shareholders in the form of bonus shares (similar to a stock dividend). The Companies Act also permits the issuance of bonus shares from a share premium account. Bonus shares are distributed to shareholders in the proportion recommended by the Board of Directors. Shareholders on record on a fixed record date are entitled to receive such bonus shares.



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At least 21 days before the Annual General Meeting of shareholders (excluding the days of mailing and date of the meeting.), we must distribute to our shareholders a detailed version of our audited Indian GAAP balance sheet and profit and loss account and the related reports of our Board of Directors and the Auditors, together with a notice convening the general meeting. Securities and Exchange Board of India (SEBI) has permitted dispatch of abridged financial statements to shareholders in India in lieu of detailed version of financial statements. Under the Companies Act, a company must file the balance sheet and annual profit and loss account presented to the shareholders within 30 days of the conclusion of the Annual General Meeting with the Registrar of Companies.

A company must also file an annual return containing a list of the company's shareholders and other company information within 60 days of the conclusion of the meeting.

### **Consolidation and Subdivision of Shares**

The Indian Companies Act permits a company to split or combine the par value of its shares, provided such split or combination is not made in fractions. Shareholders of record on a fixed record date are entitled to receive the split or combination.

### **Preemptive Rights, Issue of Additional Shares and Distribution of Rights**

The Companies Act gives shareholders the right to subscribe for new shares in proportion to their respective existing shareholdings unless otherwise determined by a special resolution passed by a General Meeting of the shareholders. Under the Companies Act, in the event of an issuance of securities, subject to the limitations set forth above, a company must first offer the new shares to the shareholders on a fixed record date. The offer must include: (i) the right, exercisable by the shareholders of record, to renounce the shares offered in favor of any other person; and (ii) the number of shares offered and the period of the offer, which may not be less than 15 days from the date of offer. If the offer is not accepted, it is deemed to have been declined. The Board of Directors is authorized under the Companies Act to distribute any new shares not purchased by the preemptive rights holders in the manner that it deems most beneficial to the company. Holders of ADSs may not be permitted to participate in any such offer.

If we ever plan to distribute additional rights to purchase our equity shares, we will give prior written notice to the depository bank and we will assist the depository bank in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional ADSs to holders.

The depository bank will establish procedures to distribute rights to purchase additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, subject to all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights. The depository bank is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new equity shares directly, rather than new ADSs.

The depository bank will not distribute the rights to you if:

we do not timely request that the rights be distributed to you or we request that the rights not be distributed to you;

we fail to deliver satisfactory documents to the depository bank; or

it is not reasonably practicable to distribute the rights.

The depository bank will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depository bank is unable to sell the rights, it will allow the rights to lapse.

### **Voting Rights**

At any General Meeting, voting is by show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least 10% of the total shares entitled to vote on the resolution or by those holding shares with an aggregate paid up capital of at least Rs. 50,000. Upon a show of hands, every shareholder entitled to vote and present in person has one vote and, on a poll, every shareholder entitled to vote and present in person or by proxy has voting rights in proportion to the paid up capital held by such shareholders. The Chairman of

the Board has a deciding vote in the case of any tie. Any shareholder of the company may appoint a proxy. The instrument appointing a proxy must be delivered to the company at least 48 hours prior to the meeting. A proxy

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may not vote except on a poll. A corporate shareholder may appoint an authorized representative who can vote on behalf of the shareholder, both upon a show of hands and upon a poll.

Ordinary resolutions may be passed by simple majority of those present and voting at any General Meeting for which the required period of notice has been given. However, certain resolutions such as amendments of the Articles and changes in certain clauses in the Memorandum of Association, commencement of a new line of business, the waiver of preemptive rights for the issuance of any new shares and a reduction of share capital, require that votes cast in favor of the resolution (whether by show of hands or poll) are not less than three times the number of votes, if any, cast against the resolution. As per the Companies Act, not less than two-third of the directors of a public company shall retire by rotation and be appointed by the shareholders in the general meeting.

### **Liquidation Rights**

Subject to the rights of creditors, employees and the holders of any shares entitled by their terms to preferential repayment over the equity shares, if any, in the event of our winding-up, the holders of the equity shares are entitled to be repaid the amounts of paid up capital or credited as paid up on those equity shares. All surplus assets after payments to the holders of any preference shares at the commencement of the winding-up shall be paid to holders of equity shares in proportion to their shareholdings.

### **Preference Shares**

Preference shares have preferential dividend and liquidation rights. Preference shares may be redeemed if they are fully paid, and only out of our profits, or out of the proceeds of the sale of shares issued for purposes of such redemption. Holders of preference shares do not have the right to vote at shareholder meetings, except on resolutions which directly affect the rights of their preference shares. However, holders of cumulative preference shares have the right to vote on every resolution at any meeting of the shareholders if the dividends due on the preference shares have not been paid, in whole or in part, for a period of at least two years prior to the date of the meeting. Currently, we have no preference shares issued and outstanding.

### **Redemption of Equity Shares**

Under the Companies Act, unlike preference shares, equity shares are not redeemable.

### **Liability on Calls**

Not applicable.

### **Discriminatory Provisions in Articles**

There are no provisions in our Articles of Association discriminating against any existing or prospective holder of such securities as a result of such shareholder owning a substantial number of shares.

### **Alteration of Shareholder Rights**

Under the Companies Act, the rights of any class of shareholders can be altered or varied with the consent in writing of the holder of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class if the provisions with respect to such variation is contained in the memorandum or articles of the company, or in the absence of any such provision in the memorandum or articles, if such variation is not prohibited by the terms of issue of the shares of that class.

Under the Companies Act, the Articles may be altered only by way of a special resolution.

### **Meetings of Shareholders**

We must convene an annual general meeting of shareholders within six months after the end of each fiscal year and may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding at least 10% of our paid up capital carrying voting rights. The annual general meeting of the shareholders is generally convened by our Secretary pursuant to a resolution of our Board of Directors. Written notice setting out the agenda of the meeting must be given at least 21 days, excluding the days of mailing and date of the meeting, prior to the date of the general meeting to the shareholders of record. Shareholders who are registered as shareholders on a pre-determined date are entitled to such notice or their proxies and have a right to attend or vote at such meeting. The annual general meeting of shareholders must be held at our registered office or at such other place within the city in which the registered office is located. Meetings other than the annual general meeting may be held at

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any other place if so determined by our Board of Directors. Our Articles of Association provide that a quorum for a general meeting is the presence of at least five shareholders in person.

Additionally, shareholder consent for certain items or special business is required to be obtained by a postal ballot. In order to obtain the shareholders' consent, our Board of Directors appoint a scrutinizer, who is not in our employment, who, in the opinion of the Board, can conduct the postal ballot voting process in a fair and transparent manner in accordance with the provisions of Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

**Limitations on the Rights to Own Securities**

The limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold the securities, imposed by Indian law are discussed in Item 10 of this Annual Report, under the section titled "Currency Exchange Controls" and is incorporated herein by reference.

**Voting Rights of Deposited Equity Shares Represented by ADSs**

Under Indian law, voting of the equity shares is by show of hands unless a poll is demanded by a member or members present in person or by proxy holding at least 10% of the total shares entitled to vote on the resolution or by those holding an aggregate paid up capital of at least Rs. 50,000. A proxy may not vote except on a poll.

As soon as practicable after receipt of notice of any meetings or solicitation of consents or proxies of holders of shares or other deposited securities, our Depository shall fix a record date for determining the holders entitled to give instructions for the exercise of voting rights. The Depository shall then mail to the holders of ADSs a notice stating (a) such information as is contained in such notice of meeting and any solicitation materials, (b) that each holder on the record date set by the Depository therefore will be entitled to instruct the Depository as to the exercise of the voting rights, if any, pertaining to the deposited securities represented by the ADSs evidenced by such holders of ADRs, and (c) the manner in which such instruction may be given, including instructions to give discretionary proxy to a person designated by us.

On receipt of the aforesaid notice from the Depository, our ADS holders may instruct the Depository on how to exercise the voting rights for the shares that underlie their ADSs. For such instructions to be valid, the Depository must receive them on or before a specified date.

The Depository will try, as far as is practical, and subject to the provisions of Indian law and our Memorandum of Association and our Articles of Association, to vote or to have its agents vote the shares or other deposited securities as per our ADS holders' instructions. The Depository will only vote or attempt to vote as per an ADS holder's instructions. The Depository will not itself exercise any voting discretion.

Neither the Depository nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast, or for the effect of any vote. There is no guarantee that our shareholders will receive voting materials in time to instruct the Depository to vote and it is possible that ADS holders, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

**Register of Shareholders; Record Dates; Transfer of Shares**

We maintain a register of shareholders. The register of shareholders in electronic form is maintained through the National Securities Depository Limited and the Central Depository Services (India) Ltd. For the purpose of determining the shares entitled to annual dividends, the register is closed for a specified period prior to the annual general meeting. The date on which this period begins is the record date. To determine which shareholders are entitled to specified shareholder rights, we may close the register of shareholders. The Companies Act requires us to give at least seven days' prior notice to the public before such closure. We may not close the register of shareholders for more than thirty consecutive days, and in no event for more than forty-five days in a year. Trading of our equity shares, however, may continue while the register of shareholders is closed.

Shares held through depositaries are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. Transfers of equity shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depository participants appointed by depositories established under the Depositories Act, 1996. Upon delivery, the equity shares shall be registered in the name of the relevant depository on our books and this depository shall enter the name of the investor in its records as the beneficial owner. The transfer of beneficial ownership shall be effected through the records of the depository. The beneficial owner shall be entitled to

all rights and benefits and subject to all liabilities in respect of his securities held by a depository.

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The requirement to hold the equity shares in book-entry form will apply to the ADS holders when the equity shares are withdrawn from the depository facility upon surrender of the ADSs. In order to trade the equity shares in the Indian market, the withdrawing ADS holder will be required to comply with the procedures described above.

