

WIPRO LTD
Form 20-F
June 13, 2005

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

FORM 20-F

(Mark One)

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, 2005

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

For the transition period from _____ to _____

Commission File Number 001-16139

WIPRO LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Karnataka, India

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

Title of Each Class
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: **703,570,522 Equity Shares.**

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

Yes No

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

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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. or in U.S. dollars unless stated otherwise. Our financial statements are presented in Indian rupees and translated into U.S. dollars and are prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). References to Indian GAAP are to Indian Generally Accepted Accounting Principles. References to a particular fiscal year are to our fiscal year ended March 31 of such year.

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

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

Forward-Looking Statements May Prove Inaccurate

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

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

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

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

(In millions, except per equity share data)

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

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

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

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

Income from continuing operations, as reported	Rs. 6,438	Rs. 8,411
Add: Amortization of goodwill	45	175
Income from continuing operations, adjusted	6,483	8,586

Earnings per share: Basic		
Continuing operations, as reported	9.36	12.13
Add: Amortization of goodwill	0.07	0.25
Continuing operations, adjusted	9.43	12.38

Earnings per share: Diluted		
Continuing operations, as reported	9.28	12.11
Add: Amortization of goodwill	0.07	0.25
Continuing operations, adjusted	9.35	12.36

Consolidated Balance Sheet**Data:**

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

Notes:

1. In the operating income by segment, amortization of goodwill is included in reconciling items.
2. Operating income of Global IT Services and Products, India and AsiaPac IT Services and Products, Consumer Care and Lighting, Others and Reconciling Items is after Rs. 310 million, Rs. 19 million, Rs. 6 million, Rs. 5 million and Rs. 14 million respectively, of amortization of deferred stock compensation cost arising from the grant of options.
3. Minority interest represents the share of minority in the profits of Wipro BPO and Wipro Healthcare IT. The minority interest in Wipro Healthcare IT was acquired in the year ended March 31, 2003.
4. We have reclassified certain costs for the years ended March 31, 2001 and 2002 between cost of revenues and operating expenses to conform to the current presentation. These reclassifications reduced the previously reported gross profits by Rs. 190 million and Rs. 224 million, respectively, but did not have any impact on the reported net income.
5. Until March 31, 2004, we reported an aggregate amount of selling, general and administrative expenses. We now report selling and marketing expenses and general and administrative expenses separately. Amounts reported in prior periods have been reclassified to conform to the current presentation.
6. Losses from discontinued operations, net of tax for the years ended March 2001, 2002 and 2003, were Rs. 1 million, Rs. 127 million and Rs. 377 million respectively.

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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.

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

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

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

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

Capitalization and Indebtedness

Not applicable.

Reasons for the Offer and Use of Proceeds

Not applicable.

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RISK FACTORS

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

Risks Related to our Company and our Industry

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

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

the size, complexity, timing and profitability of significant projects or product orders;

changes in our pricing policies or those of our competitors;

the proportion of services we perform at our clients' sites rather than at our offshore facilities;

seasonal changes that affect the mix of services we provide to our clients or the relative proportion of services and product revenue;

seasonal changes that affect purchasing patterns among our consumers of desktops, notebooks, servers, communication devices, consumer care and other products;

unanticipated cancellations, contract terminations or deferral of projects, including those resulting from our clients' or those occurring as a result of our clients reorganizing their operations;

the duration of tax holidays or exemptions and the availability of other Government of India incentives;

the effect of seasonal hiring patterns and the time we require to train and productively utilize our new employees; and

currency exchange fluctuations.

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

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

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

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

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

recruiting and retaining sufficiently skilled technical, marketing and management personnel;

adhering to our high quality standards;

maintaining high levels of client satisfaction;

developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems; and

preserving our culture, values and entrepreneurial environment.

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

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

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

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

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

Our hedging strategy could negatively impact our competitive positioning.

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

incurred by our competitors. This could adversely affect our competitive positioning in the market.

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

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

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

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

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

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

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

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

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

We currently have operations, including a development center, in Pune and New Mumbai in the State of Maharashtra, India. Recently, the Maharashtra state government introduced legislation requiring that certain employers in the State give preferential hiring treatment to various under-represented groups resident within the State. The quality of our work force is critical to our business. If the legislation becomes effective, our ability to hire the most highly qualified technology professionals in the State of Maharashtra may be hindered.

Our Global IT Services and Products service revenue depend 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, 2003, March 31, 2004 and March 31, 2005, accounted for 8%, 5% and 4% of our Global IT Services

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and Products revenue, respectively. For the same periods, our ten largest clients accounted for 36%, 33% and 27% 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.

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. This restriction 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 may approve in any government fiscal year. The U.S. Citizenship and Immigration Services has limited the number of H-1B visas that may be granted as of the 2004 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 2005 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. In May 2005, the U.S. senate decided to defer legislation on the L-1 visas until later this year.

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 33% of our Global 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.

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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.

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.

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, 2005, we had contractual commitments of approximately Rs. 1,181 million (\$ 27 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 seven 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 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.

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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 in 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. 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 company. In addition, the key personnel of the 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.

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, the unemployment levels have not declined significantly from the 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.

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

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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.

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.

Our earnings will be adversely affected upon adoption of an accounting policy to expense stock options based on fair value method.

We do not currently deduct the expense of employee stock option grants from our income based on the fair value method. We have adopted the pro forma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation. In December 2004, the Financial Accounting Standards Board issued FASB Statement No. 123 (revised 2004), Share-Based Payment, requiring companies to change their accounting policies to record the fair value of stock options issued to employees as an expense. We are required to adopt SFAS No. 123R as of April 1, 2006. The change in our accounting policy with respect to the treatment of employee stock option grants will adversely affect our earnings and operating results in the event that we make any future grants, and we are evaluating the magnitude of that impact. If we had amortized the stock based employee compensation expense determined under the fair value method of SFAS No. 123, our net income as reported for the years ended March 31, 2003, 2004 and 2005 would have been reduced by Rs. 2,988 million, Rs. 2,080 million and Rs. 1,244 million respectively.

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.

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. 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.

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

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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 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.

Our costs could increase if the Government of India reduces or withholds tax benefits and other incentives it provides to us.

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 10-year tax holiday from payment of Indian corporate income taxes for our Global IT Services and Products business operated from specially designated Software Technology Parks 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, 2003, 2004 and 2005 our tax benefits were Rs. 2,263 million, Rs. 2,925 million and Rs. 4,591 million respectively, from such tax incentives. We are currently also eligible for exemptions from other taxes, including customs duties. The Finance Act, 2000 phases out the tax holiday over a ten year period from the financial year 1999-2000 to financial year 2008-2009. Our current tax holidays expire in stages by 2009. For companies opting for the 100% tax deduction for profits derived from exporting information technology services, the Finance Act, 2000 phases out the income tax deduction over a period of five years from April 1, 2000. 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.

On or about March 25, 2004, we received an assessment order from the Deputy Commissioner of Income Tax, Bangalore, India (Assessing Officer) in connection with our regular assessment of our income tax return for the year ended March 31, 2001. The assessment order disallows an income deduction we made under Section 10A of the Income Tax Act, 1961 of India pertaining to some of our software development units located in Bangalore. Section 10A of the Income Tax Act, 1961 provides a ten-year tax holiday for setting up software development units in Software Technology Parks of India (STPI). The assessing officer's claim is based, among other things, upon the premise that in order for such software development units to qualify for the special tax treatment and corresponding tax deduction, we should have obtained a license for each such new unit located in the STPI. We have instead formed such new units with STPI approval under our original STPI licenses obtained in 1992. The assessment order claims that the disallowance, along with other disallowances, requires us to make a payment of Rs. 2,614 million.

On similar grounds, in March 2005, we received a demand from the tax authorities for Rs. 2,617 million, or approximately \$ 60 million, including interest, in connection with the completion of the tax review for our fiscal year ended March 31, 2002.

Based on our assessment of the merits of the claims, we have made a provision in the amount of Rs. 493 million or approximately \$ 11.3 million, on our balance sheet. In the opinion of management, the remainder of the amounts referred to in the assessment orders are without merit. We filed an appeal within the statutory prescribed time limit before the first appellate authority of the relevant tax department, known as the Commissioner (Appeals), challenging the two assessment orders.

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

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After considering the provision made in the books based on our assessment, as of March 31, 2004 and March 31, 2005, our net exposure on these tax demands was Rs. 2,316 million and Rs. 4,738 million, or approximately \$ 109 million, respectively.

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.

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 is high due to terrorist incidents in India and the aggravated geopolitical situation 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 last several years pushed significant economic reforms, was voted out of power and a new coalition government has come to the helm. The new government has announced policies and taken initiatives that support the continued economic liberalization policies that have been pursued by 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 new 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.

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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. The Government of India has recently issued a policy statement permitting the acquisition of companies organized outside India for a transaction value not exceeding 200% of the net worth of the acquiring company and:

if the transaction consideration is paid in cash, 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), the greater of \$ 100 million or 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.

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

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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 the 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.

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 Depositary, 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 Depositary 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.

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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. 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.

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, 2005, 94% of our operating income was generated from our IT business segments. For the same period, Global IT Services and Products represented 89% of our operating income, India and AsiaPac IT Services and Products represented 5% of our operating income.

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. We used a portion of these proceeds to consummate the acquisition of Wipro BPO, Global Energy Practice and Wipro Nervewire.

We incurred capital expenditure of Rs. 2,529 million, Rs. 4,135 million and Rs. 6,613 million during the fiscal years ended March 31, 2003, 2004 and 2005, respectively. These capital expenditures were primarily incurred on new software development facilities in India for our Global IT Services and Products business segment. As of March 31, 2005, we had contractual commitments of Rs. 1,181 million (\$ 27 million) related to capital expenditures on construction or expansion of software development facilities. We currently intend to finance our planned construction and expansion entirely from internal sources of capital.

Business Overview

We are a leading global IT services company. We were ranked as market leader in the October 2004 META Group's METAspectrumSM report for offshore outsourcing. We have been ranked in the Leader segment of the METAspectrum analysis specifically due to our breadth and depth of services, strength in significant quality practices,

awareness and reputation in the market, and high execution capabilities.

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.

In India, we are a leader in providing IT solutions and services. We also have a profitable presence in the Indian markets for consumer products and lighting.

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We have three principal business segments:

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. In April 2003, we reorganized our business segments. As part of this reorganization, our IT-Enabled Services business segment, which was our subsidiary Wipro BPO Solutions Limited, or Wipro BPO formerly known as Wipro Spectramind, was consolidated into our Global IT Services and Products business segment. In addition, we eliminated our HealthScience segment, consolidating the IT services component of the HealthScience segment into our Global IT Services and Products business segment. We reclassified the remainder of our former HealthScience segment, Wipro Biomed, into Others, for purposes of financial reporting.

Pursuant to this reorganization, our Global IT Services and Products business segment now provides BPO services to clients in North America, Europe, Australia and other markets. Our Global IT Services and Products segment also provides IT services to the healthcare and life sciences markets.

Our Global IT Services segment accounted for 75% of our revenue and 89% of our operating income for the year ended March 31, 2005.

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 5% of our operating income for the year ended March 31, 2005.

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 6% of our revenue and 4% of our operating income for the year ended March 31, 2005.

Industry Overview

Global 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 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.

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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 decision the 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;

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.

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%.

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 Gartner's Global Offshore Sourcing Predictions report published in June 2004, less than 3% of global corporate IT services spending are being globally sourced. By 2007, Gartner expects that the globally sourced component of IT services spending will be 7% of total global IT services spending.

Pure play IT services is 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 2005, the total combined Indian IT services and IT-enabled services export market in fiscal 2005 was nearly \$ 18 billion. According to NASSCOM's Strategic Review Report 2005, the total Indian IT services and IT-enabled services export market is projected to grow to \$ 48 billion by fiscal 2009.

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There are several key factors contributing to this growth of India-based IT services:

India-based IT companies have proven their capability to deliver IT services that satisfy the requirements of international clients who expect the highest quality standards. According to a report by Dataquest published in October 2003, 75% of the world's SEI-CMM Level 5-assessed development centers were located in India. According to NASSCOM's Strategic Review Report 2005, out of the 275 companies which have various quality certifications, 75 are assessed at SEI-CMM Level 5.

SEI-CMM is the Software Engineering Institute's Capability Maturity Model, which assesses the quality of organizations' management system processes and methodologies.

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 2005, the Indian IT industry employed nearly 700,000 software professionals as of March 31, 2005, making it the second largest employer in the IT services industry after the United States. Approximately 250,000 engineering degree and diploma holders enter the workforce annually, with a majority of them entering the IT industry. According to this report, companies could expect total savings of 25% to 50% by using offshore processes primarily because of the differential in wages paid by these companies in comparison to their India-based counterparts. Although wages in India are rising at a faster pace, the labor rate differential is currently anticipated to remain a competitive advantage for Indian companies.

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 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.

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%.

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.

India and Asia Pac IT Services and Products

The domestic Indian IT industry is primarily composed of hardware, packaged software and IT services. According to data published by IDC in its annual data release of August 2004, the domestic Indian IT market is estimated to grow to \$ 16.2 billion by 2008 reflecting a CAGR of approximately 16% from 2005, when \$ 10.2 billion was spent. The IT services market in India is expected to grow to approximately \$4.75 billion in 2008 from \$ 2.9 billion in 2005, representing a CAGR of 17%.

In India, growth in demand for IT products and services is driven by the business process transformation initiatives in the banking and financial services sectors. In the telecommunication sector, demand for IT infrastructure is driven by deregulation and the business imperative to strengthen back end infrastructure processes to manage a significant

growth in customer bases. Further, e-governance initiatives have increased demand for IT strategy consulting, IT products, network integration services and e-sourcing solutions.