Following the introduction of the Depositories Act, 1996, and the repeal of Section 22A of the Securities Contracts (Regulation) Act, 1956, which enabled companies to refuse to register transfers of shares in some circumstances, the equity shares of a public company are freely transferable, subject only to the provisions of Section 111A of the Companies Act. Since we are a public company, the provisions of Section 111A will apply to us. Our Articles of Association currently contain provisions which give our directors discretion to refuse to register a transfer of shares in some circumstances. Furthermore, in accordance with the provisions of Section 111A(2) of the Companies Act, our directors may refuse to register a transfer of shares if they have sufficient cause to do so. If our directors refuse to register a transfer of shares, the shareholder wishing to transfer his, her or its shares may file a civil suit or an appeal with the Company Law Board or National Company Law Tribunal.

Pursuant to Section 111A(3), if a transfer of shares contravenes any of the provisions of the Indian Securities and Exchange Board of India Act, 1992, or the regulations issued thereunder, or the Indian Sick Industrial Companies (Special Provisions) Act, 1985, or any other Indian laws, the Company Law Board or National Company Law Tribunal may, on application made by the company, a depository incorporated in India, an investor, the Securities and Exchange Board of India or other parties, direct the rectification of the register of records. The Company Law Board or National Company Law Tribunal may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its investigation into the alleged contravention. Notwithstanding such investigation, the rights of a shareholder to transfer the shares will not be restricted.

Under the Companies Act, unless the shares of a company are held in a dematerialized form, a transfer of shares is effected by an instrument of transfer in the form prescribed by the Companies Act and the rules thereunder together with delivery of the share certificates. Our transfer agent for our equity shares is Karvy Computershare Pvt. Limited located in Bangalore, Karnataka, India.

**Company Acquisition of Equity Shares**

Under the Companies Act, approval of at least 75% of a company's shareholders voting on the matter and approval of the High Court or National Company Law Tribunal of the state in which the registered office of the company is situated is required to reduce a company's share capital. A company may, under some circumstances, acquire its own equity shares without seeking the approval of the High Court or National Company Law Tribunal. However, a company would have to extinguish the shares it has so acquired within the prescribed time period. A company is not permitted to acquire its own shares for treasury operations.

An acquisition by a company of its own shares that does not rely on an approval of the High Court/National Company Law Tribunal must comply with prescribed rules, regulations and conditions of the Companies Act. In addition, public companies which are listed on a recognized stock exchange in India must comply with the provisions of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, or Buy-back Regulations. Since we are a public company listed on two recognized stock exchanges in India, we would have to comply with the relevant provisions of the Companies Act and the provisions of the Buy-back Regulations.

**Disclosure of Ownership Interest**

Section 187C of the Indian Companies Act requires beneficial owners of shares of Indian companies who are not holders of record to declare to the company details of the beneficial owner. Any person who fails to make the required declaration within 30 days may be liable for a fine of up to Rs. 1,000 for each day the declaration is not made. Any lien, promissory note or other collateral agreement created, executed or entered into with respect to any share by the registered owner thereof, or any hypothecation by the registered owner of any share, pursuant to which a declaration is required to be made under Section 187C, shall not be enforceable by the beneficial owner or any person claiming through the beneficial owner if such declaration is not made. Failure to comply with Section 187C will not affect the obligation of the company to register a transfer of shares or to pay any dividends to the registered holder of any shares. While it is unclear under Indian law whether Section 187C applies to holders of ADSs of the company, investors who exchange ADSs for the underlying Equity Shares of the Company will be subject to the restrictions of Section 187C. Additionally, holders of ADSs may be required to comply with such notification and disclosure



obligations pursuant to the provisions of the Depositary Agreement to be entered into by such holders, the company and a depositary.

**Provisions on Changes in Capital**

Our authorized capital can be altered by an ordinary resolution of the shareholders in a General Meeting. The additional issue of shares is subject to the preemptive rights of the shareholders and provisions governing the issue of

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additional shares are discussed in Item 10 of this Annual Report. In addition, a company may increase its share capital, consolidate its share capital into shares of larger face value than its existing shares or sub-divide its shares by reducing their par value, subject to an ordinary resolution of the shareholders in a General Meeting.

**Takeover Code and Listing Agreements**

Under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, or Takeover Code, upon the acquisition of more than 5%, 10%, 14%, 54% or 74% of the outstanding shares or voting rights of a publicly-listed Indian company, a purchaser is required to notify the company and the company and the purchaser is required to notify all the stock exchanges on which the shares of such company are listed. An ADS holder would be subject to these notification requirements.

Upon the acquisition of 15% or more of such shares or voting rights, or a change in control of the company, the purchaser is required to make an open offer to the other shareholders, offering to purchase 20% of all the outstanding shares of the company or such number of shares that will result in the public shareholding not falling below the minimum public holding requirement, whichever is lower. Since we are a listed company in India, the provisions of the Takeover Code will apply to us. If an acquirer holding more than 15% but less than 55% of shares acquires 5% or more shares during a fiscal year, the acquirer is required to make a public announcement offering to purchase from the other shareholders at least 20% of all the outstanding shares of the company at a minimum offer price determined pursuant to the Takeover Code. Any further acquisition of outstanding shares or voting rights of a publicly listed company by an acquirer who holds more than 55% but less than 75% of shares or voting rights also requires the making of an open offer to acquire such number of shares as would not result in the public shareholding being reduced to below the minimum specified in the listing agreement. As per the amendment effective May 26, 2006, if a Company has made a public issue offering 10% capital to public in India or has obtained relaxation from SEBI, the above limits of 75% shall be read as 90% in such cases. Where the public shareholding in a target company may be reduced to a level below the limit specified in the listing agreement the acquirer may acquire such shares or voting rights only in accordance with guidelines or regulations regarding delisting of securities specified by the Securities and Exchange Board of India. In addition, no acquirer may acquire more than 55% of the outstanding shares or voting rights of a publicly listed company through market purchases or preferential allotments. Any such acquisition beyond 55% is required to be divested in a manner specified in the Takeover Code. Since we are a listed company in India, the provisions of the Takeover Code will apply to us and to any person acquiring our equity shares or voting rights in our company. However, the Takeover Code provides for a specific exemption from this provision to an ADS holder and states that this provision will apply to an ADS holder only once he or she converts the ADSs into the underlying equity shares.

An acquirer is required to disclose the aggregate of the pre and post acquisition of shareholding and voting rights of the acquirer to the target company when such acquisition aggregates to 5%, 10%, 14%, 54% and 74% of the voting rights. The creeping acquisition limits provided under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, have been changed to 5% with effect from October 1, 2002 in any fiscal year.

Although the provisions of the listing agreements entered into between us and the Indian Stock Exchanges on which our equity shares are listed will not apply to equity shares represented by ADSs, holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the Depository Agreement to be entered into by such holders, our company and a depository.

The Takeover Code permits conditional offers as well as the acquisition and subsequent delisting of all shares of a company, and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the Board of Directors of a target company in the offer process have also been set out. Acquirers making a public offer are also required to deposit into an escrow account a percentage of the total consideration, which amount will be forfeited if the acquire does not fulfill his obligations. In addition, the Takeover Code introduces the chain principle by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each listed subsidiary companies.

The general requirements to make such a public announcement do not, however, apply entirely to bail-out takeovers when a promoter is taking over a financial weak company, but not to a sick industrial company pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled bank. A financial weak company is a

company which has at the end of the previous financial year accumulated losses, which have resulted in the erosion of more than 50% but less than 100% of the total sum of its paid up capital and free reserves at the end of the previous financial year. A sick industrial company is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

The Takeover Code does not apply to acquisitions involving the acquisition of shares, as follows;  
by allotment in a public/rights issue (subject to compliance with certain terms and conditions);

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pursuant to an underwriting agreement;

by registered stockbrokers in the ordinary course of business on behalf of customers;

in unlisted companies provided it does not result in an indirect acquisition of a listed entity;

pursuant to a scheme of reconstruction or amalgamation;

pursuant to a scheme under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985; or;

in terms of the guidelines or regulations regarding delisting of securities specified or framed by SEBI.

The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledge. The tender offer requirements under the Takeover Code do not apply to the acquisition of ADSs so long as such ADSs are not converted into equity shares. However, the acquisition of ADSs (irrespective of conversion into underlying equity shares) is subject to disclosure and reporting requirements under the Takeover Code.

A listed company can be delisted under the provisions of the SEBI (Delisting of Securities) Guidelines, 2003, which govern voluntary and compulsory delisting of shares of Indian companies from the stock exchanges.

**Amendment to the SEBI (Delisting of Securities) Guidelines, 2003**

In order to simplify the existing framework with respect to Compulsory Delisting and make it possible for stock exchanges to delist the Companies which are noncompliant with the provisions of Listing Agreement, it has been decided to amend the SEBI (Delisting Of Securities) Guidelines, 2003. The amendment seeks to ensure adequate and wide public notice of the fact of delisting and disclosure of the fair value through newspapers and notice boards/trading systems of the stock exchange upon delisting of a security. The amendment also seeks to determine the fair value of securities by persons appointed by the stock exchange out of a panel of experts, which shall also be selected by the stock exchange.

**Minimum Level of public shareholding**

In order to ensure availability of floating stock on a continuous basis and to bring about greater transparency in respect of disclosure of shareholding pattern of companies, Securities and Exchange Board of India (SEBI) vide its circular dated April 13, 2006, (as amended), has decided to bring in the following policy changes to the continuous listing requirements:

All listed companies, other than those mentioned hereunder, will be required to ensure minimum level of public shareholding at 25% of the total number of issued shares of a class or kind for the purpose of continuous listing:

Companies which, at the time of initial listing, had offered less than 25% but not less than 10% of the total number of issued shares of a class or kind, in terms of Rule 19(2)(b) of Securities Contract (Regulation) Rules 1957 (SCRR) or companies desiring to list their shares by making an Initial Public Offering (IPO) of at least 10% in terms of Rule 19(2)(b) of SCRR.

Companies which have, irrespective of the percentage of their shares with public at the time of initial listing, reached a size of 20 million or more in terms of number of listed shares and Rs. 10 billion or more in terms of market capitalization.

The companies falling in the above categories will be required to maintain the minimum level of public shareholding at 10% of the total number of issued shares of a class or kind for the purpose of continuous listing. The aforesaid requirement of maintaining minimum level of public shareholding on a continuous basis will not be applicable to government companies (as defined under Section 617 of the Companies Act, 1956), infrastructure companies (as defined under clause 1.2.1(xv) of the SEBI (DIP) Guidelines, 2000) and companies referred to the Board for Industrial and Financial Reconstruction.

The public shareholding for the purpose of continuous listing, will continue to comprise of shares held by entities other than promoters and promoter group. It shall not include the shares held by custodians against which depository

receipts are issued overseas. The terms Promoter and Promoter group shall have the same meaning as is assigned to them under the SEBI (Disclosure & Investor Protection) Guidelines, 2000.

**Table of Contents****Increasing the public shareholding to the minimum level**

As a result of the above circular there may be two categories of companies, viz., those which are non-compliant and those which may subsequently become non-compliant on account of factors such as compliance with directions of a court, tribunal, regulatory or statutory authority, compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, re-organization of capital by way of a scheme of arrangement, etc.

SEBI decided to provide a transparent mechanism to such noncompliant companies for enabling them to graduate to the level of compliant companies. The mechanism for increasing the public shareholding to the minimum level will inter alia provide for various modes of issuing shares in domestic market and reasonable time period, as approved by Specified Stock Exchange. This disclosure requirement applies to Wipro and we are complaint with this regulation.

**Material Contracts**

We are a party to various employment arrangements and indemnification agreements with our directors and executive officers. See Terms of Employment Arrangements and Indemnification Agreements under Item 6 of this Annual Report for a further description of the employment arrangements and indemnification agreements that we have entered into with our directors and executive officers.

**Currency Exchange Controls**

Foreign Investments in India are governed by the provisions of Section 6 of the Foreign Exchange Management Act (FEMA) 1999 and are subject to the Regulations issued by the Reserve Bank of India under FEMA 1999. The Regulations have been published pursuant to Notification No. FEMA 20/2000-RB dated May 3, 2000. The Foreign Direct Investment Scheme under the Reserve Bank's Automatic Route enables Indian Companies (other than those specifically excluded in the scheme) to issue shares to persons resident outside India without prior permission from the RBI, subject to certain conditions. General permission has been granted for the transfer of shares and convertible debentures by a person resident outside India as follows: (i) for transfers of shares or convertible debentures held by a person resident outside India other than NRI, to any person resident outside India and (ii) NRIs are permitted to transfer shares or convertible debentures of Indian company to other NRIs.

A person resident outside India may transfer securities of an Indian company to a person resident in India by way of gift. However, where such transfer is not by way of gift, prior approval of the RBI is necessary only if certain prescribed conditions are not met. For transfer of existing shares or convertible debentures of an Indian company by a person resident in India to a person resident outside India by way of sale, the transferor shall make an application to Authorized Dealer for permission subject to certain conditions being met. In cases where such conditions are not met, approval of the Central Government and the Reserve Bank of India may be also required.

**General**

Shares of Indian companies represented by ADSs may be approved for issuance to foreign investors by the Government of India under the Issue of Foreign Currency Convertible Bonds and Equity Shares (through Depository Receipt Mechanism) Scheme, 1993, or the 1993 Regulation, as modified from time to time, promulgated by the Government of India. The 1993 Regulation is distinct from other policies or facilities, as described below, relating to investments in Indian companies by foreign investors. The issuance of ADSs pursuant to the 1993 Regulation also affords to holders of the ADSs the benefits of Section 115AC of the Indian Income Tax Act, 1961 for purposes of the application of Indian tax law.

The Reserve Bank of India, or RBI, has issued a notification directing that Indian companies may utilize up-to 100 percent of proceeds realized from the sale of ADSs for overseas investments.

In February 2002, the RBI issued a circular stating that the terms of Regulation 4A of the Reserve Bank of India Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended by Notification No. FEMA 41/2001-RB dated March 2, 2001, allow a registered broker to purchase shares of an Indian company on behalf of a person resident outside of India for the purpose of converting those shares into ADSs/GDSs. However, such conversion is subject to compliance with the provisions of the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme 1993 and the periodic guidelines issued by the Central Government. This would mean that ADSs converted into Indian shares may be converted back into ADSs, subject to the limits of sectoral caps.



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The Operative Guidelines for the limited two-way fungibility under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme 1993 has also been approved by the Government of India.

These guidelines provide that a re-issuance of ADSs/GDSs is permitted to the extent of ADSs/GDSs, have been redeemed for underlying shares and sold in the domestic market. The re-issuance must be within the specified limits. The conditions to be satisfied in this regard are: (i) the shares are purchased on a recognized stock exchange; (ii) the Indian company has issued ADS/GDS, (iii) the shares are purchased with the permission of the custodian of the ADSs/GDSs of the Indian company and are deposited with the custodian; and (iv) the number of shares so purchased shall not exceed the number of ADSs/GDSs converted into underlying shares.

The procedure for conversion of shares into ADSs/GDSs is as follows: (i) on request by the overseas investor for the acquisition of shares for re-issuance of ADSs/GDSs, the SEBI registered broker will purchase shares from a stock exchange after verifying with the custodian as to the availability of Head Room (i.e., the number of ADSs/GDSs originally issued minus number of ADSs/GDSs outstanding further adjusted for ADSs/GDSs redeemed into underlying shares and registered in the name of the non-resident investor(s)); (ii) an Indian broker purchases the shares in the name of the overseas depository; (iii) after the purchase, the Indian broker places the domestic shares with the custodian; (iv) the custodian advises the overseas depository on the custody of domestic shares and to issue corresponding ADSs/GDSs to the investor; and (v) the overseas depository issues ADSs/GDSs to the investor.

**Transfer of ADSs and Surrender of ADSs**

A person resident outside India may transfer the ADSs held in Indian companies to another person resident outside India without any permission. A person resident in India is not permitted to hold ADSs of an Indian company, except in connection with the exercise of stock options. An ADS holder is permitted to surrender the ADSs held by him in an Indian company and to receive the underlying equity shares under the terms of the Deposit Agreement. Under Indian regulations, the re-deposit of these equity shares with the depository to ADSs may not be permitted.

**Sponsored ADS**

The amendment to the FEMA regulations permit an issuer in India to sponsor the issue of ADSs through an overseas depository against underlying equity shares accepted from holders of its equity shares in India for offering outside of India. The sponsored issue of ADSs was possible only if the following conditions are satisfied: There have been amendments to the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism), Scheme 1993 and primarily the amendments were on the Eligibility of Issuer, Eligibility of Subscriber, Pricing of the offerings, and Voting Rights.

the price of the offering is determined by the managing underwriters of the offering;

the ADS offering is approved by the FIPB;

the ADS offering is approved by a special resolution of the shareholders of the issuer in a general meeting;

the facility is made available to all the equity shareholders of the issuer;

the proceeds of the offering are repatriated into India within one month of the closing of the offering;

the sales of the existing equity shares are made in compliance with the Foreign Direct Investment Policy (as described above) in India;

the number of shares offered by selling shareholders are subject to limits in proportion to the existing holdings of the selling shareholders when the offer is oversubscribed; and

the offering expenses do not exceed 7% of the offering proceeds and are paid by shareholders on a pro-rata basis.



The issuer is also required to furnish a report to the RBI specifying the details of the offering, including the amount raised through the offering, the number of ADSs issued, the underlying shares offered and the percentage of equity in the issuer represented by the ADSs.

**Conditions for issuance of ADS/GDS outside India by Indian Companies**

**Eligibility of issuer:** An Indian Company, which is not eligible to raise funds from the Indian Capital Market including a company which has been restrained from accessing the securities market by the Securities and Exchange Board of India (SEBI) will not be eligible to issue ADS/GDS apart from Foreign Currency Convertible Bonds.

**Eligibility of subscriber:** Erstwhile Overseas Corporate Bodies (OCBs) who are not eligible to invest in India through the portfolio route and entities prohibited to buy, sell or deal in securities by SEBI will not be eligible to subscribe to (i) Foreign Currency Convertible Bonds and (ii) ADS/GDS

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**Pricing:** The pricing of ADS/GDS and Foreign Currency Convertible Bonds should be made at a price not less than the higher of the following two averages:

- (i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange in India during the six months preceding the relevant date;
- (ii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange in India during the two weeks preceding the relevant date.

The relevant date means the date thirty days prior to the date on which the meeting of the general body of shareholders is held, in terms of section 81 (IA) of the Companies Act, 1956, to consider the proposed issue.

**Foreign Direct Investment**

In July 1991, the Government of India raised the limit on foreign equity holdings in Indian companies from 40% to 51% in certain high priority industries. The RBI gives automatic approval for such foreign equity holdings. The Foreign Investment Promotion Board, or FIPB, currently under the Ministry of Finance, was thereafter formed to facilitate companies to make long-term investments in India. Foreign equity participation in excess of 51% in such high priority industries or in any other industries up to Rs. 6 billion is currently allowed only with the approval of the FIPB. Proposals in excess of Rs. 6 billion require the approval of the Cabinet Committee on Foreign Investment. Proposals involving the public sector and other sensitive areas require the approval of Cabinet Committee on Economic Affairs. These facilities are designed for direct foreign investments by persons who are not residents of India who are not NRIs, or FIIs (as each term is defined below), or foreign direct investors. The Department of Industrial Policy and Promotion, a part of the Ministry of Industry, issued detailed guidelines in January 1998 for consideration of foreign direct investment proposals by the FIPB, or the Guidelines. Under the Guidelines, sector specific guidelines for foreign direct investment and the levels of permitted equity participation have been established. In March 2000, the RBI issued a notification that foreign ownership of up to 49%, 50%, 51%, 74% or 100%, depending on the category of industry, would be allowed without prior permission of the RBI. The issues to be considered by the FIPB, and the FIPB's areas of priority in granting approvals are also set out in the Guidelines. The basic objective of the Guidelines is to improve the transparency and objectivity of the FIPB's consideration of proposals. However, because the Guidelines are administrative guidelines and have not been codified as either law or regulations, they are not legally binding with respect to any recommendation made by the FIPB or with respect to any decision taken by the Government of India in cases involving foreign direct investment.