Consumer Care and Lighting

The consumer care market that we address includes soaps, toiletries and infant care products. A large portion of our revenues is derived from the sale of soaps. The market for soaps in India is dominated by established players like Hindustan Lever (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 by acquiring established brands which complement our brand presence and distribution strengths. In lighting, we operate in the domestic market for

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household lamps as well as 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 select segments like pharma lighting and software development centre lighting.

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 14 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.

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 offering in this area and familiarized customers with the concept of remote network management. Today this comprises 7% of our revenues from Global 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 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, with a CAGR of 37%. This is higher than the 28% CAGR projected for IT / ITES Services by NASSCOM in their strategic review report. The annuity 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, 2005, our Global IT Services and Products segment had over 421 active clients and 68% of our revenues of Global IT Services and products segment was derived from Fortune 500 clients. We had 65 clients that represented at least \$5.0 million in revenues in the fiscal year ended March 31, 2005. We believe that having an established base of high quality, high technology clients provide 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 continue 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 fiscal 2002 we were assessed at People Capability Maturity Model or PCMM level 5, the highest level of certification. PCMM is widely accepted as a standard to measure the maturity and effectiveness of human resources practices within a company. As of March 31, 2005, in our Global IT Services and Products business segment we had over 24,400 IT professionals and over 15,300 services professionals in our BPO services business. 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 Global IT Services and Products segment grew from approximately 9,900 employees as on March 31, 2001 to approximately 41,800 employees as on March 31, 2005. During the same period, our revenues from Global IT Services and Products segment have grown from Rs. 17,816 million to Rs. 60,713 million.

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 142 channel partners in over 80 locations, and focuses on medium and small enterprises. For our consumer care and lighting products, we have access to more than 1.2 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.

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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 59 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.

Our Strategy

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. The key elements of our strategy include:

Significantly expand our Global IT Services and Products business

We expect to continue to grow our Global IT Services and Products business and the percentage of our total revenues and profits contributed by this business 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;

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

Increase the number and penetration of Global IT Services and Products clients

We intend to increase the number of our clients through a dedicated sales team focused on new client acquisitions and increasing our presence in Europe and Asia. Our goal is to make every new client account earn over \$ 1 million in annual revenues within twelve months. 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 requirements. We intend to grow our BPO business by leveraging our existing client relationships to offer BPO services to clients of our Global 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.

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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.

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.

In 2002, we acquired Wipro BPO. This acquisition facilitated our entry into the BPO business. As a result, we have been able to cross-sell services into each others' client bases. We have positioned ourselves as integrated service providers with strong capabilities in BPO services, a unique value proposition which we believe most other competing IT service providers do not possess.

We also acquired the Global Energy Practice of American Management Systems in 2002. This acquisition augmented our IT consulting expertise in the energy and utilities sector. In May 2003, we acquired Nervewire, Inc. This acquisition has enhanced our IT consulting capabilities in the financial services sector. By integrating consulting services into our service portfolio we have been able to generate synergies, revenues and realize higher prices for our regular service offerings. We continue to explore potential strategic partnerships and other relationships.

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.

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.

Global IT Services and Products

Our Global 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;

Research and development services; and

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BPO Services.

In our IT service offerings, we typically assume primary project management responsibility. We offer these services globally through a team of over 24,400 IT 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. 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.

We address the banking and financial services segment, the manufacturing sector, and the retail, energy and utilities industries through our broad range of service offerings. Our enterprise solutions division accounted for 58% of our Global IT Services and Products revenues for the fiscal years ended March 31, 2003 and 2004, and 56% of our Global IT Services and Products revenues for the fiscal year ended March 31, 2005.

Our services include:

Custom 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 our software development services 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 softwares 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 address legacy software applications for our clients that require upgrades. For example for a leading integrated utility company which sells and delivers electricity and energy related products and services, we significantly reduced the cost of maintaining IT applications by rationalizing disparate IT applications, offshoring application maintenance work and automating certain processes to improve process efficiency.

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. For example, a leading utility company in the United Kingdom which supplies gas and electricity to residential and commercial centers was facing challenges of deregulation and wanted to improve their relationship with customers. We developed a technical architecture to integrate legacy systems with standard energy industry systems of ERP applications. The application now provides critical information on customer interactions across multiple channels and enables the client to develop a deeper understanding of customer requirements.

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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 leading specialty retailer of consumer electronics wanted to develop a deeper understanding of customer preferences and develop a customer centric business model for creating competitive advantages and sustaining growth. We developed an application to deliver data about customers segmented into demographics, buying patterns and profitability. We segmented 65 million customers into five critical segments based on 20 parameters. We integrated over three billion records of demographic information from POS terminals, rebates and warranties. We also developed organization wide performance trackers, rollup of profitability and cost metrics at various levels, including the store, product line and customer segments.

Package Implementation. We use our expertise in package software to architect, implement and maintain client specific solutions. For example, we assisted a leading manufacturer of consumer electronics, communications and IT products in the United States to successfully implement an ERP application. The solution involved business process improvements across 26 cross-functional business units and plants, configuration for two different versions of ERP covering three time zones and two countries, and the training of over 300 users in multiple geographies.

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 in designing the architecture of a global, online commercial foreign exchange system. The system is intended to facilitate end-to-end automatic foreign exchange transactions with minimal manual intervention and delays, customer relationship management and provide value added services to members. We defined a multi-tiered, multi-layered architecture to meet these requirements. The architecture comprised disparate software technologies such as J2EE, XML, CORBA, VB and COM-Java/EJB bridging.

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 Global 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. For example, we assist a large insurance company in the United States, in monitoring the network, which supports 20,000 employees, independent contractors and independent agents, for any intrusion, scanning, breach of network by use of hacking tools or potential DOS attacks. We monitor and sustain firewalls by monitoring incident detection, incident response and incident notification systems, analysis of logs and MIS reporting. We formed this division at the end of 1998 and it accounted for 7% of our Global IT Services and Products revenues for the year ended March 31, 2005. 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 36%, 32% and 33% of the Global IT Services and Products revenue for the fiscal years ended March 31, 2003, 2004 and 2005. 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.

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IT Professionals. We have approximately 10,000 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 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. Our client was able to offer the product ahead of competition and maintain the technology leader position in the market.

Embedded systems and Internet access devices. The software solution we provide is 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, 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 to gain first-mover advantage 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 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.

Business Process Outsourcing (BPO) services

Wipro BPO is one of India's largest third party offshore BPO providers. Wipro BPO enables clients to improve their quality of processes, reduce costs and realize benefits of scale. 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.

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 more than 390 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, for one of the large broadband service providers in the United States, we have been providing outsourced technical support services. We now have 24x7 customer support facilities, whereas before it took 8-9 hours to start attending customer requirements. Call volume has

increased by a multiple of 30 times from pilot stage and there is an overall increase in customer satisfaction.

We have approximately 15,300 service professionals providing BPO services operating out of our offshore locations in Delhi, Mumbai, Chennai and Pune in India.

Our Global Delivery Model

In our IT service offerings, we typically assume primary project management responsibility for all stages of implementation of the 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 the project is performed at one of our dedicated offshore development

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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. Clients such as Compaq, Nortel, and Seagate Technologies have had ODCs with us for periods ranging from six to 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 segments. 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.

	Number of clients in		
	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005
Per client revenue(\$)			
1-3 million	51	74	64
3-5 million	22	19	28
>5 million	30	44	65
 Total	 103	 137	 157

For the fiscal years ended March 31, 2004 and 2005, the largest client of our Global IT Services and Products segment accounted for 5% and 4% of the revenues of Global IT Services and Products. For the same periods, the five largest clients of our Global IT Services and Products segment accounted for 20% and 16% of Global IT Services and Products revenues.

Sales and Marketing

Our headquarters are located at Bangalore, India. We sell and market our Global 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

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managers in analyzing potential projects and selling our expertise to potential clients. Our sales efforts are largely decentralized and conducted within each of our business segments. 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 has increased from 169 to 185 personnel from March 31, 2004 to March 31, 2005. 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.

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.

India and AsiaPac IT Services and Products

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. 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.

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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 22 years of experience and currently support approximately 350,000 systems with over 6,000 contracts, with approximately 4,500 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. The scope of outsourcing typically covers two or more of the following areas: applications management, infrastructure management, asset outsourcing and human resources transition

Technology Support Services. Includes technology support services for upgrades, system migrations, messaging, network audits and new system implementation. When combined with our expertise in availability and managed IT services, we can provide the client with a complete solution for enhanced system performance.

We supplement our in-house resources with approximately 130 franchisees, whom we train, and provide support for 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.

Clients

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, 2005, we had close to 142 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 to our sales team is comprised of salary and additional compensation linked to achievement of revenue or profit target 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, 2005, we had 365 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

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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.

Consumer Care and Lighting

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, 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 the Santoor and Wipro Active line of talcum powders and the Wipro Baby Soft line of infant and child care products, which includes soap, talcum powder, oil 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, 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 1.5 million retail outlets throughout the country. We sell our lighting products to major industrial and commercial customers through our direct sales force, from 29 sales offices located throughout India. We also have access to over 230,000 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 Lever for soaps, toiletries and General Electric and Philips for lighting. Certain competitors have recently focused sales strategies on increasing volumes through lower prices. We have not. 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 five manufacturing facilities located in southern and western India.

Table of Contents**Wipro Fluid Power Limited**

Our fluid power business 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 until 2005. Our main competitors include Hitachi Ltd., Hyundai Motor Company, UT Limited (India) and overseas suppliers such as the Danfoss Group and Komatsu Ltd.

Markets and Sales Revenue

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

	(In millions)		
	Year ended March 31,		
	2003	2004	2005
India	Rs. 12,141	Rs. 14,783	Rs. 19,350
United States	20,048	30,869	41,812
Europe	8,503	10,459	16,602
Rest of the world	2,158	2,323	3,589
	Rs. 42,850	Rs. 58,434	Rs. 81,353

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.

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

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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, 2005, Wipro Limited and its subsidiaries held 180 trademarks in India, including Wipro, Santoor and Wipro Babysoft. Wipro Trademarks Holding Limited, our wholly owned subsidiary, has more than 800 trademark applications pending in India. We have three registered trademarks in Japan, three registered trademark in the United States, four registered community trademarks and two trademark applications in the European Union, and two service mark applications pending in the United States. It is uncertain whether we will obtain registration for pending trademarks and service marks applications.

We have three patent applications that are currently pending in India. We have one registered patent for our hydraulic tipping valve. We have twenty registered copyrights and seven pending copyright registrations in India. We also have ten designs registered in India. We cannot guarantee that we will obtain patent, design and copyright registration for any of our pending applications.

On April 12, 2005, Wilmer Cutler, attorneys representing Wipro Werbeagentur GmbH an advertising company in Germany served on Wipro Ltd a letter alleging infringement. The letter alleged that Wipro Ltd's use of its WIPRO name and trademark in Germany constitutes infringement of Wipro Werbeagentur GmbH's rights. On April 27, 2005, Wipro Ltd has replied through its attorney denying the substantive allegations and asserted various defenses. Wipro Ltd has been served with an ex parte injunction on June 3, 2005. Wipro Ltd's attorneys are moving the court to vacate the injunction. Although we believe that Wipro Werbeagentur GmbH's allegations are without merit, the results of this claim cannot be predicted with certainty. Should we fail to prevail in this matter, our operations may be adversely affected in Germany only.

Effect of Government Regulation of 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. 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**Organization Structure**

Wipro's subsidiaries and affiliates are provided in the table below as at March 31, 2005.

Name	Country of Incorporation	Percentage Held by Wipro
Spectramind Limited	Bermuda	100%
Spectramind Limited (1)	Mauritius	100%
Wipro Spectramind Services Limited (2), (3)	India	93%
Wipro Inc.	United States	100%
Enthink Inc. (4)	United States	98%
Wipro Japan KK	Japan	100%
Wipro Chandrika Limited	India	100%
Wipro Consumer Care Limited	India	100%
Wipro Travel Services Limited	India	100%
Wipro Trademarks Holding Limited	India	100%
Wipro Holdings (Mauritius) Limited	Mauritius	100%
Wipro Holdings (UK) Limited (5)	United Kingdom	
Wipro Technologies UK Limited (6)	United Kingdom	
Wipro HealthCare IT Limited	India	100%
Wipro Fluid Power Limited	India	98%
WeP Peripherals Limited	India	37.7%
Wipro GE Medical Systems Private Limited	India	49%
Wipro Shanghai Limited	China	100%
Spectramind Inc. (7)	United States	100%
Cygnus Negri Investments Pvt. Ltd. (8)	India	100%

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- 1) Owned through Spectramind Limited, Bermuda.
 - 2) Owned through Spectramind Limited, Bermuda and Spectramind Limited, Mauritius.
 - 3) Renamed as Wipro BPO Solutions Limited effective April 2005.
 - 4) Majority owned through Wipro Inc.
 - 5) Wholly owned through Wipro Holdings (Mauritius) Limited.
 - 6) Wholly owned through Wipro Holdings (UK) Limited.
 - 7) Wholly owned through Wipro Spectramind Services Limited.
 - 8) Wholly owned through Wipro Trademarks Holding Limited.

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 2,062,000 square feet of land adjoining our corporate offices for future expansion plans. Additionally, our most significant leased and owned properties are listed

in the table below.