In May 1994, the Government of India announced that purchases by foreign investors of ADSs as evidenced by ADRs and foreign currency convertible bonds of Indian companies will be treated as direct foreign investment in the equity issued by Indian companies for such offerings. Therefore, offerings that involve the issuance of equity that results in Foreign Direct Investors holding more than the stipulated percentage of direct foreign investments (which depends on the category of industry) would require approval from the FIPB. In addition, in connection with offerings of any such securities to foreign investors, approval of the FIPB is required for Indian companies whether or not the stipulated percentage limit would be reached, if the proceeds therefrom are to be used for investment in non-high priority industries.

In July 1998, the Government of India issued guidelines to the effect that foreign investment in preferred shares will be considered as part of the share capital of a company and will be processed through the automatic RBI route or will require the approval of the FIPB, as the case may be. Investments in preferred shares are included as foreign direct investment for the purposes of sectoral caps on foreign equity, if such preferred shares carry a conversion option. If the preferred shares are structured without a conversion option, they would fall outside the foreign direct investment limit but would be treated as debt and would be subject to special Government of India guidelines and approvals.

Over a period of time, the Government of India has relaxed the restrictions on foreign investment. Subject to certain conditions, under current regulations, foreign direct investment in most industry sectors does not require prior approval of the FIPB or RBI, if the percentage of equity holding by all foreign investors does not exceed specified industry specific thresholds. Purchases by foreign investors of ADSs are treated as direct foreign investment in the equity issued by Indian companies for such offerings. Foreign investment up to 100% of company's share capital is currently permitted in the IT industry.

**Subsequent Transfers**

Restrictions for subsequent transfers of shares of Indian companies between residents and non-residents were relaxed significantly as of October 2004 in sectors other than the financial services sector. As a result, for a transfer between a resident and a non-resident of securities of an Indian in the IT sector, no prior approval of either the RBI or

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the Government of India is required, as long as certain conditions are met. These conditions include compliance, as applicable, with pricing guidelines and the ownership restrictions based on the nature of the foreign investor. Transfers of shares from residents to non-residents which trigger the provision of the Takeover Code require prior approval of the Government of India or the RBI. If a sale or purchase is conducted on a stock exchange at prevailing market prices, the pricing guidelines will be deemed satisfied. For off-market, negotiated transactions, the guidelines require a transaction price based on the prevailing market price.

Transfers between two non-residents are not subject to RBI approvals or compliance with pricing guidelines. However, for industries other than the IT sector, approval of the Government of India would be required if the transferee of shares have an existing venture in India in the same field, unless the existing venture is sick or defunct or the investment of the parties in the existing venture is less than 3%.

**Investment by Non-Resident Indians**

A variety of facilities for making investments in shares of Indian companies is available to individuals of Indian nationality or origin residing outside India, or NRIs. These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis that is not generally available to other foreign investors. A Non-Resident Indian (NRI) or a Person of Indian Origin (PIO) resident outside India may invest by way of contribution to the capital of a firm or a proprietary concern in India on a non-repatriation basis. These facilities are different and distinct from investments by Foreign Direct Investors described above. Indian companies are now allowed, without prior Government of India approval, to invest in joint ventures or wholly-owned subsidiaries outside India. The amount invested may not exceed two times the net worth of the company or its equivalent in a financial year. RBI no longer recognizes Overseas Corporate Bodies, or OCBs as an eligible class of investment vehicle under various routes and schemes under the foreign exchange regulations.

NRIs are permitted to make investments through a stock exchange, or Portfolio Investments on favorable tax and other terms under India's Portfolio Investment Scheme. Under the scheme, an NRI can purchase up to 5% of the paid up value of the shares issued by a company, subject to the condition that the aggregate paid up value of shares purchased by all NRIs does not exceed 10% of the paid up capital of the company. The 10% ceiling may be exceeded if a special resolution is passed in a general meeting of the shareholders of a company, subject to the overall ceiling of Foreign Direct Investment limit.

**Investment By Foreign Institutional Investors**

In September 1992, the Government of India issued guidelines which enable foreign institutional investors or FIIs, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers, to invest in all the securities traded on the primary and secondary markets in India. Under the guidelines, FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI Foreign Institutional Investors Regulations, 1995. When it receives the initial registration, the FII also obtains general permission from the RBI to engage in transactions regulated under FEMA. Together, the initial registration and the RBI's general permission enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely tradable securities issued by Indian companies; realize capital gains on investments made through the initial amount invested in India; subscribe or renounce rights offerings for shares; appoint a domestic custodian for custody of investments held; and repatriate the capital, capital gains, dividends, income received by way of interest and any other compensation received towards the sale or renunciation of rights offerings of shares. As of December 2003, the RBI vide A.P. circulars No. 53 and 54 have permitted such registered FIIs or sub-accounts of FIIs as well as unincorporated entities abroad to buy or sell equity shares and debentures of Indian companies (excluding those in the print media sector), units of domestic mutual funds, dated Government Securities and Treasury Bills through stock exchanges in India at the ruling market price, invest or trade in exchange traded derivative contracts, and also to buy or sell shares and debentures etc. of listed and unlisted companies otherwise than on stock exchanges at a price approved by SEBI/ RBI as per the terms and conditions prescribed.

**Ownership Restrictions**

SEBI and RBI regulations restrict investments in Indian companies by FIIs and NRIs or collectively, Foreign Direct Investors. Under current SEBI regulations applicable to Wipro Limited, subject to the requisite approvals of the

shareholders in a General Meeting, Foreign Direct Investors in aggregate may hold no more than 49% of a company's equity shares, excluding the equity shares underlying the ADSs. However, under Vide Notification No. FEMA.45/2001-RB dated September 20, 2001 under Foreign Exchange Management (Transfer or Issue of Security by a person resident outside India) Regulations, 2001, the limit of FII investment in a company has been linked to sectoral caps/statutory ceiling as applicable to the concerned industry subject to obtaining the approval of the shareholders by a special resolution. NRIs in aggregate may hold no more than 24% of a company's equity shares, (subject to obtaining

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the approval of the shareholders by a special resolution) excluding the equity shares underlying the ADSs. Furthermore, SEBI regulations provide that no single FII may hold more than 10% of a company's total equity shares and no single NRI may hold more than 5% of a company's total equity shares. There is uncertainty under Indian law about the tax regime applicable to FIIs which hold and trade ADSs. FIIs are urged to consult with their Indian legal and tax advisers about the relationship between the FII guidelines and the ADSs and any equity shares withdrawn upon surrender of ADSs.

More detailed provisions relating to FII investment have been introduced by the SEBI and RBI with the introduction of the SEBI Foreign Institutional Investors Regulations, 1995 and the RBI circulars in this regard. These provisions relate to the registration of FIIs, their general obligations and responsibilities, and certain investment conditions and restrictions. The SEBI registered FII shall restrict allocation of its total investment between equities and debt in the Indian capital market in the ratio of 70:30. The FII may form a 100% debt fund and get such fund registered with SEBI.

Registered FIIs may trade in all exchange traded derivative contracts on the stock exchanges in India subject to the position limits as prescribed by SEBI from time to time. The SEBI has also permitted private placements of shares by listed companies with FIIs, subject to the prior approval of the RBI under FEMA. Such private placement must be made at the average of the weekly highs and lows of the closing price over the preceding six months or the preceding two weeks, whichever is higher.

Open market purchases of securities of Indian companies in India by Foreign Direct Investors or investments by NRIs and FIIs above the ownership levels set forth above require Government of India approval on a case-by-case basis.

The Reserve Bank of India in circular No. 44 dated December 8, 2003 has imposed certain restrictions on OCBs in making any new investments as well as on the sale or transfer of shares held by them.

**Government of India Approvals**

Approval of the Foreign Investment Promotion Board, or FIPB, for foreign direct investment by ADS holders is required. Specific approval of the Reserve Bank of India, or RBI, will have to be obtained for:

any renunciation of rights in the underlying equity shares in favor of a person resident in India; and

the sale of the underlying equity shares by a person resident outside India to a person resident in India and vice versa if the prescribed conditions for such sale/purchase are not met.

In such cases, the foreign investor would have to apply to the Reserve Bank of India by submitting Form TS1, which requires information as to the transferor, the transferee, the shareholding structure of the company whose shares are to be sold, the proposed price and other information. The Reserve Bank of India is not required to respond to a Form TS1 application within any specific time period and may grant or deny the application at its discretion. Exceptions to this requirement of Reserve Bank of India approval include sales made in the stock market through a registered Indian broker, through a recognized stock exchange in India at the prevailing market rates, or if the shares are offered in accordance with the terms of an offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The proceeds from any sale of the underlying equity shares by a person resident outside India to a person resident in India may be transferred outside India after receipt of Reserve Bank of India approval (if required), and the payment of applicable taxes and stamp duties.

No approval is required for transfers of ADSs outside India between two non-residents. Any person resident outside India who desires to sell equity shares received upon surrender of ADSs or otherwise transfer such equity shares within India should seek the advice of Indian counsel as to the requirements applicable at that time.

**Overseas investment Liberalization**

Regulation 6 of the Notification No.FEMA.120/RB-2004 dated July 7, 2004 to read with Circular No. 42 dated May 12, 2005 and monetary policy pronouncement of April, 2007 of Reserve Bank of India in terms of which an Indian entity is permitted to invest up to 300 per cent of their net worth in overseas Joint Ventures and/or Wholly Owned Subsidiaries (JV/WOS) in any bonafide business activity under automatic route. Accordingly, under the automatic route for overseas investment, eligible Indian companies are permitted to invest in overseas in JV/WOS up to 300 per cent of their net worth. It was further clarified by the Reserve Bank of India

that the ceiling is not applicable to the investments made out of balances held in EEFC accounts and out of the proceeds of ADR / GDR issue, as hitherto. This enables Authorized Dealers

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to allow remittances under automatic route up to 300 per cent of the net worth as on the date of the last audited balance sheet of the investing companies, after considering the proposals received in form ODA.

With a view to grant more operational flexibility to the corporates in India it has been decided to further liberalize the various Regulations as under:

Presently, only promoter corporates are permitted to offer guarantees on behalf of their Wholly Owned Subsidiaries (WOSs) or Joint Ventures (JVs), under the Automatic Route and issue of personal, collateral and third party guarantees requires prior approval of Reserve Bank (RBI) and is considered by them, on a case by case basis.

With a view to simplify the procedure, RBI has decided to enlarge the scope of guarantees covered under the Automatic Route. Accordingly, Indian entities may offer any forms of guarantee corporate or personal, primary or collateral, guarantee by the promoter company, guarantee by group company, sister concern or associate company in India, provided that :

- o All financial commitments including all forms of guarantees are within the overall prescribed ceiling for overseas investment of the Indian party, for example, currently within 300% of the net worth of the investing company (Indian party),
- o No guarantee is open ended, for example, the amount of the guarantee should be specified upfront; and
- o As in the case of corporate guarantees, all guarantees are required to be reported to RBI, in Form ODR.

### **General Permission for disinvestment**

Currently, in terms of Regulation 16 of Notification No.FEMA 120/RB-2004 dated July 7, 2004, all disinvestments that involve a write off i.e. where the amount repatriated on disinvestment is less than the amount of the original investment, can be made by the Company.

in cases where the JV / WOS is listed in the overseas stock exchange.

in cases where the Indian promoter company is listed on a stock exchange in India and has a net worth of not less than Rs. 1,000 million; or

where the Indian promoter is an unlisted company and the investment in overseas venture does not exceed USD 10 million.

### **Taxation**

The following summary is based on the law and practice of the Indian Income-tax Act, 1961, or Income-Tax Act, including the special tax regime contained in Sections 115AC and 115ACA of the Income-tax Act read with the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, as amended on, January 19, 2000, or the Issue of Foreign Currency Convertible bonds and Ordinary Shares Scheme. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of Sections 115AC and 115ACA may be amended or changed by future amendments to the Income-tax Act.

We believe this information is materially complete as of the date hereof, however, this summary is not intended to constitute a complete analysis of the individual tax consequences to non-resident holders or employees under Indian law for the acquisition, ownership and sale of ADSs and equity shares.

*Residence.* For purposes of the Income-tax Act, an individual is considered to be a resident of India during any fiscal year if he or she is in India in that year for:

a period or periods amounting to 182 days or more; or



60 days or more and, within the four preceding years has been in India for a period or periods amounting to 365 days or more.

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The period of 60 days referred to above shall be read as 182 days (i) in case of a citizen of India who leaves India in a fiscal year for the purposes of employment outside of India or (ii) in case of a citizen of India or a person of Indian origin living abroad who visits India and within the four preceding years has been in India for a period or periods amounting to 365 days or more.

A company is a resident of India if it is incorporated in India or the control and the management of its affairs is situated wholly in India. Companies that are not residents of India would be treated as non-residents for purposes of the Income-tax Act.

**Taxation of Distributions.** As per Section 10(34) of the Income Tax Act, dividends paid by Indian Companies on or after April 1, 2003 to its shareholders (whether resident in India or not) are not subject to tax. However, the Company paying the dividend is subject to a dividend distribution tax of 12.50% on the total amount it distributes, declares or pays as a dividend, in addition to the normal corporate tax. Additionally, the Finance Act, 2006 levies a surcharge of 10% on such tax and an additional surcharge namely education cess of 2% on such tax and surcharge, after which the dividend distribution tax payable would be 14.03%.

Any distributions of additional ADSs or equity shares to resident or non-resident holders will not be subject to Indian tax.

**Taxation of Capital Gains.** The following is a brief summary of capital gains taxation of non-resident holders and resident employees in respect of the sale of ADSs and equity shares received upon redemption of ADSs. The relevant provisions are contained mainly in sections 45, 47(vii)(a), 115AC and 115ACA, of the Income Tax Act, in conjunction with the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme.

Gains realized upon the sale of ADSs or shares that have been held for a period of more than thirty-six months and twelve months, respectively, are considered long term capital gains. Gains realized upon the sale of ADSs or shares that have been held for a period of thirty six months or less and twelve months or less, respectively, are considered short term capital gains. Capital gains are taxed as follows:

Gains from a sale of ADSs outside India, by a non-resident to another non-resident are not taxable in India.

Long term capital gains realized by a resident employee from the transfer of the ADSs will be subject to tax at the rate of 10%. Short-term capital gains on such a transfer will be taxed at graduated rates with a maximum of 30%.

Long-term capital gains realized by non-resident upon the sale of equity shares obtained through the redemption of ADSs, settlement of such sale being made off a recognized stock exchange, are subject to tax at a rate of 10%. Short-term capital gains on such transfer will be taxed at graduated rates with a maximum of 30%.

Long-term capital gains realized by a non-resident upon the sale of equity shares obtained through the redemption of ADSs, settlement of such sale being made on a recognized stock exchange, is exempt from tax and the Short-term capital gains on such sale will be taxed at 10%. An additional tax called Securities Transaction Tax, or STT (described in detail below will be levied at the time of settlement.

In addition to the above rates, the Finance Act 2006 levies a surcharge of 10% on the above taxes, in the case of resident employees or the non-resident individuals, in case their aggregate taxable income exceed Rs. 10,00,000 during the relevant financial year and an additional surcharge called education cess of 2% on the above tax and surcharge.

The above rates may be reduced by the applicable tax treaty in case of non-residents. The capital gains tax is computed by applying the appropriate tax rates to the difference between the sale price and the purchase price of the equity shares or ADSs. Under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme, the purchase price of equity shares in an Indian listed company received in exchange for ADSs will be the market price of the underlying shares on the date that the depository gives notice to the custodian of the delivery of the equity shares in exchange for the corresponding ADSs or the stepped up basis purchase price. The market price will be the price of the equity shares prevailing on The Stock Exchange, Mumbai or the National Stock Exchange. There is no corresponding provision under the Income Tax Act in relation to the stepped up basis for the purchase price of equity shares. However the tax department in India has not denied this benefit. In the event that the tax department denies

this benefit, the original purchase price of ADSs would be considered the purchase price for computing the capital gains tax.

According to the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme, a non-resident holder's holding period for the purposes of determining the applicable Indian capital gains tax rate in respect of equity

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shares received in exchange for ADSs commences on the date of the notice of the redemption by the depository to the custodian. However, the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme does not address this issue in the case of resident employees, and it is therefore unclear as to when the holding period for the purposes of determining capital gains tax commences for such a resident employee.

The Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme provides that if the equity shares are sold on a recognized stock exchange in India against payment in Indian rupees, they will no longer be eligible for the preferential tax treatment.

It is unclear as to whether section 115AC and the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme are applicable to a non-resident who acquires equity shares outside India from a non-resident holder of equity shares after receipt of the equity shares upon redemption of the ADSs.

It is unclear as to whether capital gains derived from the sale of subscription rights or other rights by a non-resident holder not entitled to an exemption under a tax treaty will be subject to Indian capital gains tax. If such subscription rights or other rights are deemed by the Indian tax authorities to be situated within India, the gains realized on the sale of such subscription rights or other rights will be subject to Indian taxation. The capital gains realized on the sale of such subscription rights or other rights, which will generally be in the nature of short term capital gains, will be subject to tax at variable rates with a maximum rate of 40% in case of a foreign company and at graduated rate with a maximum of 30%, in case of resident employees and non-resident individuals. In addition to this, there will be a surcharge of 10% in the case of all corporate holders and in the case of non-corporate holders with an aggregate taxable income exceeding Rs. 10,00,000 and an additional surcharge called education cess of 2% on the above tax and surcharge.

As per Section 55(2) of the Income Tax Act, the cost of any share (commonly called a bonus share) allotted to any shareholder without any payment and on the basis of such shareholder's share holdings, shall be nil. The holding period of bonus shares for the purpose of determining the nature of capital gains shall commence on the date of allotment of such shares by the company.

*Securities Transaction Tax:* The Finance Act, 2004 has introduced certain new provisions with regard to taxes on the sale and purchase of securities, including equity shares. On and after October 1, 2004, in respect of a sale and purchase of equity shares entered into on a recognized stock exchange, (i) both the buyer and seller are required to pay each a Securities Transaction Tax, or STT at the rate of 0.075% of the transaction value of the securities, if a transaction is a delivery based transaction i.e. the transaction involves actual delivery or transfer of shares; (ii) the seller of the shares is required to pay a STT at the rate of 0.015% of the transaction value of the securities, if the transaction is a non-delivery based transaction, i.e. a transaction settled without taking delivery of the shares. The Finance Act, 2005 has increased the rate STT, with effect from April 1, 2005, in respect of a sale and purchase of equity shares entered into on a recognized stock exchange, to 0.1% for delivery based transactions and 0.02% for non-delivery based transactions.

*Withholding Tax on Capital Gains.* Any gain realized by a non-resident or resident employee on the sale of equity shares is subject to Indian capital gains tax, which, in the case of a non-resident is to be withheld at the source by the buyer. However, as per the provisions of Section 196D(2) of the Income Tax Act, no withholding tax is required to be deducted by way of capital gains arising to Foreign Institutional Investors as defined in Section 115AD of the Income Tax Act on the transfer of securities defined in Section 115AD of the Income Tax Act.

*Buy-back of Securities.* Indian companies are not subject to any tax on the buy-back of their shares. However, the shareholders will be taxed on any resulting gains. Our company would be required to deduct tax at source according to the capital gains tax liability of a non-resident shareholder.

*Stamp Duty and Transfer Tax.* Upon issuance of the equity shares underlying our ADSs, companies will be required to pay a stamp duty of 0.1% per share of the issue price of the underlying equity shares. A transfer of ADSs is not subject to Indian stamp duty. However, upon the acquisition of equity shares from the depository in exchange for ADSs, the non-resident holder will be liable for Indian stamp duty at the rate of 0.25% of the market value of the ADSs or equity shares exchanged. A sale of equity shares by a non-resident holder will also be subject to Indian stamp duty at the rate of 0.25% of the market value of the equity shares on the trade date, although customarily such tax is borne by the transferee. Shares must be traded in dematerialized form. The transfer of shares in dematerialized form is

currently not subject to stamp duty.