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 12,83,570 square feet and approximately 4,037,975 square feet of land. We own eight of these facilities, located in Amalner, Tumkur, Bangalore, Mysore, Hindupur, Chennai and Pondicherry in India. We have leased on a long-term basis two facilities located in Waluj and Baddi in India. We have one software development facility in London, United Kingdom.

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.

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

Location	Building Approx. Sq.ft.	Land (1) Approx. Sq.ft.	Ownership
Software Development Facilities			
Bangalore (M.G.Road), Karnataka	56,000		Leased
Bangalore (ITPL), Karnataka	45,000		Leased
Bangalore (Koramangala 1), Karnataka	48,000		Leased
Bangalore (Koramangala 2), Karnataka	52,500	30,000	Owned
Bangalore (Madivala 1), Karnataka	48,000		Leased
Bangalore (Madivala 2), Karnataka	74,800		Leased
Bangalore (Madivala 3), Karnataka	70,000		Leased
Bangalore (Madivala 4), Karnataka	69,803		Leased
	225,000	217,800	Long term lease
Bangalore (Electronic City 1), Karnataka			
Bangalore (Electronic City 2), Karnataka (2)	430,000	522,000	Owned
Bangalore SIRI Tech, Karnataka	42,272		Leased
Bangalore (Electronic City 4), Karnataka (2)	1,000,000	2,015,000	Owned
Bangalore (Sigma Infotech Park-Whitefield), Karnataka	45,800		Leased
Chennai (Guindy), Tamil Nadu	35,000	16,000	Owned
Chennai (Sholinganalur), Tamil Nadu	450,000	610,000	Owned
Cochin Info Park	11,956		Leased
		10,96,841	Long term lease
Cochin Info Park			Leased
Mysore (Mettagalli Industrial Area), Karnataka	10,000		Owned
Carlton Towers, Bangalore, Karnataka	4,100		Leased
Okhla Industrial Estate, Delhi	139,991		Leased
	6,000		Long term lease
Gurgaon-1, Haryana			Leased
	74,624		Long term lease
Gurgaon 2 & 3, Haryana			Leased
	250,000	196,000	Long term lease
Hyderabad (Madhapur), Andhra Pradesh			Leased
	900,000	1,300,000	Long term lease
Hyderabad (Manikonda), Andhra Pradesh (2)			Leased
Queens Plaza, SP Road, Hyderabad	55,970		Leased
	350,000	522,000	Long term lease
Kolkatta (2)			Leased
	156,000		Long term lease
New Mumbai (Belapur), Maharashtra			Leased
	270,000	1,084,000	Long term lease
Pune, (Hinjawadi), Maharashtra			Leased
	40,000		Long term lease
Secunderabad (Begumpet), Andhra Pradesh			Leased
Reading, United Kingdom	11,000		Leased

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Stockholm, Sweden	9,400		Leased
Windsor, Canada	18,000		Leased
Kiel, Germany	3,745		Leased
Yokohoma, Japan	5,328		Leased
Shanghai, China	3,660		Leased
Tampere, Finland	2,500		Leased
Total	5,014,449	6,512,800	

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Factories	Building Approx. Sq.ft.	Land Approx. Sq.ft.	Ownership
Amalner, Maharashtra	727,000	1,108,000	Owned
Bangalore, Karnataka	63,000	397,000	Owned
Tumkur, Karnataka	139,000	736,000	Owned
Hindupur, Andhra Pradesh	31,000	114,000	Owned
Guduvancherry, Chennai	90,000	80,000	Owned
Mysore, Karnataka	60,000	327,000	Owned
Thirubhvanai, Pondicherry	20,000	400,000	Owned
Waluj, Aurangabad	124,000	767,000	Long term lease
Thatanchavadi, Pondicherry	18,700		Owned
Baddi , Himachal Pradesh	10,871	108,979	Long term lease
Total	1,283,571	4,037,979	

(1) Includes land owned or held by us pursuant to a long term lease.

(2) Facility partially completed

Material Plans to Construct, Expand and Improve Facilities

As of March 31, 2005, we have capital commitments of \$ 1,181 million (\$ 27 million) related to the construction or expansion of our software development facilities. Additional expansion plans are currently intended to be funded by internal accruals.

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, which information is incorporated herein by reference.

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Item 5. Operating and Financial Review and Prospects

Management's Discussion and Analysis of Financial Condition and Results of Operations

Investors 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, will and expect and other similar expressions as they relate to the company or its business are intended to identify such forward-looking statements. 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 in the prospectus filed with the Securities and Exchange Commission, as well as the factors discussed in this report. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. 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 IT services company. We provide a comprehensive range of IT services, software solutions and research and development services in the areas of hardware and software design to the 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.

In India, we are a leader in providing IT solutions and services. We also have a profitable presence in the Indian markets for consumer products and lighting.

We have three principal business segments:

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 IT services include IT consulting, custom application design, development, re-engineering and maintenance, systems integration, package implementation, technology infrastructure outsourcing, and research and development services in the areas of hardware and software design. In April 2003, we reorganized our business segments. As part of this reorganization, our IT-Enabled Services business segment, which was our subsidiary Wipro BPO Solutions Limited, or Wipro BPO formerly known as Wipro Spectramind, was consolidated into our Global IT Services and Products business segment. In addition, we eliminated our HealthScience segment, consolidating the IT services component of the HealthScience segment into our Global IT Services and Products business segment. We reclassified the remainder of our former HealthScience segment, Wipro Biomed, into Others for purposes of financial reporting.

Pursuant to this reorganization, our Global IT Services and Products business segment now provides BPO services to clients in North America, Europe, Australia and other markets. Our Global IT Services and Products segment also provides IT services to the healthcare and life sciences markets.

Our Global IT Services and Products segment accounted for 75% of our revenue and 89% of our operating income for the year ended March 31, 2005.

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 5% of our operating income for the year ended March 31, 2005.

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 6% of our revenue and 4% of our operating income for the year ended March 31, 2005.

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Our revenue and net income for the years ended March 31, 2003, 2004 and 2005 are provided below.

	Wipro Limited and its subsidiaries		
	Years ended March 31,		
	2003	2004	2005
	(in millions except earnings per share data)		
Revenue	Rs. 42,849	Rs. 58,433	Rs. 81,353
Cost of revenue	(27,176)	(39,000)	(53,855)
Gross profit	15,673	19,433	27,498
Gross margins	37%	33%	34%
Operating income	9,486	10,901	17,857
Loss on direct issue of stock by subsidiary		(206)	(207)
Income from continuing operations	8,477	9,992	15,833
Loss from discontinued operations, net of tax	(378)		
Net income	8,099	9,992	15,833
Earnings per share (Continuing operations)			
Basic	12.22	14.40	22.76
Diluted	12.20	14.39	22.58
Earnings per share (Net income)			
Basic	11.68	14.40	22.76
Diluted	11.66	14.39	22.58

In June 2004, our shareholders approved a stock dividend, which was previously approved by our Board of Directors. The stock dividend declared was two equity shares for every one equity share outstanding on the record date. As each ADS represented one equity share of the Company, ADS holders also received two ADSs for every one ADS outstanding on the record date. Accordingly, we have issued 465,631,260 additional equity shares, which amount includes 6,419,576 additional ADSs issued in respect of outstanding ADSs on the record date, and have transferred an amount of Rs. 931 million from retained earnings to equity shares (and ADSs) on our balance sheet. Share and per share data for all periods reported have been adjusted to reflect the stock dividend, and the share and per share numbers reflected herein are post-stock dividend numbers.

In April 2005, our Board of Directors has approved a stock dividend, which is subject to the approval of our shareholders. The proposed stock dividend is expected to be submitted to our shareholders for approval at our annual general meeting which is scheduled to be held in July 2005. If approved, the dividend to be declared is one equity share for every one equity share outstanding on the record date and one ADS for every one ADS outstanding on the record date. The share numbers reflected in this report reflect pre-stock dividend numbers. The stock dividend, if approved, will not affect the ratio of ADSs to equity shares, such that each ADS after the stock dividend will continue to represent one equity share of par value Rs. 2 per share.

We were involved in the corporate Internet services provider, or ISP business from 1999 until 2002. For strategic reasons, we decided to concentrate on our core businesses and, as a result, in June 2002, we decided to exit this business and approved a formal plan of disposal. Under the plan, we have sold the customer contracts, disposed of the long-lived assets, settled the trade receivables and outstanding vendor obligations.

Our corporate ISP business was an asset group and its operations qualified as a component of an entity. Because the operations and cash flows of the component were eliminated from our ongoing operations as a result of the disposal and we do not have any significant continuing involvement in the operations of the component after the disposal, the results of operations of our corporate ISP business were reported in discontinued operations during the year ended March 31, 2003.

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Acquisitions

Wipro BPO

In July 2002, we acquired a controlling equity interest in Wipro BPO, a leading IT-enabled service provider in India providing remote processing services to large global corporations in the U.S., U.K. Australia and other developed markets. Consequent to this acquisition, we held 89% of the outstanding equity shares of Wipro BPO, acquired at a cost of Rs. 4,177 million. Subsequently, we acquired an additional 11% of the outstanding equity shares for Rs. 441 million. The results of operations of Wipro BPO have been consolidated in our financial statements with effect from July 1, 2002.

Similarly, during the year ended March 31, 2005, 4,637,375 options vested and were exercised at a price of Rs. 57 per share. The remaining options were forfeited.

As the exercise price per option was less than our carrying value per share, the exercise resulted in a decline in the carrying value of our ownership interest by Rs. 207 million. In accordance with our accounting policy, this decline in carrying value 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 Wipro BPO for an aggregate consideration of Rs. 618 million. The excess of consideration paid over the carrying value of minority interest acquired amounting to Rs. 189 million has been recorded as goodwill.

As a result of the above transactions, as of March 31, 2005, our ownership interest in Wipro BPO remains approximately at 93%.

Wipro Healthcare IT Limited (Wipro Healthcare IT)

In August 2002, we acquired a 60% equity interest in Wipro Healthcare IT, an India-based company engaged in the development of health care related software, and the technology rights in the business of Wipro Healthcare IT for an aggregate consideration of Rs. 181 million. On December 31, 2002, we acquired the balance of the 40% equity interest in Wipro Healthcare IT for an aggregate consideration of Rs. 97 million.

Global Energy Practice (GEP)

In December 2002, we acquired the Global Energy Practice of American Management Systems for an aggregate consideration of Rs. 1,165 million. GEP has a team of domain experts and IT consultants providing specialized IT services to clients in the energy and utilities sector. This acquisition enhances our ability to deliver end-to-end IT solutions primarily in the areas of design and maintenance of complex billing and settlement systems for energy markets and systems and enterprise application integration services.

Wipro Nervewire

In May 2003, we acquired Wipro Nervewire, a Massachusetts-based IT consulting company serving customers in the financial services sector, for consideration of Rs. 878 million. Through this acquisition, we have broadened the range of IT consulting services that we offer, to include strategy and business case development, business requirements definition, IT strategy and program management and systems development and integration services to customers in the financial services sector.

Our revenue and operating income by business segment are provided below for the years ended March 31, 2003, 2004 and 2005:

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	Year ended March 31,		
	2003	2004	2005
Revenue:			
Global IT Services and Products	71%	75%	75%
India and AsiaPac IT Services and Products	19	16	16
Consumer Care and Lighting	7	6	6
Others	4	3	3
Reconciling items	(1)		
	100%	100%	100%
Operating Income:			
Global IT Services and Products	87%	85%	89%
India and AsiaPac IT Services and Products	6	7	5
Consumer Care and Lighting	4	5	4
Others	3	3	2
Reconciling items			
	100%	100%	100%

The Others category in the table above includes our other lines of business such as Wipro Fluid Power and Wipro Biomed. As discussed previously, we reorganized our business segments in April 2003. We consolidated our IT-Enabled Services business segment into our Global IT Services and Products business segment. We also eliminated our HealthScience business segment, consolidating the IT services component of the HealthScience segment into our Global IT Services and Products business segment. As of April 2003, in connection with our reorganization of business segments, Wipro Biomed, which was earlier reported as part of the HealthScience business segment for purposes of our financial reporting, is now being reported as part of Others. Corporate activities such as treasury, legal, accounting and human resources which do not qualify as operating segments under SFAS No. 131, have been considered as reconciling items. Reconciling items are net of common costs allocated to other business segments.

Global IT Services and Products

	Year ended March 31,		
	2003	2004	2005
	(in millions)		
Revenue			
Services	Rs. 30,444	Rs. 43,653	Rs. 60,525
Products	149	122	164
Total	30,593	43,775	60,689
Gross profit			
Services	12,809	15,800	22,154
Products	46	44	15
Total	12,855	15,844	22,169
Selling and marketing expenses	(1,527)	(3,520)	(3,223)
General and administrative expenses	(2,633)	(2,493)	(2,739)
Research and Development expenses	(260)	(232)	(274)
Amortization of intangibles	(166)	(300)	(122)
Others, net	12	1	14

Operating income	8,281	9,300	15,825
Revenue growth rate over prior period	35%	43%	39%
Gross margin	42%	36%	37%
Operating margin	27%	21%	26%

Revenue from the services component of our Global IT Services and Products business segment consists of revenue from IT services and BPO services. Revenue from IT services is derived from technology and software services provided on a time-and-materials or fixed-price, fixed-timeframe basis. Revenue from BPO services is derived from both time-based and unit-priced contracts. Our business segment revenue includes the impact of exchange rate fluctuations. Revenue from IT services provided on a time-and-materials basis is recognized in the period that services are provided and costs are incurred. Revenue from IT services provided through fixed-price, fixed-timeframe projects is recognized on a percentage of completion basis. Revenue from BPO services is recognized as services are performed under the specific terms of the contracts with our customers. Provisions for estimated losses on projects in progress are recorded in the period in which we determine such losses to be probable. Maintenance revenue is deferred and recognized ratably

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over the term of the agreement. To date, a substantial majority of our services revenue has been derived from time-and-materials projects. The proportion of revenue from fixed-price, fixed-timeframe projects may increase. Our operating results could be adversely affected by factors such as cost overruns due to delays, unanticipated costs, and wage inflation.

Global IT Services and Products revenue from products is derived primarily from the sale of third-party hardware and software products.

The cost of revenue for services in our Global IT Services and Products segment consists primarily of compensation expenses, data communication expenses, computer maintenance, travel expenses and occupancy expenses associated with services rendered. We recognize these costs as incurred. Selling and marketing expenses consist primarily of sales, advertising and marketing expenses and allocated corporate overhead expenses associated with corporate marketing. General and administrative expenses consist primarily of administrative expenses and allocated corporate overhead expenses associated with management, human resources, information management systems, quality assurance and finance.

The cost of revenue for products in our Global IT Services and Products segment primarily consists of the cost for products procured from third-party manufacturers.

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, 2005, 75% of our professionals engaged in providing IT services were located in India. For the year ended March 31, 2005, 44% of the revenues of our IT services were generated from work performed at our facilities in India.

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. 30,267 million, Rs. 43,465 million and Rs. 60,713 million for the years ended March 31, 2003, 2004 and 2005 respectively.

India and AsiaPac IT Services and Products

	Year ended March 31,		
	2003	2004	2005
	(in millions)		
Revenue			
Services	Rs. 2,240	Rs. 3,109	Rs. 4,709
Products	5,806	6,336	8,686
Total	8,046	9,445	13,395
Gross profit			
Services	1,053	1,448	2,030
Products	706	693	871
Total	1,759	2,141	2,901
Selling and marketing expenses	(773)	(919)	(1,150)

General and administrative expenses	(510)	(492)	(788)
Others, net	63	31	7
Operating income	539	761	970
Revenue growth rate over prior period	16%	17%	42%
Gross margin	22%	23%	22%
Operating margin	7%	8%	7%

Revenue from the services component of our India and AsiaPac IT Services and Products business segment is derived principally from hardware and software support, maintenance, software services and consulting services. Revenue from the products component of our India and AsiaPac IT Services and Products segment is derived primarily from the sale of computers, networking equipment and related hardware products. Our business segment revenue includes the impact of exchange rate fluctuations. We recognize revenue from services, depending on the contract terms, over the contract period. Revenue on products is recognized, in accordance with the sales contract, on dispatch of the products to the customer.

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We have adopted the guidance in EITF Issue No. 00-21 in respect of all revenue arrangements entered into in the quarter beginning July 1, 2003. Prior to adoption of EITF Issue No. 00-21, we had elected an accounting policy to recognize revenue for certain contracts on completion of installation, where the customer was not obligated to pay a portion of the contract price allocable to the delivered products until installation was completed. EITF Issue No. 00-21 does not permit such an election. Consequently, the amount allocable to the products is recognized as revenue on dispatch from the factories/warehouses of the Company. The amount allocable to the installation services is deferred and recognized on completion of the installation. However, the amount allocable to products is limited to the amount that is not contingent upon delivery of subsequent services.

The cost of revenue for services in our India and AsiaPac IT Services and Products segment consists primarily of compensation expenses, expenses on outsourced services and replacement parts for our maintenance services. We recognize these costs as incurred. The cost of revenue for products in our India and AsiaPac IT Services and Products segment consists of manufacturing costs for products, including materials, labor and facilities. In addition, a portion of the costs reflects products manufactured by third parties and sold by us. We recognize these costs at the time of sale. In cases where the application of the contingent revenue provision of EITF Issue No. 00-21 results in recognizing a loss on a delivered item the cost recognized is limited to the amount of non-contingent revenues recognized. The balance of the 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 deliverables.

Selling and marketing expenses and general and administrative expenses for our India and AsiaPac IT Services and Products business segment are similar in type to those for our Global IT Services and Products business segment.

Historically, in our India and AsiaPac IT Services and Products business segment, revenue from products has accounted for a substantial majority of revenue and a much smaller portion of operating income. Our strategy in the IT market in India and AsiaPacific region is to improve our profitability by focusing on IT services, including systems integration, support services, software and networking solutions, Internet and e-commerce applications.

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. 8,041 million, Rs. 9,413 million and Rs. 13,404 million for the years ended March 31, 2003, 2004 and 2005 respectively.

Consumer Care and Lighting

	Year ended March 31,		
	2003	2004	2005
	(in millions)		
Revenue	Rs. 2,942	Rs. 3,567	Rs. 4,555
Gross profit	934	1,212	1,629
Selling and marketing expenses	(455)	(596)	(877)
General and administrative expenses	(58)	(72)	(82)
Amortization of intangible assets		(8)	(18)
Others, net	1	10	19
Operating income	422	546	671
Revenue growth rate over prior period		21%	28%
Gross margin	32%	34%	36%
Operating margin	14%	15%	15%

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.

We recognize revenue from product sales, in accordance with the sales contract, at the time of shipment. Cost of products consists primarily of raw materials and other manufacturing expenses such as overhead costs for factories. Selling, general and administrative expenses are similar in type to those for our other business segments.

Amortization of Deferred Stock Compensation

We use the intrinsic value based method of APB Opinion No. 25 and record stock compensation expense for the difference between the exercise price of options and the fair value as determined by quoted market prices of our equity

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shares on the date of grant. We have elected to amortize the deferred stock compensation on a straight line basis over the vesting period of the equity shares .

In the previous periods, equity shares were issued to our employees pursuant to our Wipro Equity Reward Trust (WERT). In June 2004, we established an option plan titled the Wipro Restricted Stock Unit Plan (WRSUP 2004) and a plan titled Wipro ADS Restricted Stock Unit Plan (WARSUP 2004). Options granted under these plans generally vest ratably at the end of each year over a period of five years from the date of grant. Upon vesting the employees can acquire one equity share for every option held. The options are subject to forfeiture if the employee terminates employment before vesting. The excess of market price on the date of grant over the exercise price payable by the employees is recognized as deferred compensation cost.

During the year ended March 31, 2005, we granted 4,896,298 options under the WRSUP 2004 plan and 791,800 options under the WARSUP 2004 Plan. The deferred compensation cost of Rs. 3,529 million arising from such grants will be amortized over the vesting period of five years.

As a result of the above, we have amortized deferred stock compensation expenses of Rs. 52 million, Rs. 45 million and Rs. 354 million for the years ended March 31, 2003, 2004 and 2005 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,		
	2003	2004	2005
	(in millions)		
Cost of revenue	Rs. 20	Rs. 15	Rs. 238
Selling and marketing expenses	15	14	49
General and administrative expenses	17	16	67
	Rs. 52	Rs. 45	Rs. 354

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. 166 million, Rs. 308 million and Rs. 140 million for the years ended March 31, 2003, 2004 and 2005 respectively.

Foreign Exchange Gains, net

Foreign exchange gains, net, comprise:

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

reclassification of gains or losses on derivative instruments, effective as cash flow hedges, from accumulated and other comprehensive income to net income on the occurrence of hedged transactions; 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.

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, we held 93% of the outstanding equity shares of Wipro BPO. The remaining shares were held by the employees of Wipro BPO.

As more fully described in Note 4 and 24 to the Notes to Consolidated Financial Statements, as of March 31, 2003, Wipro BPO had 9,329,762 equity shares subject to outstanding employee stock options issued under the Wipro BPO option plan. During the year ended March 31, 2004, 3,339,279 options were exercised at a weighted average

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exercise price of Rs. 29.41 per share and 839,015 options were exercised at a weighted average exercise price of Rs. 57 per share.

As a result of these option exercises, our ownership interest in Wipro BPO was reduced from 100% to 93%. The exercise price for these options was less than our carrying value per share. Accordingly, the exercise resulted in a decline in the carrying value of our ownership interest by Rs. 206 million. In accordance with our accounting policy, we have included this decline in carrying value in the statement of income as a loss on the direct issue of stock by subsidiary.

Of the 4,178,294 shares issued upon these option exercises, 3,996,387 shares are subject to repurchase rights that allow us to repurchase these shares at fair value. The rights also give the employees the right to sell the shares back to us at fair value. Employees can exercise this right to sell shares to us after six months from the date of their option exercise. Similarly, we can also exercise this repurchase right after six months from the date of an employee's option exercise.

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. The remaining options were forfeited.

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.

As a result of the above transactions, as of March 31, 2005, our ownership interest in Wipro BPO remains at approximately 93%.

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%.

WeP Peripherals Ltd. (WeP). We hold a 37.7% equity interest in WeP Peripherals Ltd.

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 tax holidays the Government of India gives to the export of information technology services from units in designated Software Technology Parks in India. As a result of these incentives, our operations have been subject to relatively insignificant Indian tax liabilities.

These tax incentives currently include a 10-year tax holiday from payment of Indian corporate income taxes for the operation of our Indian facilities, all of which are Export Oriented Undertakings or located in Software Technology Parks or Export Processing Zones and an income tax deduction of 100% for profits derived from

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exporting information technology services. We can use either of these two tax incentives. As a result of these two tax incentives, a substantial portion of our pre-tax income has not been subject to significant tax in recent years. For the years ended March 31, 2003, 2004 and 2005 our tax benefits were Rs. 2,263 million, Rs. 2,925 million and Rs. 4,591 million, respectively, from such tax incentives.

The Finance Act, 2000 phases out the 10-year tax holiday for units in Software Technology Parks over a ten year period from fiscal 2000 through fiscal 2009. Accordingly, facilities set up on or before March 31, 2000 have a 10-year tax holiday, new facilities set up on or before March 31, 2001, have a 9-year tax holiday and so forth until March 31, 2009, after which the tax holiday will no longer be available to new facilities. Our current tax holidays expire in stages by 2009.

The Finance Act, 2000 also restricts the scope of the tax exemption to export income earned by software development centers that are Export Oriented Undertakings or located in Software Technology Parks or Export Processing Zones as compared to the earlier exemption which was available to business profits earned by them. For companies opting for the 100% tax deduction for profits derived from exporting information technology services, the Finance Act, 2000 phases out the income tax deduction over a period of five years beginning on April 1, 2000. Additionally, the Finance Act, 2002 had subjected 10% of all income derived from services located in Software Technology Parks to income tax for a one-year period ending March 31, 2003.

For the year ended March 31, 2005, our effective tax rate was 14.5% and our Indian statutory tax rate for the same period was 36.6%. When our tax holiday and taxable income deduction expire or terminate, our tax expense will materially increase, reducing our profitability.

In March 2004, we received an assessment order from the Deputy Commissioner of Income Tax, Bangalore, India (Assessing Officer) in connection with our regular assessment of our income tax return for the year ended March 31, 2001. The assessment order disallows an income deduction we made under Section 10A of the Income Tax Act, 1961 of India pertaining to some of our software development units located in Bangalore. Section 10A of the Income Tax Act, 1961 provides a ten-year tax holiday for setting up software development units in STPI. The assessing officer's claim is based, among other things, in connection with the premise that in order for such software development units to qualify for the special tax treatment and corresponding tax deduction, we should have obtained a license for each such new unit located in the STPI. We have instead formed such new units with STPI approval under our original STPI licenses obtained in 1992. The assessment order claims that the disallowance, along with other disallowances, requires us to make a payment of Rs. 2,614 million, including interest. On similar grounds, in March 2005, we received a demand from the tax authorities of Rs. 2,617 million, including interest, upon completion of tax review for our fiscal year ended March 31, 2002. We filed an appeal within the statutory prescribed time limit before the first appellate authority of the relevant tax department, known as the Commissioner (Appeals), challenging the two assessment orders.

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 and financial position of such reporting period could be materially adversely affected. After considering the provision made in the books based on our assessment, the net exposure on these tax demands as of March 31, 2004 and March 31, 2005, is Rs. 2,316 million and Rs. 4,738 million, respectively.

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 the 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. FBT and other similar taxes enacted in

the future by the government of India could adversely affect our profitability.

Results of Operations

Years ended March 31, 2005 and 2004

Revenue. Our total revenues increased by 39% from Rs. 58,433 million for the year ended March 31, 2004 to Rs. 81,353 million for the year ended March 31, 2005. This was driven primarily by a 40%, 42%, 28% and 35% increase in revenue from Global IT Services and Products, India and AsiaPac IT Services and Products, Consumer Care and Lighting and Others business segments, respectively.

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Global IT Services and Products revenue increased by 40% from Rs. 43,465 million for the year ended March 31, 2004 to Rs. 60,713 million for the year ended March 31, 2005. This increase in revenues of our Global IT Services and Products business segment was attributable to a 41% increase in revenue from enterprise services, a 45% increase in revenue from technology services and a 56% increase from BPO services. The increase in revenue from enterprise services was primarily driven by increased revenue from services provided to customers in the financial services and retail sectors. The increase in revenue from technology services was primarily driven by increased revenue from services provided in the areas of design and development of embedded software solutions to consumer electronics, automotive and computer hardware manufacturing companies and an increase in revenue from our Telecom and Internetworking division. Revenue from BPO services increased primarily due to an increase in the number of clients and an increase in the scope and volume of services provided to clients.

In our Global IT Services and Products business segment, we added 130 new clients during the year ended March 31, 2005. The total number of clients that individually accounted for over \$1 million run rate in revenue increased from 137 as of March 31, 2004 to 157 as of March 31, 2005.