*Wealth Tax.* The holding of the ADSs and the holding of underlying equity shares by resident and non-resident holders will be exempt from Indian wealth tax. Non-resident holders are advised to consult their own tax advisors regarding this issue.

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*Gift Tax and Estate Duty.* Indian gift tax was abolished as of October 1998. Indian Estate Duty was abolished as of March 1985. On and after September 1, 2004, a sum of money exceeding Rs. 25,000 (approx \$ 570), received by an individual without consideration will be subject to tax at graduated rates with a maximum of 30% (excluding applicable surcharge and education cess), unless the same was received from a relative as defined in Explanation under Section 56(v), or on the occasion of the marriage of the Individual or under a will or by way of inheritance or in contemplation of death of the payer. The Taxation Laws Amendment Bill, 2005 introduced in the Parliament on May 12, 2005 proposes to levy the above tax in case the sum of money exceeds in aggregate Rs. 50,000 in a fiscal year. We cannot assure that these provisions will not be amended further in future. Non-resident holders are advised to consult their own tax advisors regarding this issue.

*Service Tax.* Brokerage or commission paid to stock brokers in connection with the sale or purchase of shares is subject to a service tax of 12% excluding surcharges and education cess. The stock broker is responsible for collecting the service tax from the shareholder and paying it to the relevant authority.

**PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE INDIAN AND THEIR LOCAL TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR ADSs.**

**Material United States Federal Tax Consequences**

The following is a summary of the material U.S. federal income and estate tax consequences that may be relevant with respect to the acquisition, ownership and disposition of equity shares or ADSs and is for general information only. This summary addresses the U.S. federal income and estate tax considerations of holders that are U.S. persons. U.S. persons are citizens or residents of the United States, or corporations (or other entities treated as corporations for United States federal income tax purposes) created in or under the laws of the United States or any political subdivision thereof or therein, estates, the income of which is subject to U.S. federal income taxation regardless of its source and trusts for which a U.S. court exercises primary supervision and a U.S. person has the authority to control all substantial decisions. This summary is limited to U.S. persons who will hold equity shares or ADSs as capital assets.

This summary is limited to U.S. persons who will hold equity shares or ADSs as capital assets. In addition, this summary is limited to U.S. persons who are not residents in India for purposes of the Convention between the Government of the United States of America and the Government of the Republic of India for the avoidance of Double Taxation and the prevention of Fiscal Evasion with respect to taxes on income. If a partnership holds the equity shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner in a partnership holding equity shares or ADSs should consult his/her/its own tax advisor.

This summary does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks, insurance companies, financial institutions, dealers in securities or currencies, tax-exempt entities, persons that will hold equity shares or ADSs as a position in a straddle or as part of a hedging or conversion transaction for tax purposes, persons that have a functional currency other than the U.S. dollar or holders of 10% or more, by voting power or value, of the shares of our company. This summary is based on the tax laws of the United States as in effect on the date of this document and on United States Treasury Regulations in effect or, in some cases, proposed, as of the date of this document, as well as judicial and administrative interpretations thereof available on or before such date and is based in part on the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. All of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below.

***Each prospective investor should consult his, her or its own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of equity shares or ADSs.***

*Ownership of ADSs.* For U.S. federal income tax purposes, holders of ADSs will be treated as the owners of equity shares represented by such ADSs.

*Dividends.* Except for equity shares, if any, distributed pro rata to all shareholders of our company, including holders of ADSs, the gross amount of any distributions of cash or property with respect to equity shares or ADSs will generally be included in income by a U.S. holder as foreign source dividend income at the time of receipt, which in

the case of a U.S. holder of ADSs generally should be the date of receipt by the depository, to the extent such distributions are made from the current or accumulated earnings and profits (as determined under U.S. federal income tax principles) of our company. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. holders. To the extent, if any, that the amount of any distribution by our company exceeds our company's current and accumulated earnings and profits as determined under U.S. federal income tax principles, such

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excess will be treated first as a tax-free return of the U.S. holder's tax basis in the equity shares or ADSs and thereafter as capital gain.

Subject to certain conditions and limitations, dividends paid to non-corporate U.S. holders, including individuals, may be eligible for a reduced rate of taxation if we are deemed to be a qualified foreign corporation for United States federal income tax purposes. A qualified foreign corporation includes a foreign corporation if (1) its shares (or, according to legislative history, its ADSs) are readily tradable on an established securities market in the United States or (2) it is eligible for the benefits under a comprehensive income tax treaty with the United States. In addition, a corporation is not a qualified foreign corporation if it is a passive foreign investment company (as discussed below). The ADSs are traded on the New York Stock Exchange. Due to the absence of specific statutory provisions addressing ADSs, however, there can be no assurance that we are qualified foreign corporation solely as a result of our listing on New York Stock Exchange. Nonetheless, we may be eligible for benefits under the comprehensive income tax treaty between India and the United States. The reduced rate of taxation will not apply to dividends received in taxable years beginning after December 31, 2010. Each U.S. holder should consult its own tax advisor regarding the treatment of dividends and such holder's eligibility for reduced rate of taxation.

Subject to certain conditions and limitations, any Indian dividend withholding tax imposed upon distributions paid to a U.S. holder should be eligible for credit against the U.S. holder's federal income tax liability. Alternatively, a U.S. holder may claim a deduction for such amount, but only for a year in which a U.S. holder does not claim a credit with respect to any foreign income taxes. The overall limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, distributions on equity shares or ADSs will be income from sources outside the United States, and, for tax years beginning before January 1, 2007, will generally be passive income, or financial services income, and for tax years beginning after December 31, 2006, will generally be passive category income or general category income for purposes of computing the United States foreign tax credit allowable to a U.S. holder.

If dividends are paid in Indian rupees, the amount of the dividend distribution included in the income of a U.S. holder will be in the U.S. dollar value of the payments made in Indian rupees, determined at a spot exchange rate between Indian rupees and U.S. dollars applicable to the date such dividend is included in the income of the U.S. holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, gain or loss, if any, resulting from currency exchange fluctuations during the period from the date the dividend is paid to the date such payment is converted into U.S. dollars will be treated as U.S. source ordinary income or loss.

*Sale or Exchange of Equity Shares or ADSs.* A U.S. holder generally will recognize gain or loss on the sale or exchange of equity shares or ADSs equal to the difference between the amount realized on such sale or exchange and the U.S. holder's tax basis in the equity shares or ADSs, as the case may be. Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the equity shares or ADSs, as the case may be, were held for more than one year. Gain or loss, if any, recognized by a U.S. holder generally will be treated as U.S. source passive category income or loss for U.S. foreign tax credit purposes. Capital gains realized by a U.S. holder upon sale of equity shares (but not ADSs) may be subject to certain tax in India. See taxation Taxation of Distributions Taxation of Capital Gains. Due to limitations on foreign tax credits, however, a U.S. holder may not be able to utilize any such taxes as a credit against the U.S. holder's federal income tax liability.

*Estate Taxes.* An individual shareholder who is a citizen or resident of the United States for U.S. federal estate tax purposes will have the value of the equity shares or ADSs held by such holder included in his or her gross estate for U.S. federal estate tax purposes. An individual holder who actually pays Indian estate tax with respect to the equity shares will, however, be entitled to credit the amount of such tax against his or her U.S. federal estate tax liability, subject to a number of conditions and limitations.

*Backup Withholding Tax and Information Reporting.* Any dividends paid, or proceeds on a sale of, equity shares or ADSs to or by a U.S. holder may be subject to U.S. information reporting, and a backup withholding tax (currently at a rate of 28%) may apply unless the holder is an exempt recipient or provides a U.S. taxpayer identification number, certifies that such holder is not subject to backup withholding and otherwise complies with any applicable backup withholding requirements. Any amount withheld under the backup withholding rules will be allowed as a refund or credit against the holder's U.S. federal income tax, provided that the required information is furnished to the Internal



Revenue Service.

*Passive Foreign Investment Company.* A non-U.S. corporation will be classified as a passive foreign investment company for U.S. Federal income tax purposes if either:

75% or more of its gross income for the taxable year is passive income; or

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on average for the taxable year by value, or, if it is not a publicly traded corporation and so elects, by adjusted basis, if 50% or more of its assets produce or are held for the production of passive income.

We do not believe that we satisfy either of the tests for passive foreign investment company status for 2005. Since this determination is made on an annual basis, however, no assurance can be given that we will not be considered a passive foreign investment company in future taxable years. If we were to be a passive foreign investment company for any taxable year, U.S. holders would be required to either:

pay an interest charge together with tax calculated at an ordinary income rates on excess distributions, as the term is defined in relevant provisions of U.S. tax laws, and on any gain on a sale or other disposition of equity shares;

if an election is made, a qualified electing fund (as the term is defined in relevant provisions of the U.S. tax laws), include in their taxable income their pro rata share of undistributed amounts of our income; or

if the equity shares are marketable and a mark-to-market election is made, mark-to-market the equity shares each taxable year and recognize ordinary gain and, to the extent of prior ordinary gain, ordinary loss for the increase or decrease in market value for such taxable year.

If we are treated as a passive foreign investment company, we do not plan to provide information necessary for the qualified electing fund election.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to ownership of equity shares or ADSs. You should consult your own tax advisor concerning the tax consequences of your particular situation.

### **Documents on Display**

This report and other information filed or to be filed by Wipro Limited can be inspected and copied at the public reference facilities maintained by the SEC at:

100 F Street, NE  
Washington D.C, 20549

Northwestern Atrium Center  
500 West Madison Street  
Suite 1400  
Chicago, Illinois 60661-2511

Copies of these materials can also be obtained from the Public Reference Section of the SEC, 100 F Street, NE., Washington, DC 20549, at prescribed rates.

The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

Additionally, documents referred to in this Form 20-F may be inspected at our corporate offices which are located at Doddakannelli, Sarjapur Road, Bangalore, Karnataka, 560035, India.