India and AsiaPac IT Services and Products revenue increased by 42% from Rs. 9,413 million for the year ended March 31, 2004 to Rs. 13,404 million for the year ended March 31, 2005. Revenue from the products component of our India and AsiaPac IT Services and Products business segment increased by 38% from Rs. 6,305 million for the year ended March 31, 2004 to Rs. 8,695 million for the year ended March 31, 2005. The increase is attributable to an increase in revenue from traded products by 100% partially offset by a decline in revenues from manufactured products by 25%.

Revenue from the services component of our India and AsiaPac IT Services and Products business segment grew by 52% from Rs. 3,108 million in the year ended March 31, 2004 to Rs. 4,709 million for the year ended March 31, 2005. The increase was primarily due to an increase in revenue from new service lines like consulting services and system integration services and growth in our core service business of hardware and software support and maintenance services.

Consumer Care and Lighting revenue increased by 28% from Rs. 3,567 million for the year ended March 31, 2004 to Rs. 4,555 million for the year March 31, 2005. This was primarily due to increased efforts on expanding market presence in select geographies which resulted in higher sales of soap products.

Revenue from Others increased by 35% from Rs. 1,988 million for the year ended March 31, 2004 to Rs. 2,681 million for the year ended March 31, 2005. This was primarily due to a 41% increase in the revenues from the sale of hydraulic cylinders and tipping gear systems in our Fluid Power business. The initiatives by the Government of India in improving physical infrastructure have increased the demand for hydraulic cylinders and tipping gear systems.

Gross Profit. As a percentage of total revenue, gross profit increased marginally by 1% from 33% for the year ended March 31, 2004 to 34% for the year ended March 31, 2005. This was primarily on account of increase in gross profit as a percentage of revenue from our Global IT Services and Products segment from 36% for the year ended March 31, 2004 to 37% for the year ended March 31, 2005 and increase in gross profit as a percentage of revenue from our Consumer Care and Lighting segment by 2% from 34% for the year ended March 31, 2004 to 36% for the year ended March 31, 2005. Gross profit as a percentage of revenues from our India and AsiaPac IT Services and Products was around 22% for the years ended March 31, 2004 and 2005. Gross margins of Others remained constant at 29% for the years ended March 31, 2004 and 2005.

The gross profit as a percentage of revenues of Global IT Services and Products has increased by 1% from 36% of revenue for the year ended March 31, 2004 to 37% of revenue for the year ended March 31 2005. This increase is primarily due to a 2% increase in the proportion of services rendered offshore, a 7% increase in our onsite billing rates and a 6% increase in our offshore billing rates. This increase was partially offset by a decline in average exchange rates at which the revenue has been realized and an increase in compensation for offshore employees as a part of our compensation review in March 2004 and November 2004 and amortization of deferred compensation cost arising from the grant of options in October 2004.

As a percentage of India and AsiaPac IT Services and Products revenue, gross profit remained constant at 22% for the year ended March 31, 2004 and 2005. This was primarily on account of a decline in gross profits as a percentage of revenue from the Services segment of our India and AsiaPac IT Services and Products by 4% from 47% for the year ended March 31, 2004 to 43% for the year ended March 31, 2005. This decline was offset by an increase in the proportion of revenues from the Services segment, which typically have a higher gross margin compared to the Products

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segment. The gross profits as a percentage of revenues from the Products component of our India and AsiaPac IT Services and Products remained constant at 10%.

As a percentage of Consumer Care and Lighting revenue, gross profit increased by 2% from 34% for the year ended March 31, 2004 to 36% for the year ended March 31, 2005. This was due to increase in the proportion of revenues from soap products which have higher margins than the other products.

Selling and marketing expenses. Selling and marketing expenses increased by Rs. 188 million from Rs. 5,278 million for the year ended March 31, 2004 to Rs. 5,466 million for the year ended March 31, 2005. The increase in selling and marketing expenses in our India and AsiaPac IT Services and Products business by Rs. 231 million and increase in the selling and marketing expenses in our Consumer Care and Lighting business by Rs. 281 million was partially offset by a decline in selling and marketing expenses in our Global IT Services and Products business by Rs. 297 million and in Others including reconciling items by Rs. 27 million.

Selling and marketing expenses for our Global IT Services and Products business segment declined by 8% from Rs. 3,520 million for the year ended March 31, 2004 to Rs. 3,223 million for the year ended March 31, 2005. The decline of Rs. 297 million in selling and marketing expenses is primarily due to two factors: first, lower expenditure on advertisement and travel, and second, selling and marketing expenses for the year ended March 31, 2004 included Rs. 120 million of special incentive bonus paid to employees of our Global Energy Practice and Wipro Nervewire, the businesses we acquired in December 2002 and May 2003 respectively.

Selling and marketing expenses for our India and AsiaPac IT Services and Products business segment increased by 25% from Rs. 919 million for the year ended March 31, 2004 to Rs. 1,150 million for the year ended March 31, 2005. This was primarily due to two factors: first, increase in compensation costs due to an increase in the number of sales and marketing personnel for this business segment and increase in compensation costs as part of compensation review in April 2004 and October 2004, and, second, increase in expenditure on travel due to increased promotional activities in select geographies in this business segment.

Selling and marketing expenses for Consumer Care and Lighting increased by 47% from Rs. 596 million for the year ended March 31, 2004 to Rs. 877 million for the year ended March 31, 2005. This was primarily due to the increase in sales promotion expenses for building brands and expanding market share in select geographies in this business segment.

Selling and marketing expenses for Others, including reconciling items, have declined by 11% from Rs. 243 million for the year ended March 31, 2004 to Rs. 216 million for the year ended March 31, 2005.

General and administrative expenses. General and administrative expenses increased 18% from Rs. 3,172 million for the year ended March 31, 2004 to Rs. 3,744 million for the year ended March 31, 2005. This increase was primarily on account of increase in general and administrative expenses of our Global IT Services and Products business by Rs. 246 million, increase in general and administrative expenses of our India and AsiaPac IT Services and Products business by Rs. 296 million, increase in general and administrative expenses of our Consumer Care and Lighting business by Rs. 10 million and increase in general and administrative expenses of Others including reconciling items by Rs. 20 million.

General and administrative expenses for our Global IT Services and Products business segment increased by 10% from Rs. 2,493 million for the year ended March 31, 2004 to Rs. 2,739 million for the year ended March 31, 2005. The increase of Rs. 246 million in general and administrative expenses is primarily due an increase in compensation costs and additional expenditure on new common facilities.

General and administrative expenses for our India and AsiaPac IT Services and Products business segment increased by 60% from Rs. 492 million for the year ended March 31, 2004 to Rs. 788 million for the year ended March 31, 2005. This was primarily due to an increase in compensation costs as part of compensation review in April 2004 and October 2004, an increase in the provision for doubtful receivables and an increase in the loss on sale of trade receivables due to increase in sale of trade receivables.

General and administrative expenses for Consumer Care and Lighting increased by 14% from Rs. 72 million for the year ended March 31, 2004 to Rs. 82 million for the year ended March 31, 2005.

General and administrative expenses for Others, including reconciling items, have increased by 17% from Rs. 115 million for the year ended March 31, 2004 to Rs. 135 million for the year ended March 31, 2005.

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Operating income. As a result of the foregoing factors, operating income increased by 64% from Rs. 10,901 million for the year ended March 31, 2004 to Rs. 17,857 million for the year ended March 31, 2005. Operating income of Global IT Services and Products increased by 70% from Rs. 9,300 million for the year ended March 31, 2004 to Rs. 15,825 million for the year ended March 31, 2005. Operating income of India and AsiaPac IT Services and Products increased by 27% from Rs. 761 million for the year ended March 31, 2004 to Rs. 970 million for the year ended March 31, 2005. Operating income of Consumer Care and Lighting increased by 23% from Rs. 546 million for the year ended March 31, 2004 to Rs. 671 million for the year ended March 31, 2005. Operating income of Others, including reconciling items, increased by Rs. 97 million from Rs. 294 million for the year ended March 31, 2004 to Rs. 391 million for the year ended March 31, 2005.

Other income, net. Other income, net, declined from Rs. 868 million for the year ended March 31, 2004 to Rs. 800 million for the year ended March 31, 2005. The decline in other income is primarily due to a decline in investment yields partially offset by an increase in the average quantum of investments during the year ended March 31, 2005.

Income taxes. Income taxes increased by 67% from Rs. 1,611 million for the year ended March 31, 2004 to Rs. 2,694 million for the year ended March 31, 2005. Our effective tax rate increased from 13.8% for the year ended March 31, 2004 to 14.5% for the year ended March 31, 2005. 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 / losses of affiliates. Equity in earnings of affiliates for the year ended March 31, 2004 and 2005 was Rs. 96 million and Rs. 158 million respectively.

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. Equity in earnings of affiliates of Rs. 96 million for the year ended March 31, 2004 comprises equity in earnings of Wipro GE of Rs. 56 million and equity in earnings of WeP Peripherals of Rs. 40 million.

Net Income. As a result of the foregoing factors, net income increased by 58% from Rs. 9,992 million for the year ended March 31, 2004 to Rs. 15,833 million for the year ended March 31, 2005.

Years ended March 31, 2004 and 2003

Revenue. Our total revenues increased by 36% from Rs. 42,849 million for the year ended March 31, 2003 to Rs. 58,433 million for the year ended March 31, 2004. This was driven primarily by a 44%, 17%, 21% and 24% increase in revenue from Global IT Services and Products, India and AsiaPac IT Services and Products, Consumer Care and Lighting and Others, respectively.

Global IT Services and Products revenue increased by 44% from Rs. 30,267 million for the year ended March 31, 2003 to Rs. 43,465

million for the year ended March 31, 2004. This increase is attributable primarily to two factors. First, we acquired Wipro BPO in July 2002, Global Energy Practice in December 2002 and Wipro Nervewire in May 2003. Second, the increase in revenue of our Global IT Services and Products business segment was also attributable to a 49% increase in revenue from enterprise services, a 36% increase in revenue from technology services and a 122% increase, on a comparable basis, from BPO services. The increase in revenue from enterprise services was primarily driven by increased revenue from services provided in the area of enterprise applications. The increase in revenue from technology services was primarily driven by increased revenue from services provided in the areas of design and development of embedded software solutions to consumer electronics, automotive and computer hardware

manufacturing companies and an increase in revenue from our Telecom and Internetworking division. Revenue from BPO services increased primarily due to an increase in the number of clients and an increase in the scope and volume of services provided to clients.

In our Global IT Services and Products business segment we added 123 new clients during the year ended March 31, 2004. The total number of clients that individually accounted for over Rs. 1 million run rate in revenue increased from 103 as of the year ended March 31, 2003 to 137 as of the year ended March 31, 2004.

India and AsiaPac IT Services and Products revenue increased by 17% from Rs. 8,041 million for the year ended March 31, 2003 to Rs. 9,414 million for the year ended March 31, 2004. Revenue from the products component of our India and AsiaPac IT Services and Products business segment increased by 9% from Rs. 5,801 million for the year ended March 31, 2003 to Rs. 6,305 million for the year ended March 31, 2004. The increase in revenue was primarily due to two factors. First, the increase is attributable to an increase in revenue from traded and manufactured products.

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Second, the revenues for the year ended March 31, 2004, are higher by Rs. 1,123 million due to adoption of guidance in EITF Issue No. 00-21, in respect of all revenue arrangements entered into in the quarter beginning July 1, 2003.

Revenue from the services component of our India and AsiaPac IT Services and Products business segment grew by 39% from Rs. 2,240 million in the year ended March 31, 2003 to Rs. 3,109 million in the year ended March 31, 2004. The increase was primarily due to an increase in revenue from new service lines like consulting services and system integration services and growth in our core service business of hardware and software support and maintenance services.

Consumer Care and Lighting revenue increased by 21% from Rs. 2,942 million for the year ended March 31, 2003 to Rs. 3,567 million for the year ended March 31, 2004. This was primarily due to increased efforts on expanding market presence in select geographies which resulted in higher sales of soap products.

Revenue from Others increased by 24% from Rs. 1,599 million for the year ended March 31, 2003 to Rs. 1,988 million for the year ended March 31, 2004. This was primarily due to a 34% increase in the revenues from the sale of hydraulic cylinders and tipping gear systems in our Fluid Power business. The initiatives by the Government of India in improving physical infrastructure have increased the demand for hydraulic cylinders and tipping gear systems.

Gross Profit. As a percentage of total revenue, gross profit declined by 4% from 37% for the year ended March 31, 2003 to 33% for the year ended March 31, 2004. This decline is primarily as a result of decline in gross profit from the services component of our Global IT Services and Products segment from 41% for the year ended March 31, 2003 to 36% for the year ended March 31, 2004. Gross profit in the India and AsiaPac IT Services and Products segment remained unchanged at 22% for the years ended March 31, 2003 and March 31, 2004. Gross profit in Consumer Care and Lighting increased from 32% for the year ended March 31, 2003 to 34% of revenue for the year ended March 31, 2004.

The gross profit as a percentage of revenues of Global IT Services and Products has declined by 5% from 41% of revenue for the year ended March 31, 2003 to 36% of revenue in the year ended March 31, 2004. This decrease is primarily due to a 5% increase in the proportion of services rendered onsite, 1.5% decline in our offshore billing rates, an increase in compensation for offshore employees as a part of our compensation review in October 2003 and an increase in the number of independent consultants hired for specific assignments. This is partially offset by a 1.8% increase in the onsite billing rates and a 3% increase in IT professional utilization rates from 66% in the year ended March 31, 2003 to 69% in the year ended March 31, 2004.