### **Item 11. Quantitative and Qualitative Disclosures About Market Risk**

#### *General*

Market risk is the risk of loss of future earnings, to fair values or to future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long-term debt.

Our exposure to market risk is a function of our investment and borrowing activities and our revenue generating activities in foreign currency. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss. Most of our exposure to market risk arises out of our foreign currency account receivables.

**Table of Contents***Risk Management Procedures*

We manage market risk through a corporate treasury department, which evaluates and exercises independent control over the entire process of market risk management. Our corporate treasury department recommends risk management objectives and policies which are approved by senior management and our Audit Committee. The activities of this department include management of cash resources, implementing hedging strategies for foreign currency exposures, borrowing strategies, and ensuring compliance with market risk limits and policies on a daily basis.

*Components of Market Risk*

Our exposure to market risk arises principally from exchange rate risk. Interest rate risk is the other component of our market risk.

*Exchange rate risk.* Our exchange rate risk primarily arises from our foreign exchange revenue, receivables, forecasted cash flows, payables and foreign currency debt. A significant portion of our revenue is in U.S. dollars while a significant portion of our costs are in Indian rupees. The exchange rate between the rupee and dollar has fluctuated significantly in recent years and may continue to fluctuate in the future. Appreciation of the rupee against the dollar can adversely affect our results of operations.

We evaluate our exchange rate exposure arising from these transactions and enter into foreign currency forward contracts to mitigate such exposure. We follow established risk management policies, including the use of derivatives like forward foreign exchange contracts to hedge forecasted cash flows denominated in foreign currency. As of March 31, 2006, we had forward contracts to sell amounting to \$592 million and £4 million and net purchased options to sell \$254 million and £8 million. As of March 31, 2007, we had forward contracts to sell amounting to \$345 million, 16 million and £88 million and forward contracts to buy amounting to \$185 million. In addition, we also had net purchased options to sell \$36 million and 13 million.

In connection with cash flow hedges, we have recorded Rs. 114, Rs. 202, and Rs. 72 of net gains/(losses) as a component of accumulated and other comprehensive income within stockholders' equity as at March 31, 2005, 2006 and 2007.

*Sensitivity analysis of exchange rate risk*

As at March 31, 2007, a Rs.1 increase / decrease in the spot rate for exchange of Indian Rupee with U.S. dollar would result in approximately Rs. 160 million decrease / increase in the fair value of the Company's forward contracts.

*Interest rate risk.* Our interest rate risk primarily arises from our investment securities. Our investments are primarily in short-term investments, which do not expose us to significant interest rate risk.

*Fair value.* The fair value of our market rate risk sensitive instruments, other than forward contracts and option contracts, closely approximates their carrying value.

**Item 12. Description of Securities Other Than Equity Securities**

Not applicable.

**PART II****Item 13. Defaults, Dividend Arrearages and Delinquencies**

Not applicable.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

Not Applicable

**Item 15. Controls and Procedures***Evaluation of disclosure controls and procedures.*

Based on their evaluation as of March 31, 2007, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, are effective to ensure that information required to be

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disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and that material information related to us and our consolidated subsidiaries is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions about required disclosures.

### *Change in internal controls.*

During the period covered by this Annual Report, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

### **Compliance with the New York Stock Exchange Corporate Governance Rules**

The Company presently complies with all the practices as described in the final Corporate Governance Rules and Listing Standards of the New York Stock Exchange as approved by the Securities and Exchange Commission on November 4, 2003 and codified in Section 303A of the NYSE Listed Company Manual.

A detailed compliance report with the final Corporate Governance rules of the New York Stock Exchange will be separately filed with the New York Stock Exchange.

### **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of March 31, 2007.

Management's assessment does not include an assessment of the internal control over financial reporting of two entities acquired during the year ended March 31, 2007, Hydrauto Group AB and subsidiaries and Retailbox B.V and subsidiaries, with total assets of Rs 3,842.01 million and net revenues of Rs 4,243.85 million included in the consolidated financial statements of the Company as of and for the year ended March 31, 2007.

Our independent registered public accounting firm, KPMG, has audited the consolidated financial statements in this annual report on Form 20-F, and as part of their audit, has issued their report, included herein, on (1) our management's assessment of the effectiveness of our internal control over financial reporting and (2) the effectiveness of our internal control over financial reporting as of March 31, 2007.

### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders

Wipro Limited

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Wipro Limited and subsidiaries (the Company) maintained effective internal

control over financial reporting as of March 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The management of the Company is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion

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on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of March 31, 2007, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company acquired Hydrauto Group AB and subsidiaries (Hydrauto) and RetailBox BV and subsidiaries (RetailBox) during the year ended March 31, 2007 and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2007, Hydrauto and RetailBox's internal control over financial reporting associated with total assets of Rs 3,842.01 million and net revenues of Rs 4,243.85 million included in the consolidated financial statements of the Company as of and for the year ended March 31, 2007. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Hydrauto and RetailBox.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of March 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2007, and our report dated May 21, 2007 expressed an unqualified opinion on those consolidated financial statements.

KPMG

Bangalore, India

May 21, 2007

**Table of Contents****Item 16 A. Audit Committee Financial Expert**

The Audit Committee is responsible for reviewing reports of our financial results, audits, internal controls, and compliance with federal procurement laws and regulations. The committee selects the independent registered public accounting firm and approves all related fees and compensation and reviews their selection with the Board of Directors. The committee also reviews the services proposed to be performed by the independent registered public accounting firm to ensure their independence with respect to such services.

Members of the committee are non-management directors who, in the opinion of the Board, are independent as defined under the applicable rules of the New York Stock Exchange. The Board has determined that Mr. Narayan Vaghul qualifies as an Audit Committee Financial Expert as defined by the applicable rules of the SEC.

**Item 16 B. Code of Ethics**

Our Audit Committee has adopted a written Code of Ethics, as defined in Item 406 of Regulation S-K, applicable to our principal executive officer, principal financial officer, principal accounting officer and all officers working in our finance, accounting, treasury, internal audit, tax, legal, purchase, financial analyst, investor relations functions, disclosure committee members, and senior management, as well as members of the Audit Committee and the board of directors. Our Code of Ethics is available under the investor relations section on our website at [www.wipro.com](http://www.wipro.com). We will post any amendments to, or waivers from, our Code of Ethics at that location on our website.

Our Audit Committee has also adopted an Ombuds process policy wherein it has established procedures for receiving, retaining and treating complaints received, and procedures for the confidential, anonymous submission by employees of complaints regarding questionable accounting or auditing matters, conduct which results in a violation of law by Wipro or in a substantial mismanagement of company resources. Under this policy, our employees are encouraged to report questionable accounting matters, any reporting of fraudulent financial information to our shareholders, the government or the financial markets any conduct that results in a violation of law by Wipro to our management (on an anonymous basis, if employees so desire). Likewise, under this policy, we have prohibited discrimination, retaliation or harassment of any kind against any employee who, based on the employee's reasonable belief that such conduct or practices have occurred or are occurring, reports that information or participates in an investigation. Our Ombuds process policy is available under the investor relations section on our website at [www.wipro.com](http://www.wipro.com).

We have also adopted an updated Code of Business Conduct and Ethics, applicable to all officers, directors and employees. Our updated Code of Business Conduct and Ethics is available under the investor relations section on our website at [www.wipro.com](http://www.wipro.com).

**Item 16 C. Principal Accountant Fees and Services**

Our Audit Committee charter requires us to obtain the prior approval of our audit committee on every occasion that we engage our principal accountants or their associated entities and on every occasion that they provide us with any non-audit services. At the beginning of each year, the Audit Committee reviews the proposed services, including the nature, type and scope of services contemplated and approves the related fees, to be rendered by these firms during the year. In addition, Audit Committee pre-approval is also required for those engagements that may arise during the course of the year that are outside the scope of the initial services and fees pre-approved by the Audit Committee.

The following table presents fee for professional audit services rendered by KPMG for the audit of the Company's annual financial statements and fees billed for other services rendered by KPMG.

	In millions	
	<b>Year ended March 31,</b>	
	<b>2006</b>	<b>2007</b>
Audit fees	Rs. 17.67	Rs. 48.20
Tax fees	22.31	18.69
All other fees		2.04
<b>Total</b>	<b>Rs. 39.98</b>	<b>Rs. 68.93</b>





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*Audit services* comprise fees for professional services in connection with the audit of Company's annual consolidated financial statements and their attestation and report concerning internal control over financial reporting, reviews of interim financial statement, as well as audits of statutory financial statements of Wipro Limited and its subsidiaries.

*Tax services* - comprise fees for tax compliance, tax assessment and tax planning services rendered by the independent registered public accounting firm. These services include corporate tax services like assistance with foreign income tax, value added tax, transfer pricing study, Government sales tax and equivalent tax matters in local jurisdictions and assistance with local tax authority reporting requirements for tax compliance purposes.

Our Audit Committee charter requires us to take the prior approval of our Audit Committee on every occasion we engage our principal accountants or their associated entities to provide us any non-audit services. We disclose to our Audit Committee the nature of services that are provided and the fees to be paid for the services. All of the non-audit services provided by our principal accountants or their associated entities in the previous two fiscal years have been pre-approved by our Audit Committee.

**Item 16 D. Exemptions from the Listing Standards for Audit Committees**

We have not sought any exemption from the listing standards for Audit Committees applicable to us as foreign private issuer, pursuant to Rule 10(A)-3(d) of the Securities Exchange Act of 1934.

**Item 16 E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**Part III**

**Item 17. Financial Statements**

See Item 18.

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**Item 18. Financial Statements**

**CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION  
REPORT OF AUDIT COMMITTEE**

The Board of Directors and Stockholders of Wipro Limited

In connection with the March 31, 2007 consolidated financial statements prepared under United States Generally Accepted Accounting Principles, the Audit Committee: (1) reviewed and discussed the consolidated financial statements with management; (2) discussed with the auditors the matters required by Statement on Auditing Standards No. 61, as amended, and the Sarbanes-Oxley Act of 2002; and (3) reviewed and discussed with the auditors the matters required by NYSE listing standards. Based upon these reviews and discussions, the Audit Committee recommended to the board of directors that the audited consolidated financial statements be included in the Annual Report on Form 20-F filed with the Securities and Exchange Commission of the United States of America.