As a percentage of India and AsiaPac IT Services and Products revenue, gross profit remained unchanged at 22% for the years ended March 31, 2003 and March 31, 2004. The increase in proportion of revenues from Services, from 28% of revenues in the year ended March 31, 2003 to 33% of total revenues in the year ended March 31, 2004, was offset by a decline in gross profit from Products, by 1% from 12% of revenues in the year ended March 31, 2003 to 11% of revenues in the year ended March 31, 2004.

As a percentage of Consumer Care and Lighting revenue, gross profit increased by 2% from 32% for the year ended March 31, 2003 to 34% for the year ended March 31, 2004. This increase was primarily due to an increase in the gross margins from soap products and an increase in the proportion of revenue from soap products, which typically have a higher gross margin compared to other products.

As a percentage of revenue, gross profit from Others increased marginally by 1% from 28% for the year ended March 31, 2003 to 29% for the year ended March 31, 2004.

Selling and marketing expenses. Selling and marketing expenses increased by 81% from Rs. 2,915 million for the year ended March 31, 2003 to Rs. 5,278 million for the year ended March 31, 2004. The total increase in selling and marketing expenses of Rs. 2,363 million was attributable to an increase of Rs.1,993 million in Global IT Services and Products, Rs. 146 million in India and AsiaPac IT Services and Products, Rs. 141 million in Consumer Care and Lighting and Rs. 83 million in Others.

Selling and marketing expenses for our Global IT Services and Products business segment increased by 131% from Rs. 1,527 million for the year ended March 31, 2003 to Rs. 3,520 million for the year ended March 31, 2004. Selling and marketing expenses include selling and marketing expenses for Wipro BPO, the business we acquired in July 2002, Global Energy Practice, the business we acquired in December 2002, and Wipro Nervewire, the business we acquired in May 2003. The increase of Rs. 1,993 million in selling and marketing expenses is primarily due to an increase in the average number of sales and marketing personnel from 139 in the year ended March 31, 2003 to 170 in

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the year ended March 31, 2004, an increase in the proportion of local hires in our sales and marketing team, who typically have a higher remuneration package, an increase in compensation costs as part of compensation review in October 2003, special incentive bonus paid to the employees of Global Energy Practice and Wipro Nervewire and an increased focus on promoting the IT Services brand.

Selling and marketing expenses for our India and AsiaPac IT Services and Products business segment increased by 19% from Rs. 773

million for the year ended March 31, 2003 to Rs. 919 million for the year ended March 31, 2004. This was primarily 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 compensation review in October 2003.

Selling and marketing expenses for Consumer Care and Lighting increased by 31% from Rs. 455 million for the year ended March 31, 2003 to Rs. 596 million for the year ended March 31, 2004. This was primarily due to the increase in sales promotion expenses for this business segment.

Selling and marketing expenses for Others, including reconciling items, has increased by 52% from Rs. 160 million for the year ended March 31, 2003 to Rs. 243 million for the year ended March 31, 2004. The increase was primarily due to compensation review in October 2003 and increased expenditure on brand promotion.

General and administrative expenses. General and administrative expenses declined by 3% from Rs. 3,277 million for the year ended March 31, 2003 to Rs. 3,172 million for the year ended March 31, 2004. The total decline in general and administrative expenses of Rs. 106 million was attributable to a decline of Rs. 140 million in Global IT Services and Products, Rs. 18 million in India and AsiaPac IT Services and Products partially offset by an increase in the general and administrative expenses of Rs. 14 million in Consumer Care and Lighting and Rs. 38 million in Others.

General and administrative expenses for our Global IT Services and Products business segment declined by 5% from Rs. 2,633 million for the year ended March 31, 2003 to Rs. 2,493 million for the year ended March 31, 2004. The decline for Rs. 140 million is primarily on account of cost control initiatives.

General and administrative expenses for our India and AsiaPac IT Services and Products business segment declined by 4% from Rs. 510 million for the year ended March 31, 2003 to Rs. 492 million for the year ended March 31, 2004 is primarily on account of cost control initiatives.

General and administrative expenses for Consumer Care and Lighting increased by 24% from Rs. 58 million for the year ended March 31, 2003 to Rs. 72 million for the year ended March 31, 2004.

General and administrative expenses for Others, including reconciling items, has increased by 49% from Rs. 77 million for the year ended March 31, 2003 to Rs. 115 million for the year ended March 31, 2004.

Operating income. As a result of the foregoing factors, operating income increased by 15% from Rs. 9,486 million for the year ended March 31, 2003 to Rs. 10,901 million for the year ended March 31, 2004. Operating income of Global IT Services and Products increased by 12% from Rs. 8,281 million for the year ended March 31, 2003 to Rs. 9,300 million for the year ended March 31, 2004. Operating income of India and AsiaPac IT Services and Products increased by 41% from Rs. 539 million for the year ended March 31, 2003 to Rs. 761 million for the year ended March 31, 2004. Operating income of Consumer Care and Lighting increased by 29% from Rs. 422 million for the year ended March 31, 2003 to Rs. 546 million for the year ended March 31, 2004. Operating income of Others, including reconciling items, increased by 20% from Rs. 256 million for the year ended March 31, 2003 to Rs. 308 million for the year ended March 31, 2004.

Effective March 2004, upon completion of the formal documentation and testing for effectiveness, we have designated forward contracts in respect of forecasted transactions, which meet the hedging criteria, as cash flow hedges. Consequently, as of March 31, 2004, we have recorded an amount of Rs. 1,059 million as a component of accumulated other comprehensive income within stockholder's equity. These amounts will be recognized in the consolidated statements of income in the periods in which the hedged transactions occur.

Other income, net. Other income, net, increased from Rs. 718 million in the year ended March 31, 2003 to Rs. 868 million for the year ended March 31, 2004. Other income for the year ended March 31, 2003 includes interest payable by tax authorities on tax refunds due upon completion of tax assessments of Rs. 54 million. Other income for the year ended March 31, 2004 includes gain on sale of property of Rs. 107 million. Other income has increased primarily due to an increase in the average quantum of investment, partially offset by a decline in average return on investments.

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Income taxes. Income taxes increased by 20% from Rs. 1,342 million for the year ended March 31, 2003 to Rs. 1,611 million for the year ended March 31, 2004. Our effective tax rate increased from 13.6% in the year ended March 31, 2003 to 13.8% for the year ended March 31, 2004. The increase in effective tax rate is primarily on account of a higher proportion of income being subject to foreign taxes and the provision of Rs. 274 million in respect of earlier years. The Finance Act, 2002 had subjected 10% of all income derived from units located in Software Technology Parks to income tax for a one year period ending March 31, 2003 and consequently in the year ended March 31, 2003 10% of all income derived from units located in Software Technology Parks was subject to income tax. For the year ended March 31, 2004 income derived from units located in Software Technology Parks is not subject to income tax.

Equity in earnings / losses of affiliates. Equity in earnings of affiliates for the year ended March 31, 2004 was Rs. 96 million against loss of Rs. 355 million for the year ended March 31, 2003. Equity in earnings of affiliates of Rs. 96 million in the year ended March 31, 2004 comprises equity in earnings of Wipro GE of Rs. 56 million and equity in earnings of WeP Peripherals of Rs. 40 million. Equity in losses of affiliates of Rs. 355 million for the year ended March 31, 2003 is attributable to the share in losses of Rs. 371 million in Wipro GE partially offset by equity in earnings of WeP Peripherals of Rs. 16 million.

Income from continuing operations. As a result of the foregoing factors, income from continuing operations increased by 18% from Rs. 8,477 million for the year ended March 31, 2003 to Rs. 9,992 million for the year ended March 31, 2004.

Liquidity and Capital Resources

As of March 31, 2005, we had cash and cash equivalents of Rs. 5,671 million, investments in liquid and short-term mutual funds of Rs. 22,958 million and an unused line of credit of approximately Rs. 1,900 million. To utilize the line of credit we need to comply with certain financial covenants. We have historically financed our working capital and capital expenditure through our operating cash flows, and, to a limited extent, through bank loans.

Cash provided by operating activities for the year ended March 31, 2005 was Rs. 19,006 million against Rs. 10,815 million in the year ended March 31, 2004. The increase was primarily due to increase in operating profits and greater focus on working capital management.

Cash used in investing activities for the year ended March 31, 2005 was Rs. 11,496 million. The cash was used primarily on purchases of liquid and short-term mutual funds, capital expenditures and acquisitions. Cash provided by operating activities was used to meet the capital expenditure of Rs. 6,613 million.

Cash used in financing activities for the year ended March 31, 2005 was Rs. 5,138 million. During the year ended March 31, 2005 dividends of Rs. 7,576 million have been paid to shareholders. As of March 31, 2005, the short term borrowings from Banks were Rs. 564 million. The short term borrowings are against the line of credit by banks and are used to bridge the temporary mismatches in cash flows.

We have proposed to pay an annual cash dividend of Rs. 5 per share on equity shares and ADRs. This proposal is subject to approval by the shareholders of the Company. We expect a dividend payout of approximately Rs. 3,500 million.

As of March 31, 2005 we had contractual commitments of Rs. 1,181 million (\$ 27 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.

We currently intend to finance our operations and planned construction and expansion entirely from internal sources of capital.

For Wipro BPO, 4,637,375 shares issued as a result of option exercises during the year ended March 31, 2005 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. The right can be exercised only after six months from the date of option exercise. The shares were acquired in April 2005.

In the normal course of business, we transfer accounts receivables and employee advances (financial assets) to banks. These transfers can be with or without recourse. As at March 31, 2005, we have transferred financial assets of Rs. 738 million.

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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.

Off-Balance Sheet Arrangements

The company has 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, 2005, aggregated by type of contractual obligation, is given below:

	In Rs. million				
	Total contractual payment	Payments due in			
		2005-06	2006-08	2008-10	2010 onwards
Capital Commitments	1,181	1,181			
Non-cancelable operating lease obligation	646	103	231	220	92
Purchase obligations	1,203	1,199	4		

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 was included as a purchase obligation.

Research and Development

Our research and development efforts are primarily in the emerging technology areas like home networking, content commerce, collaboration and knowledge management. We seek to gain expertise in these areas and develop solutions. Further, through our centers of excellence , we seek to gain domain expertise in specific industries and use our expertise in developing industry specific solutions. For example, we are currently working in the areas like residential gateway and wireless local area networks based on 802.11 standards. We have also developed solutions like iDesk, which facilitates creation of an employee self-service portal, and Flow-brix , our work flow solution.

Research and development expenditures for the years ended March 31, 2004 and 2005 were Rs. 232 million and Rs. 274 million (\$ 6 million), respectively.

Trend Information

Global IT Services and Products. We believe that the increasing acceptance of outsourcing and offshoring as an economic necessity has contributed to continued growth in our revenue. However, 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. The acquisitions have also allowed us to sustain and in certain circumstances improve our prices and profits.

Gross profit as a percentage of revenues in Global IT Services and Products increased from 36% in the year ended March 31, 2004 to 37% in the year ended March 31, 2005. We anticipate difficulty in further improving our profits due to:

Our ability to increase prices;

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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;

The impact of exchange rate fluctuations on our rupee realizations; and

The impact of the high percentage on fixed costs, high attrition rates and high composition of voiced based services in our revenues from BPO services.

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 Global 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.

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 corporations like IBM and HP have identified India as a key focus area. The gross margins in the products component of this business segment remained constant at 10% for the years ended March 31, 2004 and 2005.

Our India and AsiaPac IT Services and Products business segment is also subject to seasonal fluctuations. Our product revenue is driven by capital expenditure budgets and the spending patterns of our clients, who often delay or accelerate purchases in reaction to tax depreciation benefits on capital equipment. As a result, our India and AsiaPac IT Services and products revenue for the quarters ended March 31 and September 30 are typically higher than other quarters of the year. We believe the impact of this fluctuation on our revenue will decrease as the proportion of services revenue increases.

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.

Recent accounting pronouncements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment (SFAS No. 123R), requiring companies to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award as of the date of grant. The compensation costs arising out of such awards are required to be recognized over the period during which an employee provides service in exchange for the award.

SFAS No. 123R is effective for fiscal year beginning after June 15, 2005. SFAS No. 123R applies to all awards granted and to awards modified, repurchased, or cancelled in the fiscal year beginning after June 15, 2005. The cumulative effect of initially applying this Statement, if any, is recognized in the first fiscal year beginning after June 15, 2005. Pursuant to the Securities and Exchange Commission Release No. 33-8568, we are required to adopt SFAS No. 123R from April 1, 2006.

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Companies that used the fair-value-based method for either recognition or disclosure under Statement 123 can apply SFAS No. 123R using a modified version of prospective application. Under this method, compensation cost is recognized for periods after the effective date, for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the fair value of those awards on the date of grant calculated under Statement 123.

For periods before the required effective date, companies can also elect to apply a modified version of retrospective application, under which financial statements for prior years are adjusted on a basis consistent with the pro forma disclosures required for those periods by Statement 123.

If we had amortized the stock-based employee compensation expense determined under the fair value method, our net income as reported for the year ended March 31, 2004 and 2005 would have been reduced by Rs. 2,080 million and Rs. 1,244 million, respectively.

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.

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

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to the scope and price by us and the client. Costs that are incurred for a specific anticipated contract that will result in no future benefits unless the contract is obtained are not included in contract costs or deferred costs before the signing of the contract.

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

Effective July 1, 2003, we have adopted EITF Issue No. 00-21. We have elected to adopt EITF Issue No. 00-21 for all revenue arrangements entered into on or after July 1, 2003. Based on this guidance, 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.

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 the customers 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 the 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 costs or market value.

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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, 2005, the U.S. branch's net assets amounted to approximately \$ 80 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.

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. If market information relating to comparable companies is available, the results of income approach are compared with the fair value under the market approach to determine the reasonableness of the valuation resulting from the income approach. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. Under the market approach, we estimate the fair value based on market multiples of revenues or earnings for comparable companies. 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

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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 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, 2005 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.

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, 2005 are as follows:

Name	Age	Position
Azim H. Premji	59	Chief Executive Officer, Chairman of the Board and Managing Director (designated as Chairman)
Dr. Ashok Ganguly	69	Director
B.C. Prabhakar	68	Director
Dr. Jagdish N. Sheth	66	Director
Vivek Paul	46	Vice Chairman of the Board and Executive Officer
Narayanan Vaghul	68	Director

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Prof. Eisuke Sakakibara	63	Director
P.M. Sinha	64	Director
Suresh C. Senapaty	48	Chief Financial Officer, and Executive Vice President-Finance
Pratik Kumar	39	Vice President, Human Resources
Suresh Vaswani	45	President, Wipro Infotech
Vineet Agrawal	43	President, Wipro Consumer Care & Lighting
Ranjan Acharya	47	Vice President, Human Resources Development
Tamal Dasgupta	54	Corporate Vice President & Chief Information Officer
Girish S. Paranjpe	47	President-Finance & Insurance, Wipro Technologies
Sudip Banerjee	45	President-Enterprise Solutions, Wipro Technologies
Dr. A.L. Rao	56	President-Telecom Solutions

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Name	Age	Position
Ramesh Emani	48	President-Embedded & Product Engineering Solutions, Wipro Technologies

Azim H. Premji has served as our Chief Executive Officer, Chairman of the Board 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 one of our directors since January 1999. Since April 2003, Dr. Ganguly has served as the Chairman of ICICI OneSource Ltd, a business process outsourcing company, and, since September 2003, as the Chairman of ABP Pvt Ltd, a media and publishing company. From August 1996 to March 2003, he served as the Chairman of ICI India Limited, a manufacturing company. Dr. Ganguly also currently serves as a Director on the Central Board of the Reserve Bank of India and Hemogenomics Pvt Ltd. He is also a non-executive Director of British Airways plc, Mahindra & Mahindra Ltd., ICICI Knowledge Park Ltd. and Tata AIG Life Insurance Co. Ltd. More recently, Dr. Ganguly was appointed as a member of India's Prime Minister's Council for Trade and Industry as well as a member of the Government of India's Investment Commission. Dr. Ganguly holds a B.S. in Chemistry from Bombay University and a Master of Science, or M.S. and a Doctor of Philosophy degree, or Ph.D. from the University of Illinois.

B.C. Prabhakar has served as one of our directors since February 1997. He has practiced law in his own firm since April 1970. Mr. Prabhakar holds a Bachelor of Arts, or B.A. in Political Science and Sociology and an LL.B. from Mysore University in India.

Dr. Jagdish N. Sheth has served as one of our directors since January 1999. He has been a professor at Emory University since July 1991. Dr. Sheth has also been a director of Norstan, Inc., a manufacturing company, since September 1995, and of Pac West Telecomm, a telecommunications company, since July 1999. Dr. Sheth is also on the boards of Cryo-Cell International Inc., a blood stem cell bank, and Shasun Chemicals & Drugs Limited, a pharmaceutical company. Dr. Sheth holds a Bachelor of Commerce, or B. Com from Madras University in India, and a Master of Business Administration, or M.B.A. and a Ph.D. in Behavioral Sciences from the University of Pittsburgh.

Vivek Paul has served as one of our directors, Vice Chairman of the Board and Executive Officer of Wipro Technologies since July 1999. From January 1996 to July 1999, Mr. Paul was General Manager of Global CT Business at General Electric, Medical Systems Division. From March 1993 to December 1995, he served as President and Chief Executive Officer of Wipro GE Medical Systems Limited. Mr. Paul holds a Bachelor of Engineering or B.E. from the Birla Institute of Technology and Science, Pilani in India, and an M.B.A. from the University of Massachusetts, Amherst.

Narayanan Vaghul has served as one of our directors since June 1997. He has been Chairman of the Board of ICICI Bank Limited since September 1985. Mr. Vaghul is also on the boards of Mahindra & Mahindra Ltd., Mahindra Industrial Park Limited, Air India Limited, Air India Transport Services Limited, Air India Engineering Services Limited, Nicholas Piramal India, Ltd., Technology Network (India) Pvt. Ltd, Himatsingka Seide Limited, Apollo Hospitals Enterprise Limited and Asset Reconstruction Company (India) Limited. Mr. Vaghul is also the Chairman of the Compensation Committee of Mahindra & Mahindra Ltd. and Nicholas Piramal India Ltd. Mr. Vaghul holds a B. Com. in Banking from Madras University in India.

Prof. Eisuke Sakakibara has served as one of our directors since January 2002. He has been a Professor of Economics in Keio University of Japan since 1999. After working with the Ministry of Finance, Government of Japan since 1965, he was posted as Economist, International Monetary Fund in 1971, and was a visiting Associate Professor of Economics at Harvard University. He has also served as Director-General, International Finance Bureau, Japan

between 1995 and 1997. In 1997, he became the Vice Minister of Finance for International Affairs, Japan. Prof. Sakakibara holds a B.A. in Economics from the University of Tokyo and a Ph.D. in Economics from the University of Michigan.

Priya Mohan Sinha became a director of our company on January 1, 2002. He has served as the President of PepsiCo International South Asia, since 1995 and as 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. Mr. Sinha was also Chairman of Stepan Chemicals Limited between 1988 and November 1992 and on the Boards of Brooke Bond India Limited, Lipton India Limited, Indexport Limited and Lever Nepal Limited. Currently, he is also on the Boards of ICICI Bank Limited, Lafarge India, Indian Oil Corporation Limited, Azim Premji Foundation Pvt. Ltd. and is

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Chairman, Bata India Limited. Mr. Sinha holds a B.A. from Patna University and he has also attended Advanced Management Program in the Sloan School of Management, Massachusetts Institute of Technology.

Suresh C. Senapaty has served as our Chief Financial Officer and Corporate 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 Corporate 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 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 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.

Tamal Dasgupta has served as Corporate Vice President and Chief Information Officer since March 2000. Mr. Dasgupta holds a B.Com. from Calcutta University and is a Fellow Member of the Institute of Chartered Accountants of India, and has completed CPA from Maryland, U.S.

Girish S Paranjpe has served as President Finance & Insurance 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-Telecom & Internetworking Solutions Vertical 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 & 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.

Compensation

Director Compensation

Our 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 \$ 45.85 (Rs. 2,000) 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 Ganguly receives approximately \$ 18,340 (Rs. 800,000) per year.
2. Narayanan Vaghul receives approximately \$ 18,340 (Rs. 800,000) per year.

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3. Prof. Eisuke Sakakibara receives approximately \$ 40,000 (Rs. 1,744,800) per year.
4. Dr. Jagdish N. Sheth receives approximately \$ 25,000 (Rs. 1,090,500) per year.
5. P. M. Sinha receives approximately \$ 22,925 (Rs. 1,000,000) per year.
6. B. C. Prabhakar receives approximately \$ 9,170 (Rs. 400,000) per year.
In the fiscal year ended March 31, 2005, we paid an aggregate of \$ 133,775 (Rs. 5,835,300) as commission to our non-employee directors.

Executive Compensation

The annual compensation of our executive directors is approved by the 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 the 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, 2005 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 (3)
Azim H. Premji	\$ 61,076	\$ 404,590	\$ 36,107	\$ 19,194
Vivek Paul	459,999	1,185,638		11,909
Pratik Kumar	71,010	32,465		1,228
Suresh C. Senapaty	101,931	56,814		3,324
Vineet Agrawal	128,193		12,819	1,404
Sudip Banerjee	88,543	42,113		9,592
Girish S. Paranjpe	88,634	44,402	7,879	979
Tamal Dasgupta	71,245	31,251	459	1,249
Dr. A.L. Rao	95,693	45,895		2,681
Ranjan Acharya	70,093	31,407		5,702
Suresh Vaswani	99,847	47,857	4,401	5,027
Ramesh Emani	102,516	44,636		2,040

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1. Azim H. Premji and Vivek Paul were paid commissions at the rate of 0.1% and 0.3% respectively, on our net profits 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 their 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 2005.

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3. The figure includes a subsidy of \$ 4,808 to Azim H. Premji, for interest payments on his independent housing loan.

Long Term Compensation

Name	Deferred benefits(1)(2)	No. of Equity Share/ADS Options Granted during the year	Grant Price	No. of RSU/ADS RSUs granted	Grant price	Expiration Date
Azim H. Premji	\$ 70,858					
Vivek Paul	69,000			75,000*	0.04	October 2010
Pratik Kumar	7,939			12,000	0.04	October 2010
Suresh C. Senapaty	11,675			12,000	0.04	October 2010
Vineet Agrawal	8,282			12,000	0.04	October 2010
Sudip Banerjee	11,136			14,000	0.04	October 2010
Girish S. Paranjpe	10,969			14,000	0.04	October 2010
Tamal Dasgupta	8,051			8,000	0.04	October 2010
Dr. A.L. Rao	10,360			14,000	0.04	October 2010
Ranjan Acharya	8,146			10,000	0.04	October 2010
Suresh Vaswani	10,543			14,000	0.04	October 2010
Ramesh Emani	10,737			14,000	0.04	October 2010

* Represents ADS RSUs.

1. Deferred benefits payable to other 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.

Deferred benefits, in the case of Mr. Vivek Paul, are comprised of our contribution to a Deferred Compensation Plan. We have a Deferred Compensation Plan in place, and a Participation Agreement with Mr. Paul. Contributions made by us under this Deferred Compensation Plan are managed by an irrevocable Trust whose trustees are appointed by us under a Trust Agreement. Wells Fargo NA has been appointed as a Trustee of the Trust. We make a contribution of 15% of the base salary of Mr. Paul to the Trust and Mr. Paul is also eligible to contribute up to 15% of his base salary and up to 100% of his commission under the Deferred Compensation Plan to the Trust. The Trust will make payouts upon compliance with specific conditions prescribed in the Plan and related agreements.

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 fund for their benefit. These contributions are included in this column.

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2. In addition to the deferred benefits indicated above, we are also required by Indian law to pay a one time only lump sum of \$ 8,023 (Rs. 350,000) as a gratuity payment for each of our employees, other than Mr. Paul, at the time of separation, death, disability or retirement, subject to complying with certain conditions.

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, 2005, we had eight 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 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 and Vivek Paul are non-retiring directors.

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

Name	Expiration of current term of office	Term of office
Azim H. Premji	July 30, 2007	2 years and seven months
Vivek Paul	July 25, 2009	5 years
Dr. Jagdish Sheth	Annual General Meeting 2006	Retirement by rotation
Dr. Ashok Ganguly	Annual General Meeting 2005	Retirement by rotation
B. C. Prabhakar	Annual General Meeting 2007	Retirement by rotation
N. Vaghul	Annual General Meeting 2007	Retirement by rotation
Prof. Eisuke Sakakibara	Annual General Meeting 2005	Retirement by rotation
P. M. Sinha	Annual General Meeting 2006	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, 2004 and 2005. 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, 2005. 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.

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The terms of our employment arrangements with Azim H. Premji, Vivek Paul, Pratik Kumar, Suresh C. Senapaty, Vineet Agrawal, Suresh Vaswani, Sudip Banerjee, Tamal Dasgupta, Dr. A.L. Rao, Sudip Banerjee, 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.

Our employment arrangement with Vivek Paul also provides that if his employment with us is terminated for reasons other than legal, ethical or company policy violations, we will pay a severance payment equal to twenty-four months base salary plus benefits payable for that period. The severance payment is payable in monthly installments consistent with our established payroll policies over a twenty-four month period following the date notice of termination is served. These payments will cease if Mr. Paul obtains new employment within the twenty-four months. Further, upon termination of service for reasons other than legal, ethical or company policy violations, Mr. Paul shall be entitled to continued vesting for a specified number of shares awarded to him under the Wipro Equity Reward Trust. Mr. Paul must exercise his right to receive these shares within three months from the date of his termination.

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 Director's and Officer's 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 objective of our Audit Committee is to monitor and provide effective supervision of our financial reporting process with a view towards ensuring accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting. Our Audit Committee oversees the work carried out in the financial reporting process by our management, including our internal auditors and our independent registered public accounting firm and reviews the processes and safeguards employed by each. In addition, our Audit Committee has the responsibility of oversight and supervision over our system of internal control over financial reporting, audit process and process for monitoring the compliance with related laws and regulations. Our Audit Committee recommends to our shareholders the appointment of our independent registered public accounting firm and reviews and approves the scope of our annual audits, fees to be paid to the independent registered public accounting firm, the performance of our independent auditors and our accounting practices. 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 four meetings during our 2005 fiscal year. Our Audit Committee has adopted a charter. The charter is filed as Exhibit 99.3 to this Annual Report, and is available under the investor relations section on our website at www.wipro.com. See Item 18 of this Annual Report for the report of the Audit Committee.

Compensation and Benefits Committee

The Compensation and Benefits Committee of our Board of Directors, which was formed in 1987, determines the salaries, benefits for our employees, directors and senior officers, and administers the stock option grants issued by our company. The Compensation and Benefits Committee also administers our compensation plans. The Compensation and Benefits Committee is comprised of the following three non-executive directors:

Mr. N. Vaghul	-	Chairman of the Compensation and Benefits Committee
Messrs. P. M. Sinha and B. C. Prabhakar	-	Members of the Compensation and Benefits Committee.