Bangalore, India  
May 21, 2007

**N.Vaghul**  
Chairman

**P. M. Sinha**  
Member

**B. C. Prabhakar**  
Member

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**REPORT OF MANAGEMENT**

Management of Wipro is responsible for the integrity and objectivity of the consolidated financial statements and related notes. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include amounts based on judgments and estimates by management. Management is also responsible for the accuracy of the related data in the annual report and its consistency with the financial statements.

Management maintains internal control systems designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and properly recorded, and accounting records are adequate for preparation of financial statements and other financial information. These are reviewed at regular intervals to ascertain their adequacy and effectiveness.

In addition to the system of internal controls, the Company has articulated its vision and core values which permeate all its activities. It also has corporate policies to ensure highest standards of integrity in all business transactions, eliminate possible conflicts of interest, ensure compliance with laws, and protect confidentiality of proprietary information. These are reviewed at periodic intervals.

The consolidated financial statements have been audited by the Company's independent registered public accounting firm, KPMG. Their responsibility is to audit these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and express their opinion on the fairness of presentation of the statements.

The Audit Committee of the board comprising entirely of independent directors conducts an ongoing appraisal of the independence and performance of the Company's internal and external auditors and monitors the integrity of Company's financial statements. The Audit Committee meets several times during the year with management, internal auditors and the independent registered public accounting firm to discuss audit activities, internal controls and financial reporting matters.

**Azim H. Premji**

*Chairman and Chief Executive Officer*

**S.C. Senapaty**

*Executive Vice President - Finance  
Chief Financial Officer*

Bangalore, India  
May 21, 2007

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders

Wipro Limited

We have audited the accompanying consolidated balance sheets of Wipro Limited and subsidiaries (the Company) as of March 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2007, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 21, 2007 expressed an unqualified opinion management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG

Bangalore, India

May 21, 2007

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**WIPRO LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(in millions, except share data)**

	2006	As of March 31, 2007	2007 Convenience translation into US\$ (Unaudited)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents (Note 4)	Rs. 8,857.70	12,412.17	287.98
Restricted cash (Note 17)		7,237.88	167.93
Investments in liquid and short-term mutual funds (Note 8)	30,315.25	32,410.43	751.98
Accounts receivable, net of allowances (Note 5)	20,593.11	28,466.58	660.47
Costs and earnings in excess of billings on contracts in progress	4,336.06	5,096.48	118.25
Inventories (Note 6)	2,064.61	4,150.37	96.30
Deferred income taxes (Note 21)	168.28	381.71	8.86
Other current assets (Note 7)	7,896.60	10,411.97	241.58
Total current assets	74,231.61	100,567.59	2,333.35
Property, plant and equipment, net (Note 9)	17,777.40	26,541.43	615.81
Investments in affiliates (Note 13)	1,043.09	1,241.79	28.81
Investment securities	13.17	357.32	8.29
Deferred income taxes (Note 21)	182.91	48.53	1.13
Intangible assets, net (Note 10)	854.33	2,670.84	61.97
Goodwill (Note 3,10)	7,480.85	12,697.71	294.61
Other assets (Note 7)	1,243.97	1,958.92	45.45
Total assets	Rs. 102,827.33	Rs. 146,084.13	\$ 3,389.42
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
Current liabilities:			
Borrowings from banks (Note 15)	Rs. 448.91	2,892.77	67.12
Current portion of long-term debt	135.70	327.79	7.61
Accounts payable	4,145.96	7,060.49	163.82
Accrued expenses	6,600.63	7,597.94	176.29
Accrued employee costs	4,425.13	5,186.57	120.34
Advances from customers	1,015.75	1,314.52	30.50
Billings in excess of costs and earnings on contracts in progress	600.51	1,818.48	42.19
Other current liabilities (Note 11)	6,047.95	16,623.16	385.68
Total current liabilities	23,420.54	42,821.72	993.55

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Long-term debt, excluding current portion	119.95	560.46	13.00
Deferred income taxes (Note 21)	127.46	463.98	10.77
Other liabilities	395.04	769.91	17.86
<b>Total liabilities</b>	<b>24,062.99</b>	<b>44,616.07</b>	<b>1,035.18</b>
<b>Stockholders' equity:</b>			
Equity shares at Rs. 2 par value: 1,650,000,000 shares authorized; Issued and outstanding: 1,425,754,267 and 1,458,999,650 shares as of March 31, 2006 and 2007 (Note 16,17)	2,851.51	2,918.00	67.70
Additional paid-in capital (Note 22)	16,521.07	24,508.45	568.64
Deferred stock compensation	(2,202.42)		
Accumulated other comprehensive income	433.70	93.77	2.18
Retained earnings (Note 18)	61,160.56	73,947.92	1,715.72
Equity shares held by a controlled Trust: 7,869,060 and 7,961,760 shares as of March 31, 2006 and 2007 (Note 22)	(0.08)	(0.08)	(0.00)
<b>Total stockholders' equity</b>	<b>78,764.34</b>	<b>101,468.06</b>	<b>2,354.24</b>
<b>Total liabilities and stockholders' equity</b>	<b>Rs. 102,827.33</b>	<b>Rs. 146,084.13</b>	<b>\$ 3,389.42</b>

See accompanying notes to the consolidated financial statements.

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**WIPRO LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in millions, except share and per share data)

	Year ended March 31,			
	2005	2006	2007	2007
				Convenience translation into US\$ (Unaudited)
Revenues:				
Global IT Services and Products				
IT Services	Rs. 54,280.19	Rs. 73,061.33	Rs. 101,508.81	2,355.19
BPO Services	6,433.03	7,664.23	9,412.80	218.39
India and AsiaPac IT Services and Products				
Services	4,709.07	6,096.68	8,368.81	194.17
Products	8,694.10	10,380.40	15,519.67	360.09
Consumer Care and Lighting	4,555.38	5,625.04	7,558.50	175.37
Others	2,680.73	3,279.20	7,062.74	163.87
<b>Total</b>	<b>81,352.50</b>	<b>106,106.88</b>	<b>149,431.33</b>	<b>3,467.08</b>
Cost of revenues:				
Global IT Services and Products				
IT Services	33,780.07	46,986.13	66,817.77	1,550.30
BPO Services	4,740.25	5,809.54	6,172.97	143.22
India and AsiaPac IT Services and Products				
Services	2,679.35	3,548.82	4,611.64	107.00
Products	7,814.82	9,285.88	13,943.47	323.51
Consumer Care and Lighting	2,926.22	3,556.43	4,905.14	113.81
Others	1,914.06	2,459.93	5,749.25	133.39
<b>Total</b>	<b>53,854.77</b>	<b>71,646.73</b>	<b>102,200.24</b>	<b>2,371.23</b>
Gross profit	27,497.73	34,460.15	47,231.09	1,095.85
Operating expenses:				
Selling and marketing expenses	(5,466.26)	(6,764.35)	(9,172.92)	(212.83)
General and administrative expenses	(3,743.60)	(5,238.97)	(7,639.23)	(177.24)
Research and development expenses	(273.54)	(202.26)	(267.71)	(6.21)
Amortization of intangible assets (Note 10)	(140.29)	(63.95)	(269.23)	(6.25)
Foreign exchange losses, net	(92.12)	(288.49)	(235.69)	(5.47)
Others, net	75.29	70.14	221.48	5.14
<b>Operating income</b>	<b>17,857.21</b> (206.58)	<b>21,972.27</b>	<b>29,867.79</b>	<b>692.99</b>

Loss on direct issue of stock by subsidiary						
Other income, net (Note 19)		798.82		1,275.86		2,666.84
Equity in earnings of affiliates (Note 13)		158.08		287.97		317.88
Income before income taxes , minority interest and cumulative effect of change in accounting principle		18,607.53		23,536.10		32,852.51
Income taxes (Note 21)		(2,693.57)		(3,264.73)		(3,722.61)
Minority interest		(81.21)		(1.40)		
Income before cumulative effect of change in accounting principle		15,832.75		20,269.97		29,129.90
Cumulative effect of change in accounting principle (Note 2)						39.09
Net income	Rs.	15,832.75	Rs.	20,269.97	Rs.	29,168.99
Earnings per equity share: (Note 23)						
Basic						
Income before cumulative effect of change in accounting principle		11.38		14.41		20.42
Cumulative effect of change in accounting principle						0.03
Net income		11.38		14.41		20.45
Diluted						
Income before cumulative effect of change in accounting principle		11.29		14.24		20.17
Cumulative effect of change in accounting principle						0.03
Net income		11.29		14.24		20.20
Weighted-average number of equity shares used in computing earnings per equity share:						
Basic		1,391,554,372		1,406,505,974		1,426,709,163
Diluted		1,399,846,782		1,423,679,230		1,444,467,557

See accompanying notes to the consolidated financial statements.



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**WIPRO LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME**  
(in millions, except share and per share data)

	Equity Shares		Additional		Accumulated		Equity Shares held by a		Total	
	No. of Shares	Amount	Paid in Capital	Deferred Stock Compensation	Comprehensive Income	Other Comprehensive Income/(loss)	Retained Earnings	Controlled Trust No. of Shares		Amount
Balance as of March 31, 2004	1,396,554,912	465.52	7,176.68	(9.88)		918.64	37,812.87	(7,887,060)	(0.08)	46,363.7
Cash dividends (Note 17)							(7,575.99)			(7,575.9)
Issuance of equity shares on exercise of options	10,586,132	10.36	2,566.77							2,577.1
Equity shares forfeited, net of issuance by trust								(6,000)		
Stock split effected in the form of stock dividend (Note 21)		931.26					(931.26)			
Compensation related to employee stock incentive plan, net of reversals (Note 22)			3,529.12	(3,529.12)						
Amortization										
Compensation related to employee stock incentive plan										353.8
Comprehensive income										
Net income										Rs. 15,832.75