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Our Compensation Committee held four meetings during our 2005 fiscal year. Our Compensation Committee has adopted a charter. The charter is filed as Exhibit 99.4 to this Annual Report, and is available under the investor relations section on our website at www.wipro.com.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee of our Board of Directors, which was formed in 2002, develops and recommends our Board a set of corporate governance guidelines applicable to our company, implements the policies and processes relating to corporate governance principles and the self evaluation process for our Board and Committees, ensures that appropriate procedures are in place to assess Board membership needs and recommends potential director candidates to our Board of Directors. The Nomination and Corporate Governance Committee is comprised of the following three non-executive directors:

Mr. Ashok Ganguly	-	Chairman of the Nomination and Corporate Governance Committee
Messrs. N. Vaghul and P.M. Sinha	-	Members of the Nomination and Corporate Governance Committee

Our Nomination and Corporate Governance Committee held one meeting during our 2005 fiscal year. Our Nomination and Corporate Governance Committee has adopted a charter. The charter is filed as Exhibit 99.5 to this Annual Report, and is available under the investor relations section on our website at www.wipro.com.

Employees

As of March 31, 2005, we had over 46,500 employees, including over 24,400 IT professionals. 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.

Our human resources department is centralized at our corporate headquarters in Bangalore and functions across all of the 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 from 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 current 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 a seven 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 & 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.

Table of Contents***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, 2005, for each director and executive officer, the total number of equity shares, ADSs and options to purchase equity shares and ADSs exercisable within 60 days from March 31, 2005. 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, the number of equity shares and equity shares underlying ADSs exercisable within 60 days from March 31, 2005. The number of shares presented in the table below also reflects the adjusted figure from our 2-for-1 stock dividend approved by our shareholders in June 2004. 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 31, 2005, for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York which, was Rs.43.62 per \$ 1.00. The share numbers and percentages listed below are based on 703,570,522 equity shares outstanding as of March 31, 2005.

Name	Equity Shares beneficially owned	Percentage of Equity Shares Beneficially Owned	Equity Shares Underlying Options Granted	Grant Price (\$)	Date of expiration
Azim H. Premji (1)	584,893,630				
Vivek Paul			45,000	18.49	August 2006
			54,000	13.7917	October 2006
			75,000	12.1333	February 2008
	132,200	*	75,000	0.04	October 2010

B. C. Prabhakar (2)	1,500	*
Dr. Jagdish Sheth		
Dr. Ashok Ganguly		
N. Vaghul		
Prof. Eisuke Sakakibara		
P. M. Sinha		

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Name	Equity Shares beneficially owned	Percentage of Equity Shares Beneficially Owned	Equity Shares Underlying Options Granted	Grant Price (\$)	Date of expiration
Suresh C. Senapaty	44,250	*	7,200	14.16	June 2006
			15,000	12.11	February 2008
			2,700	13.79	October 2006
			12,000	0.04	October 2010
Pratik Kumar	12,750	*	4,500	14.16	June 2006
			12,000	12.11	February 2008
			2,250	13.79	October 2006
			12,000	0.04	October 2010
Vineet Agrawal	51,460	*	4,500	14.16	June 2006
			26,250	12.11	February 2008
			12,000	0.04	October 2010
Suresh Vaswani	56,242	*	9,800	8.29	September 2005
			5,850	14.16	June 2006
			15,000	12.11	February 2009
			14,000	0.04	October 2010
Sudip Banerjee	30,400	*	5,850	14.16	June 2006
			10,800	12.11	February 2009
			1,800	13.79	October 2006
			14,000	0.04	October 2010
Girish S. Paranjpe	5,450	*	5,850	14.16	June 2006
			15,000	12.11	February 2009
			2,250	13.79	October 2006
			14,000	0.04	October 2010
Dr. A.L. Rao	78,830	*	6,750	14.16	June 2006
			9,000	12.11	February 2009
			2,700	13.79	October 2006
			14,000	0.04	October 2010
Tamal Dasgupta	4,200	*	2,700	14.16	June 2006
			8,400	12.11	February 2009
			900	13.79	October 2006
			8,000	0.04	October 2010

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Name	Equity Shares beneficially owned	Percentage of Equity	Equity Shares	Grant Price (\$)	Date of expiration
		Shares Beneficially Owned	Underlying Options Granted		
Ranjan Acharya			3,600	14.16	June 2006
			9,000	12.11	February 2009
	22,900	*	10,000	0.04	October 2010
Ramesh Emani			6,750	14.16	June 2006
			12,000	12.11	February 2009
			2,700	13.79	October 2006
	38,500	*	14,000	0.04	October 2010

* Represents less than 1% of the shares.

(1) Includes 163,129,500 shares held by Hasham Traders (a partnership), of which Mr. Premji is a partner, 162,508,500 shares held by Prazim Traders (a partnership), of which Mr. Premji is a partner, 162,122,400 shares held by Zash Traders (a partnership), of which Mr. Premji is a partner, 20,521,500 shares held by Napean Trading Investment Co. Pvt. Ltd., of which Mr. Premji is a director, 26,897,100 shares held by Regal Investments Trading Co. Pvt. Ltd., of which Mr. Premji is a director, 20,820,300 shares held by Vidya Investment Trading Co. Pvt. Ltd., of which Mr. Premji is a director, 717,300 shares held jointly by Mr. Premji and members of his immediately family and 155,500 shares held by the Azim Premji Foundation (I) Pvt. Ltd. Mr. Premji disclaims beneficial ownership, the 155,500 shares held by the Azim Premji Foundation (I) Pvt. Ltd.

(2) The shares are jointly held with an immediate family member of Mr. Prabhakar.

OPTION PLANS**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 6,000,000 ADSs, representing 6,000,000 equity shares (as adjusted for corporate action from time to time), are currently reserved for issuance pursuant to the plan.

Our Compensation and Benefits Committee appointed by our Board of Directors administers 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.

The 2004 ADS unit plan does not allow for the transfer of units and only the participant may exercise a unit during his or her lifetime. The vesting period for the units 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 units granted under the 2004 ADS unit plan will be determined by the committee.

The 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

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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.

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 6,000,000 equity shares (as adjusted for corporate actions from time to time) are currently reserved for issuance pursuant to the plan.

Our Compensation and Benefits Committee appointed by our Board of Directors administers 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.

The 2004 unit plan does not allow for the transfer of units and only the participant may exercise a unit during his or her lifetime. The vesting period for the units 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 units granted under the 2004 unit plan will be determined by the committee.

The 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. The 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, the 2000 ADS option plan will terminate automatically in September 2010. A total of 4,500,000 ADSs, representing 4,500,000 equity shares (as adjusted for corporate actions from time to time), are currently reserved for issuance under the 2000 ADS option plan. All options under the 2000 ADS option plan will be exercisable for ADSs. Either our Board of Directors or a committee of our Board of Directors administers the 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 the 2000 ADS option plan, provided that no such action may affect any ADS previously issued and sold or any option previously granted under the 2000 ADS option plan.

The 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 the 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 the 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 the 2000 ADS option plan may not exceed ten years. The 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

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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. The 2000 stock plan became effective on September 15, 2000, and unless terminated sooner, the 2000 stock plan will terminate automatically on September 15, 2010. A total of 75,000,000 equity shares (as adjusted for corporate actions from time to time) are currently reserved for issuance pursuant to the 2000 stock plan. All options under the 2000 stock plan will be exercisable for our equity shares.

Our Compensation and Benefits Committee appointed by our Board of Directors administers the 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 the 2000 stock plan, provided that no such action may adversely affect the rights of any optionee under the 2000 stock plan.

The 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 the 2000 stock plan will be determined by the committee. The term of options granted under the 2000 stock plan may not exceed six years.

The 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. The 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, the 1999 stock plan will terminate automatically on July 28, 2009. A total of 15,000,000 equity shares (as adjusted for corporate actions from time to time) are currently reserved for issuance pursuant to the 1999 stock plan. All options under the 1999 stock plan will be exercisable for our equity shares.

Our Compensation and Benefits Committee appointed by our Board of Directors administers the 1999 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 the 1999 stock plan, provided that no such action may adversely affect the rights of any optionee under the 1999 stock plan.

The 1999 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 the 1999 stock plan will be determined by the committee. The term of options granted under the 1999 stock plan may not exceed six years.

The 1999 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.

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

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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. As of March 31, 2005, the WERT holds 4,007,880 of our outstanding equity shares in its own name and holds 115,323 of our outstanding equity shares jointly in the names of the WERT and participating employees, including 61,350 shares not yet jointly registered in the names of the WERT and participating employees.

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, 2005, of each person or group known by us to own beneficially 5% or more of our outstanding equity shares.

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 options that are currently exercisable or exercisable within 60 days of March 31, 2005 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 703,570,522 equity shares outstanding as of March 31, 2005.

Name of Beneficial Owner	Class of Security	Number of Shares beneficially held as of	
		March 31, 2005	% of Class
Azim H. Premji (1)	Equity	584,893,630	83.13
Hasham Traders	Equity	163,129,500	23.19
Prazim Traders	Equity	162,508,500	23.10
Zash Traders	Equity	162,122,400	23.04

- (1) Includes 163,129,500 shares held by Hasham Traders (a partnership), of which Mr. Premji is a partner, 162,508,500 shares held by Prazim Traders (a partnership), of which Mr. Premji is a partner, 162,122,400 shares held by Zash Traders (a partnership), of which Mr. Premji is a partner, 20,521,500 shares held by Napean Trading Investment Co. Pvt. Ltd., of which Mr. Premji is a director, 26,897,100 shares held by Regal Investments Trading Co. Pvt. Ltd., of which Mr. Premji is a director, 20,820,300 shares held by Vidya Investment Trading Co. Pvt. Ltd., of which Mr. Premji is a director, 717,300 shares held jointly by Mr. Premji and members of his immediately family and 155,500 shares held by the Azim Premji Foundation (I) Pvt. Ltd. Mr. Premji disclaims beneficial ownership of the 155,500 shares held by the Azim Premji Foundation (I) 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, 2005, are held by approximately 15,164 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.

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Currently, 6.31% 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, OCBs and 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

The following financial statements and the Auditor's Report appearing under item 18 in this Annual Report for the fiscal year ended March 31, 2005 are incorporated herein by reference:

Report of the independent registered public accounting firm;

Consolidated Balance Sheet as of March 31, 2004 and 2005;

Consolidated Statements of Income for the years ended March 31, 2003, 2004 and 2005;

Consolidated Statements of Stockholders' Equity and comprehensive income for the years ended March 31, 2003, 2004 and 2005; 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, which is incorporated herein by reference.

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 years ended March 31, 2002 and 2003, we paid cash dividends of Rs. 0.33 and Rs. 0.33 per equity share respectively. For the year ended March 31, 2004, we paid a final dividend of Rs. 1.33 per equity share and a one time

dividend of Rs. 8.34 per equity share. 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.

Our Board of Directors has approved a stock dividend, commonly known as an issue of bonus shares in India, which is subject to the approval of our shareholders. The proposed stock dividend is expected to be submitted to our shareholders for approval at our annual general meeting which is scheduled to be held on July 21, 2005. If approved, the stock dividend to be declared is one equity

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share for every one equity share outstanding on the record date and one ADS for every one ADS outstanding on the record date. The stock dividend, if approved, will not affect the ratio of ADSs to equity shares, such that each ADS after the stock dividend will continue to represent one equity share of par value of Rs. 2 per share.

The Board of Directors has, subject to the approval of the shareholders at the forthcoming Annual General Meeting in July 2005, recommended a final dividend of Rs. 5 (\$ 0.11) per equity share for the year ended March 31, 2005. This dividend will be payable to the shareholders who are on the records of the Company as of the opening hours of July 1, 2005.

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. During the year, pursuant to the approval of our Board and shareholders, we de-listed our equity shares from The Cochin Stock Exchange Ltd., Bangalore Stock Exchange Limited, The Stock Exchange-Ahmedabad and The Delhi Stock Exchange Association Ltd., in India. 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, 2005, we had 703,570,522 issued and outstanding equity shares. As of March 31, 2005, there were approximately 15,674 record holders of ADRs evidencing 10,288,425 ADSs (equivalent to 10,288,425 equity shares). As of March 31, 2005, there were approximately 98,198 record holders of our equity shares listed and traded on the Indian Stock Exchanges.

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 June 2004 are re-stated to reflect the stock dividend issued by the Company in June 2004 in the ratio of 2:1.

Fiscal Year ended March 31,	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 (\$)
2005	777.00	400.00	17.81	9.17	774.80	396.00	17.76	9.07	25.70	11.61

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2004	620.33	263.75	14.29	6.08	623.33	265.80	14.36	6.12	19.80	6.09
2003	625.00	354.33	13.15	7.45	625.00	354.33	13.15	7.45	13.43	7.41
2002	655.00	255.00	13.78	5.37	658.00	253.00	13.84	5.32	14.67	5.66
2001	1973.00	431.67	41.52	9.08	1974.67	442.33	41.55	9.31	22.81	10.35
Quarter Ended										
March 31, 2005	765.00	625.00	17.54	14.33	760.00	610.35	17.42	13.99	25.10	19.62
December 31, 2004	777.00	597.00	17.81	13.69	774.80	593.10	17.76	13.59	25.70	18.90
September 30, 2004	611.50	481.20	14.02	11.03	611.80	470.00	14.03	10.77	19.14	14.75
June 30, 2004	558.00	400.00	12.79	9.17	570.00	396.00	13.07	9.07	17.01	11.61